

The Planning Institute of Jamaica's Review of Economic Performance, October–December 2024 Media Brief February 19, 2025

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 contraction in Real Value Added of **1.8%** for the October–December 2024 quarter, relative to the corresponding quarter of 2023. The estimated out-turn for the review quarter largely reflected the impact of the lingering effects of Hurricane Beryl from the previous quarter, coupled with Tropical Storm Rafael and other hydrological events during the review quarter. Combined, these shocks negatively impacted the performance of the Electricity & Water Supply, Agriculture, Forestry & Fishing, and the related Wholesale and Retail trade; Repair and Installation of Machinery & Equipment industries. Additionally, challenges faced by some airlines to provide adequate air seats to and from Jamaica stymied the performance of the Hotels & Restaurants and Other Services industries

A further contraction in output was tempered by:

1. high levels of employment, which strengthened domestic demand for some goods and services, and
2. increased Business and Consumer confidence associated with favourable perceptions about current conditions, and prospects for expansion in business and job opportunities.

2. Real Sector Developments

Developments in the Goods Producing Industry

The Goods-Producing Industry is estimated to have contracted by **4.7%**, due to lower output in all four industries, namely Agriculture, Forestry & Fishing; Mining & Quarrying; Manufacturing; and Construction.

Agriculture

Real Value Added for the **Agriculture, Forestry & Fishing** industry was estimated to have declined by **12.0%**. This downturn reflected a decline in hectares reaped by 8.2%, and lower output per hectare for 7 of 9 domestic crop groups. The downturn was the result of damage to crops, as well as delays in reaping and replanting caused by the series of hydrological events.

The industry's performance was due to lower output in all sub-components of the industry, with the exception of Animal Farming. The Other Agricultural Crops component was estimated to have contracted by 5.2%, reflecting lower production in seven of the nine crop groups, led by: Plantains, down 46.6%; Cereals, down 19.1%; Condiments, down 12.2%; Legumes, down 12.1%; and Vegetables, down 8.5%.

Lower output was also recorded for Traditional Export Crops, which fell by 45.9%, largely due to reduced production of Cocoa, down 62.2%; Coffee, down 24.2%; and Banana, down 47.7%. Due to a late start of the crop season, there was no sugarcane production during the review quarter, relative to 18.6 kilo tonnes produced during the corresponding quarter of 2023.

Post-Harvest Activities were estimated to have contracted by 25.8%, largely reflecting decreases in coffee and cocoa production.

A further decline in the industry was tempered by increased output in the Animal Farming component, which was estimated to have grown by 5.9%, due to higher broiler meat production, up 10.2% which outweighed a 17.3% reduction in egg production.

Mining & Quarrying

Real Value Added for the **Mining & Quarrying** industry declined by an estimated **3.2%**, reflecting a fall in alumina and crude bauxite production. The Quarrying

component also declined, reflecting a downturn in production of most industrial minerals.

Alumina production, was down by 1.5% due to reduced demand. The alumina capacity utilization rate decreased to 38.4%, down 0.6 percentage points, compared with the corresponding quarter of 2023.

Crude Bauxite production fell by 21.2%. Consequently, the bauxite capacity utilization rate decreased to 25.8%, down 6.9 percentage points.

For the Quarrying sub-industry, seven of the ten industrial minerals categories, recorded declines. The most significant absolute declines were recorded for Sand & Stone, down by 240.5 kilo tonnes to 19.4 kilo tonnes, and Pozzolan, for which there was no production, relative to 65.8 kilo tonnes in the corresponding quarter of 2023.

Manufacturing

The **Manufacturing** industry was estimated to have contracted by **0.7%**, stemming from lower output in the Other Manufacturing sub-industry, which outweighed an estimated growth in the Food, Beverages & Tobacco sub-industry.

The contraction in the Other Manufacturing sub-industry, reflected lower production in the Petroleum Products sub-industry. This was largely attributed to a reduction in the Refinery Service Factor, as the Refinery was closed for 39 days during the review quarter, relative to 32 days in the corresponding quarter of 2023. Data revealed that lower production was recorded for four of the six products surveyed, including Liquid Petroleum Gasoline, down 43.5%, Other Petroleum Products, down 38.6%; Turbo Fuel, down 16.6%; and Fuel Oil, down by 11.5%.

The growth in the Food, Beverages & Tobacco sub-industry reflected higher production for: Rum & Alcohol, up 2.8%, Edible Oils, up 2.9%; Poultry Meat, up 9.3% and Condensed Milk, up 58.3%. A further expansion was stymied by no production of sugar and molasses, and lower production of Dairy Products and Edible Fats.

Construction

Real Value Added for the **Construction** industry was estimated to have contracted by **2.1%**, reflecting an estimated downturn in both the Building Construction, and Other Construction components of the industry. The industry's performance reflected a real decline in sales of construction-related inputs.

The fall-off in the Building Construction component was due mainly to the performance of the residential category, reflected in a 19.0% downturn in housing starts by the NHT. Additionally, the total value of mortgages disbursed by the NHT declined by 24.2% to \$6.2 billion.

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

1. National Works Agency, which disbursed \$1.4 billion, relative to \$4.9 billion in the corresponding quarter of 2023. The fall in expenditure reflected the winding down of roadwork activities associated with the South Coast Highway Improvement Project (SCHIP), as well as the impact of hydrological events, which hindered ongoing work, and
2. JPS, which disbursed \$3.4 billion, down from \$4.8 billion in the corresponding quarter of 2023. Disbursements during the quarter included expenditure on the repair and re-installation of electricity generation and distribution infrastructure.

A further contraction in the Other Construction component was tempered by increased disbursement by NROCC, which disbursed \$2.8 billion, up 34.9%

relative to the corresponding quarter of 2023. Expenditure during the review period was primarily for the Montego Bay Perimeter Road and the Southern Coast Highway Improvement Project (SCHIP).

Developments in the Services Industry

The Services Industry was estimated to have contracted by **0.7%**, relative to the corresponding quarter of 2023, reflecting lower Real Value Added for five of the eight industries. Producers of Government Services was estimated to have remained flat.

Electricity & Water Supply

The **Electricity & Water Supply** industry was estimated to have recorded a decline in Real Value Added of **1.4%**, due to lower electricity consumption.

Electricity consumption fell by 2.2%, due to lower consumption in all six categories.

Reduced sales were recorded for:

- Residential, down 1.1%
- General Service (small businesses using less than 25 kilovolt ampere – kVa), down 2.0%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), down 2.5%
- Large Power (Businesses using more than 500 kVa), down 2.2%,
- Largest Power (single locations with a minimum peak demand of 2000 kVa), down 6.6%, and
- Street Lighting & Traffic Signals, down 0.3%.

In contrast to the decrease in electricity consumption, water consumption increased by 2.0%, due to higher water consumption in the Eastern Division, up 3.0% and the Western Division, up 0.1%.

Transport, Storage & Communication

Real Value Added for **Transport, Storage & Communication** grew by **1.0%**, due to higher levels of activities in the Communication component of the industry. This out-turn was largely driven by increases in telephone and subscriber television services.

The Transport & Storage component is estimated to have declined. A downturn in Air Transport reflected a reduction in Total Passenger Movement by 2.7%, due to Departures, down 3.2% and Arrivals, down 1.9%. The fall in air travel stemmed from a 2.3% decrease in Aircraft Movement.

Maritime Transport was also estimated to have declined. This was the result of a 5.6% reduction in total cargo movement, and a 5.0% decrease 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 contracted by **1.2%**, due to lower sales recorded for four of the eight categories in real terms, including:

- Wholesale & Repair of Household Goods & Office Equipment, down 15.6%;
- Hardware, Building Supplies and Electrical Goods and Machinery, down 7.4%
- Minerals, Fuels, Lubricants and Petroleum Products, down 7.3%, and
- Retail Sale of Pharmaceuticals, Medical Goods & Cosmetics, down 2.4%.

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 revenue at deposit-taking institutions earned from net interest income and fees and commission. This was supported by high levels of employment and increases in both Business and Consumer Confidence, up 7.3% and 0.2% respectively.

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry was estimated to have contracted by **2.5%**. Preliminary data for the quarter revealed that stopover arrivals decreased by 1.6%. Visitor arrivals to the island continue to be negatively impacted by the impact of a fall in airlifts due to supply-side issues with Boeing; two travel advisories issued during 2024; and to a lesser extent, industrial disputes which halted operations at some hotels.

Total Visitor Expenditure was estimated to have fallen by 2.1% to US\$1.1 billion during the quarter.

GDP Performance: January–December 2024

For calendar year 2024, Real Value Added was estimated to have contracted by **0.9%**. This reflected lower Real Value Added for both the Goods Producing Industry, down **2.3%** and the Services Industry, down **0.3%**. Within Goods-Producing, all industries recorded lower output levels, led by Agriculture, Forestry & Fishing, down 3.4% and Construction, down 2.8%. For the Services industry, all industries declined with the exception of Electricity & Water Supply; Transport, Storage & Communication; Finance & Insurance Services and Hotels & Restaurants.

Employment Update....

Regarding the Employment Update, the October 2024 Labour Force Survey undertaken by the Statistical Institute of Jamaica (STATIN) represents the fourth report since the new series began. Recall that STATIN indicated that the January 2024 Labour Force Survey (LFS) represented a break in the data series, to incorporate the recommendations from the 19th, 20th and 21st International Conferences of Labour Statisticians of the International Labour Organization.

Consequently, the October 2024 labour force data is not comparable with the report for the corresponding period of 2023. Notwithstanding, the highlights of the October 2024 labour market survey are as follows:

- The unemployment rate was 3.5%, with Male unemployment rate at 2.6% and Female unemployment rate at 4.5%.
- The youth unemployment rate was 11.0%, with Male youth unemployment at 8.9% and Female youth unemployment at 13.7%.
- The employed labour force stood at 1,417,000 as at October 2024. Males accounted for 768,500 or 54.2% of the employed labour force with Females at 648,400 (45.8%).
- The unemployed labour force was 51,300 persons as at October 2024.

3. Short-Term Economic Outlook: January – March 2025 and Fiscal Year 2024/25

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

1. An expectation that the economy will return to growth during the January-March 2025 quarter. This performance will be supported by
 - Continued growth in the economies of Jamaica's main trading partners, which augurs well for increased external demand
 - Higher domestic demand stemming from increased employment levels,
 - Increased economic activities, spurred by higher levels of Business and Consumer confidence, as firms continue to invest to meet higher domestic and external demand. and
 - Continued recovery in the industries that were most significantly impacted by the hydrological events is expected to reduce the drag on growth.

Preliminary data on the Mining & Quarrying industry for January 2025 indicate that Total Bauxite Production grew by 3.8% reflecting the combined impact a 20.0% increase in Crude Bauxite Production and a 6.2% decline in Alumina Production. For the Hotels & Restaurants industry, preliminary data on airport arrivals for January 2025 showed that there was a decline of 1.0% relative to January 2024.

The downside risks to this positive outlook include:

1. Plant down-time, due to relatively aged equipment in major industries
2. Slow implementation of capital projects, 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 final quarter of fiscal year 2024/25. For the January to March 2025 quarter, growth is projected to be within the range of **0.1% to 1.0%**. However, for Fiscal Year 2024/25 the economy is expected to contract within the range of **0.5% to 1.5%**.

4. Conclusion

In summary, preliminary data indicate that the Jamaican economy contracted, largely reflecting the negative impact of losses and damages suffered as a result of several hydrological events on productive activities. With Jamaica recording at least two consecutive quarters of economic contraction, there has been some attention given to the concept of whether the country is currently experiencing an economic recession. Let me provide some clarity on the issue. In economics, a recession is defined as a contraction in the business cycle and can be described as a significant slowdown in economic activity. Generally, as a rule of thumb, it is considered that two consecutive quarters of decline in a country's seasonally adjusted real GDP represents a recession. The primary reason for using seasonal adjustment is to remove fluctuations in economic data which typically repeats annually, revealing cyclical and trend movements in the economy. Seasonally

adjusted GDP estimates therefore removes recurring patterns such as weather changes or holidays that affect economic activity, making it easier to observe underlying GDP growth trends across consecutive quarters. For example, retail sales rise each December, due to Christmas shopping. The purpose of seasonal adjustment is to remove systematic calendar-related variation associated with the time of the year which would remove any biases in making a comparison with the previous quarter. Seasonally adjusted GDP is therefore useful in determining how an economy is performing within a year and identifying any underlying trends, for example an emerging recession. It allows for a fair comparison across different quarters within the same year. This data is produced by STATIN and released each quarter. Year-on-Year GDP comparisons as analysed and reported on by the PIOJ, BOJ and international economic institutions are more suited for assessing the overall direction of an economy over a longer term. It is used to analyse economic performance across years, and consequently, provides useful information on how a country has been performing over time.

The use of GDP alone to determine a recession has its shortfalls, as echoed by most macro-fiscal institutions (IMF, World Bank etc). Economic analysts have progressively taken a more comprehensive view of a recession, which is that a focus on GDP alone is insufficient, and it is often better to consider a wider set of measures of economic activity, to determine whether a country is indeed experiencing a recession. Specifically, economic indicators such as (but not limited to) income, employment and fiscal health should be taken into consideration to reflect a more comprehensive view of whether or not a country is facing a recession. A recession is usually accompanied by a steady rise in job losses and a significant increase in unemployment.

Notably, three criteria are usually used to assess whether or not an economy is in recession, these are:

- 1) Depth – that is, how sharp is the contraction in economic activity,

- 2) Diffusion – that is, how widespread is the decline across industries and economic actors (consumers, businesses and government), and
- 3) Duration – that is, how long is the decline in the macroeconomic indicators. Macroeconomic indicators such as GDP (gross domestic product), employment, real income, real sales, etc. are considered.

With this definition in mind and the three criteria articulated, is Jamaica in a Recession?

Looking at GDP, the most widely used economic indicator, the official data from the Statistical Institute of Jamaica (STATIN) shows a decline in seasonally adjusted Real Value Added at Constant Prices – Quarter on Quarter in the April–June and July–September 2024 quarters. This suggests that the Jamaican economy satisfied one of the criteria for a recession. There are some industries which have reported a contraction and operators within these industries would be experiencing challenges. For example, the Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM) industry has been negatively impacted by the downturn in both the Agriculture, Forestry & Fishing and Hotels & Restaurants industries. The WRTRIM industry accounts for the largest share of GDP (approximately 17.0 % as at September 2024) and is the single largest employer of labour (at 18.7% as at October 2024). This implies that operators in the industry, for example, Micro and Small Businesses, would have experienced more challenges than operators in other industries that continued to grow. Note however, that employment in the WRTRIM industry continued to increase during the period, increasing by 100 persons in July 2024 relative to April 2024 and by a further 400 persons in October 2024 relative to July 2024.

The primary reasons for these quarterly contractions were the shocks to the economy, as a result of Hurricane Beryl in July 2024 and the subsequent hydrological events, including Tropical Storm Rafael in November 2024. Given the

nature of these shocks, it is likely that the impact will be temporary and will be reversed in the near term.

Examining official data from STATIN on Jamaica's Unemployment rate, another widely used economic indicator of a recession, we get a different picture. The unemployment rate for October 2024 is 3.5%, and employers have also lamented challenges/shortages in filling some vacant positions. This suggests that despite the temporary contraction in output, the labour market continues to remain robust and may be considered a lead indicator of a return to growth in the short term. This is also supported by the most recent data on Business and Consumer Confidence levels which indicate positive sentiments by both consumers and businesses regarding current and future economic prospects.

It is therefore the PIOJ's assessment that the Jamaican economy, though facing a downturn in economic output, is not in a recession. However, there remain significant challenges due to hydrological shocks reflected largely in the fallout in tourism, Electricity & Water Supply and Agriculture, Forestry & Fishing. Based on the most recent data and information available, the PIOJ is projecting that the economy will return to positive output performance (growth) in the January-March 2025 quarter. We will continue to monitor and track developments in the economy and will update our assessment as new data becomes available.

Another key development, which the PIOJ is keenly tracking, is the potential impact of the measures being implemented by the new United States Administration. We can agree that it is too early to determine impact as the precise nature and magnitude of these changes are still being announced/rolled out. However, these new US policies may have a significant impact on Jamaica, particularly in areas such as trade, foreign aid and immigration.

With respect to **Trade** – The United States is Jamaica's largest trading partner, and changes in US trade policies can directly affect Jamaica's economy. The

potential imposition of tariffs would have an adverse impact on domestic inflation as well as Jamaica's export performance, as competitiveness could be eroded. With respect to **Foreign Aid and Assistance** – the United States foreign aid programs, play a role in supporting Jamaica's development efforts.

Effective January 20, 2025, the US instituted a 90-day pause on all foreign aid pending a review, following the issuance of an Executive Order. This has impacted the implementation of programmes in Jamaica, supported by US foreign development assistance.

With respect to **Immigration Policies** – Changes in US immigration policies will impact Jamaican citizens, especially those seeking to work, study, or live in the United States. Tighter immigration controls can reduce opportunities for Jamaicans.

With regard to **Climate and Health Policies** – The US' withdrawal from international climate and health bodies and/or agreements (Paris Agreement and WHO) may affect global initiatives that Jamaica participates in, potentially impacting environmental and health-related projects.

And finally, with respect to **Economic Impact** – policies of the new US administration may have a direct impact on Jamaica's economy. For example, policies that influence household employment, incomes and overall economic stability may affect the flow of remittances from the United States.

The Planning Institute will continue to closely monitor these developments and assess the likely effects on the economy as soon as the measures are fully implemented.

In closing, I want to recognize the very dedicated and hard-working team here at the PIOJ. I encourage us all to 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.

Thank You