



# Review of Economic Performance January–March 2014

Planning Institute of Jamaica

May 15, 2014

# Overview

## January to March 2014

- Real GDP grew by an estimated **1.6%** for January–March 2014 relative to the similar period of 2013.
  - Goods Producing Industry increased by **5.6%**
  - Services Industry grew by **0.3%**

# Real Value Added Growth in the Goods Producing Industries (%)

	Jan-Mar 2013	Apr-Jun 2013	Jul-Sep 2013	Oct-Dec 2013	Jan-Mar 2014
<b>GOODS PRODUCING</b>	-4.5	-0.7	2.5	5.0	<b>5.6</b>
Agriculture	-11.3	-6.3	5.9	13.1	<b>18.0</b>
Mining & Quarrying	-8.8	6.6	6.4	12.1	<b>8.0</b>
Manufacture	-1.8	0.0	-0.7	-0.8	<b>-0.3</b>
Construction	0.6	2.1	2.1	2.6	<b>0.5</b>

# Agriculture

- Real Value Added for the Agriculture industry grew by **18.0%**, based on PIOJ's production index:
  - Other Agricultural Crops, up **14.7%**
    - Eight of the nine crop groups within this category recorded increases. Plantains – up 198.7 per cent, Potatoes – up 35.5 per cent & Fruits up 25.1 per cent
  - Traditional Export crops, up **61.5%** reflecting:
    - Higher output for Bananas , up **231.6 %** to Pre-Hurricane Sandy levels
    - Cocoa, up **260.8 %**
    - Sugarcane, up **12.8 %**
- This performance largely reflected recovery from adverse weather conditions which prevailed during January to March 2013:
  - The effects of Hurricane Sandy
  - Drought conditions

# Mining & Quarrying

- Real Value Added grew by 8.0%. Total bauxite production increased by 2.8% reflecting the combined effect of:
  - Higher alumina production by 11.4%
    - Average capacity utilization rate at alumina refineries increased by 4.5 percentage points to 43.4 per cent
  - Lower crude bauxite production down 6.2%
    - the bauxite capacity utilization rate decreased by 5.9 percentage points to 89.6 per cent
- This was due to increased demand globally and reflected:
  - Higher production at WINDALCO's Ewarton and JAMALCO plants

# Manufacture Industry

- Real Value Added was estimated to have declined by **0.3%** reflecting:
  - Other Manufacturing (down 2.0%) reflecting:
    - declines in three of the six Petroleum Products subcategories which outweighed increases in:
      - Cement, up 21.0% & Fertilizer, up 0.8%
  - Food, Beverages & Tobacco, up 0.9%
    - Increased output was recorded for :
      - Sugar, up 7.3%
      - Molasses, up 36.9%
      - Poultry Meat, up 5.7%

# Construction

- Real Value Added in the Construction industry grew by **0.5%**, reflecting:
  - An estimated increase in Building Construction evidenced by growth in the non-residential component due to increased hotel construction projects.
  - The Other Construction component declined reflecting reduced capital expenditure by:
    - National Works Agency – which disbursed \$499.0 million compared with \$2.2 billion in 2013
    - National Water Commission – down 33.6% to \$3.1 billion

# Real Value Added Growth in the Services Industries (%)

	Jan-Mar 2013	Apr-Jun 2013	Jul-Sep 2013	Oct-Dec 2013	Jan-Mar 2014
<b>SERVICES INDUSTRY</b>	-0.1	-0.1	-0.1	0.7	<b>0.3</b>
Electricity & Water Supply	-3.0	-2.0	-3.5	1.0	<b>0.4</b>
Transport, Storage & Communication	0.6	-0.9	0.2	1.1	<b>0.5</b>
Wholesale & Retail Trade; Repair & Installation of Mach.	0.0	-0.2	-0.1	0.0	<b>0.2</b>
Finance & Insurance Services	0.7	0.7	0.3	0.4	<b>0.3</b>
Real Estate, Renting & Business Services	0.4	0.2	0.3	0.3	<b>0.3</b>
Government Services	-0.1	-0.2	-0.2	-0.2	<b>-0.2</b>
Hotels & Restaurants	-2.2	0.6	0.7	5.5	<b>0.4</b>
Other Services	-0.2	-0.1	-0.5	1.1	<b>0.5</b>



# Electricity & Water

- Real value added for the Electricity & Water industry grew by **0.4%** due to:
  - Water production, up **0.9%** largely reflecting increased rainfall:
    - 5.3% increase in production in the Western division
    - 1.8% decline in production in the Eastern division
  - Electricity consumption, grew by **0.9%** reflecting:
    - Large Power (Businesses using more than 500kVa) up, 2.0% to 149.6 million kWh
    - Residential, up 0.4% to 237.6 million kWh

# Transport, Storage & Communication

- Real Value Added in Transport, Storage & Communication grew by **0.5%**, due largely to estimated improvement in the two major components:
  - The Communications component is estimated to have grown consequent on increased competition and lower call rates.
  - Transport & Storage grew due to:
    - A 1.8 per cent increase in air passenger movements
    - Maritime Cargo movements (up 0.1 per cent to approximately 4.0 million tonnes), reflecting a 15.8% increase in activities at the Port of Kingston

# Finance & Insurance Services

- The real value added for the Finance & Insurance Industry grew by an estimated **0.3%**, reflecting the combined effect of:
  - A real increase in the value of total assets at deposit-taking institutions
  - An increase in net interest income on loan stock at deposit-taking institutions.

# Wholesale & Retail Trade: Repair and Installation of Machinery (WRTRIM)

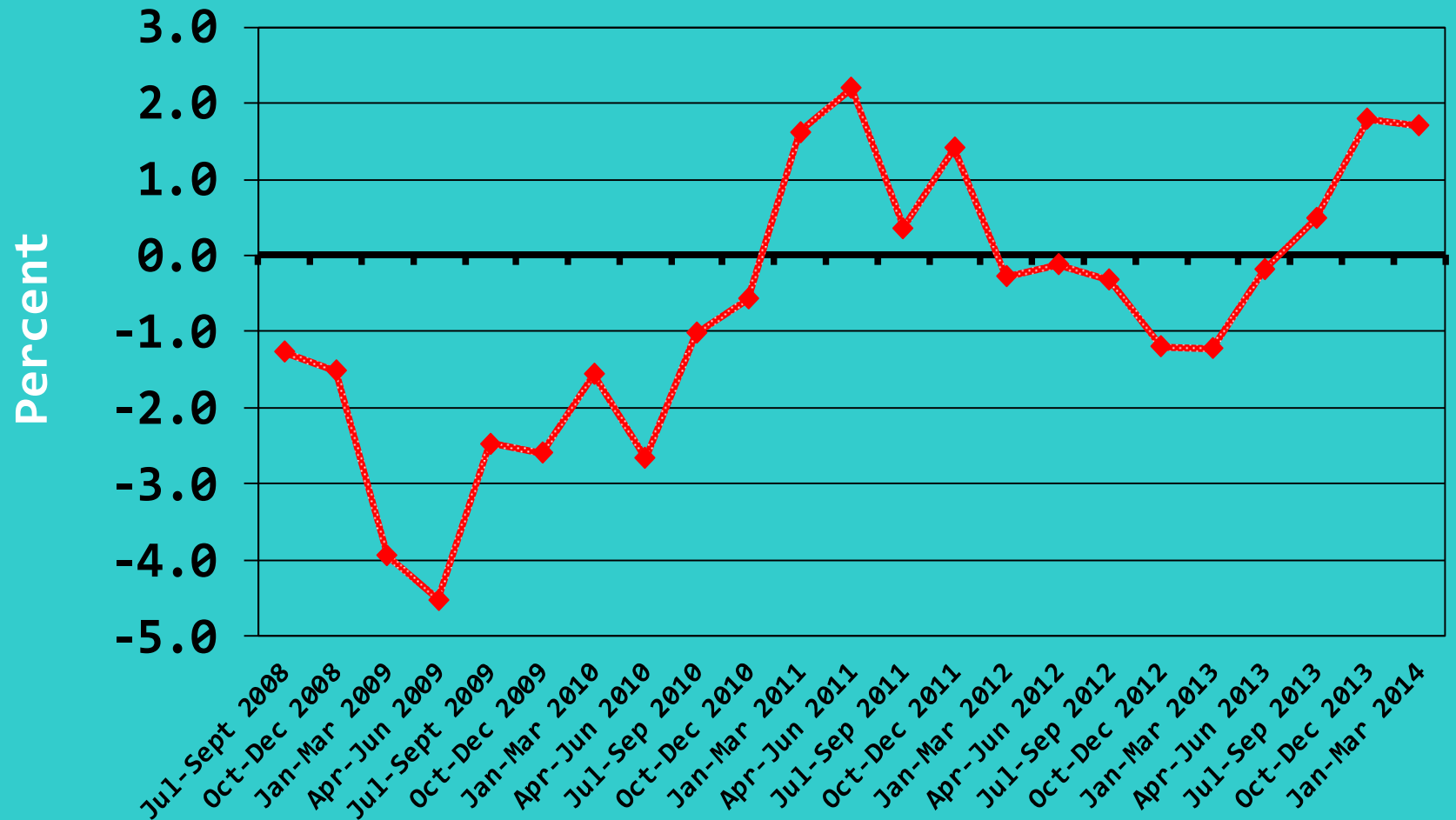
- Real Value Added in the WRTRIM industry grew by **0.2%** due to:
  - Higher levels of domestic demand
  - An increase in the outstanding stock of loans to consumers
  - Eight of the sixteen categories accounting for 67.6% of total sales, recorded increased gross sales
- The industry's growth was also supported by
  - Increase in the volume and value of ABM and POS transactions by 12.7% and 14.7% respectively
  - A real increase in remittance inflows for January 2014 (up 7.5 per cent)

# Tourism

- Real Value Added for Hotels & Restaurants grew by **0.4%**
- Stopover arrivals, grew by an estimated 0.2%
- Cruise visitor arrivals, decreased 5.3%

# Quarterly Real Value Added Growth (%) 2008–2014

## GDP Chart

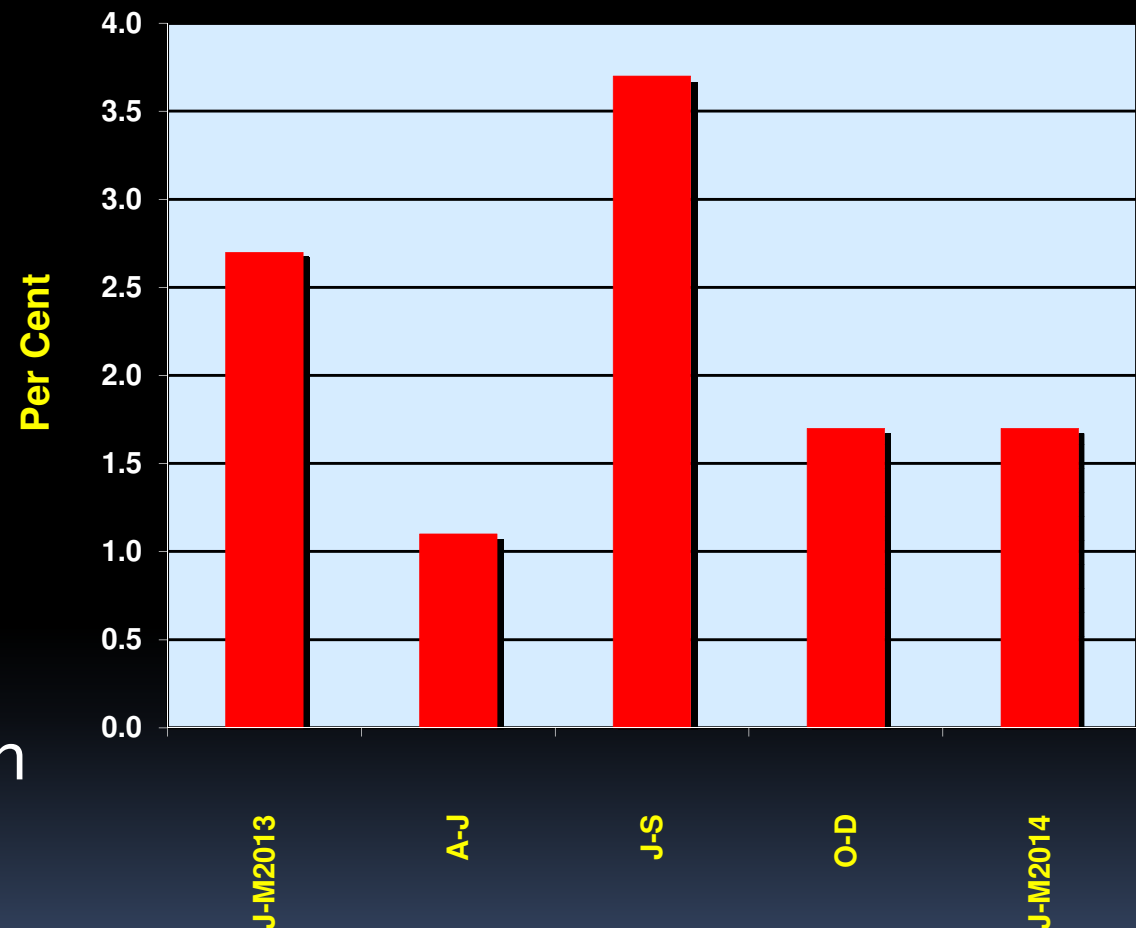


# The Macroeconomic Environment

- This performance during the quarter took place against the background of:
  - Quarterly inflation rate of 1.7%
  - Fiscal surplus of 21.4 billion
  - Real depreciation of the exchange rate

# Inflation by Quarters 2013-2014

- For January–March 2014 inflation was **1.7%**
- For fiscal year 2013/14 inflation rate was **8.3%**





# Inflation: Main Components

- Inflation during the quarter largely reflected increases in:
  - Housing, Water, Electricity, Gas & Other Fuels (up 3.8%)
  - Food & Non-Alcoholic Beverages ( up 1.0%)
  - Miscellaneous Goods & Services (up 2.6%)
- Prices were pushed mainly by:
  - Increased cost for international crude oil
  - Higher global corn prices
  - Increase in the national minimum wage in January
  - The depreciation of the Jamaican dollar for January to March 2014

# Fiscal Accounts

- A fiscal surplus of **\$21.4 billion** was recorded during the quarter
  - This was **\$4.6 billion** higher than budgeted due to:
    - **\$0.7 billion** (0.6 per cent) higher than programmed revenue
    - **\$3.9 billion** (3.7 per cent) lower than programmed expenditure
- Revenue & Grants totalled **\$122.4 billion** in January–March 2014, while expenditure totalled **\$101.0 billion**

# Exchange Rate

- The average nominal exchange rate at the end of March 2014 was **\$109.57 per US\$1.00**, representing **2.9%** nominal depreciation compared with end of December 2013.
  - This translates into a real exchange rate depreciation of 2.6% relative to the US dollar

# External Trade

- External Trade Balance improved by US\$76.9 million to a deficit of **US\$327.3 million** at the end of January 2014.
  - Imports for the month declined by **20.8 per cent** to **US\$441.9 million**
    - Mineral Fuel imports accounted for **31.2%** of total imports.
  - Exports for the period declined by **25.3 per cent** to **US\$114.6 million**

# Remittances

- Remittance inflows for January 2014 amounted to **US\$158.2** million, up **2.7%** relative to the corresponding period of 2013.
- For the first ten months of fiscal year 2013/14 remittance inflows declined by **2.3%** to **US\$1 730.6** million.

# Labour Market Indicators

	2013				2014
	January	April	July	October	January
Labour Force	1,297,600	1,322,500	1,309,700	1,304,800	1,305,500
Employed Labour Force	1,110,000	1,107,400	1,108,100	1,110,700	1,130,500
Unemployed Labour Force	187,500	215,100	201,600	194,000	175,100
Outside the Labour Force	777,300	753,700	768,000	774,300	775,000
Unemployment Rate (%)	14.5	16.3	15.4	14.9	13.4

# Labour Market Indicators

- ❖ Total employed labour force increased by 20 500 persons to 1 130 500 compared with January 2013.
- ❖ The unemployment rate for January 2014 was 13.4 per cent compared with 14.5 per cent in January 2013.

# Short-term Prospects & Developments

- Short-term prospects for the overall economy are generally positive based on continued improvements in:
  - Agriculture (Continued good weather & increased production from Agro Parks)
  - Construction
  - Mining & Quarrying
  - Hotels & Restaurants due to an expected increase in visitor arrivals for Spring Break relative to 2013
- This will be counterbalanced by contractions in:
  - Producers of Government Services
- Downside Risks
  - Effect of fiscal consolidation on the implementation of major projects
  - Beginning of the Hurricane season



# Tourism

## April 2014

- Provisional data indicate:
  - Airport arrivals increased by 5.4% in April 2014
  - Cruise passenger arrivals increased by 44.8%

# Growth

## April–June 2014

- Real GDP outturn is projected to fall within the range of 0.5% to 1.5% during April–June 2014 vis-à-vis April–June 2013.