The Planning Institute of Jamaica's Review of Economic Performance, January–March 2019
Media Brief
May 22, 2019

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. In the case of Jamaica, the PIOJ releases the preliminary growth estimate approximately six weeks following the end of the quarter being reviewed. 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.

STATIN's data on GDP represents the official data on economic performance, therefore all preliminary estimates previously provided are updated to reflect the data provided by STATIN. So for example, for the preliminary estimate presented today, the actual data will be released by STATIN at the end of June 2019, at which time the estimates being provided today will be updated.

Today, we are reporting that real Gross Domestic Product (GDP) for the Jamaican economy grew by an estimated 1.5 per cent in the January to March 2019 quarter compared with the corresponding quarter of 2018.

The positive out-turn for the January to March 2019 period largely reflected the impact of:

1. Increased external demand from Jamaica's main trading partners, which supported increased exports of some goods and services, particularly tourism and alumina;
2. Increased domestic demand pushed by an increase in employment, as well as business and consumer confidence.

The increases in external and domestic demand was facilitated by:

a. The expansion in hotel room stock, air seat capacity and flight frequency, which facilitated growth in stopover visitor arrivals;
b. Higher capacity utilization, especially in the Mining & Quarrying industry;
c. An uptick in loans and advances to the private sector; and
d. Major infrastructure works, including road rehabilitation and expansion projects; the construction and renovation of hotels, and residential and commercial buildings.

2. Real Sector Developments

Developments in the Goods Producing Industry

The Goods Producing Industry **grew by an estimated 1.8 per cent** with all industries, with the exception of Manufacturing, registering growth. This performance largely reflected the impact of increased demand, improved weather conditions and increased capacity utilization.

Agriculture

The Agriculture, Forestry & Fishing industry grew by an estimated **0.2%**. The performance of the industry was facilitated by the improved performance of *Other Agricultural Crops* which increased by 2.7%. There were increases in seven of the nine crop groups, including: Condiments, up 8.6 %; Potatoes, up 7.2%; Legumes, up 4.2%; Yams, up 3.9%; and Fruits, up 3.6%.

Further growth was constrained by a contraction in Traditional Export crops, down 8.8%. This reflected declines in three of the four export crop groups, namely:

- Sugar Cane, down 12.9%;
- Banana, down 7.1%; and
- Coffee, down 21.2%.

Sugar Cane production was impacted by illicit cane fires, a shortage of cane cutters and haulage equipment, which combined, resulted in inadequate throughput of sugar cane, which caused factory downtime. Factory operation was also impacted by mechanical issues. Coffee production continued to be negatively impacted by the Coffee Leaf Rust disease, and market uncertainty. Lower banana production reflected the impact of dry weather conditions during the review quarter.

Mining & Quarrying

Real Value Added for the Mining & Quarrying industry grew by an estimated **10.0%.** This was due to an increase in *Alumina* production, which outweighed a decline in *Crude Bauxite* production.

Alumina production was 12.7% higher, stemming from increased capacity utilization. This was reflected in an increase in the average capacity utilization rate at alumina refineries, by 7.8 percentage points to 69.7%.

Crude bauxite production declined by 7.0% due to a contraction in demand from third party customers. The average bauxite capacity utilization rate decreased by 4.5 percentage points to 59.6%.

Manufacturing

Real Value Added for the Manufacturing industry is estimated to have **contracted by 0.8%,** reflecting a downturn in the *Other Manufacturing* component, which outweighed an estimated growth in the *Food, Beverages & Tobacco* component.

In the Other Manufacturing category, lower output stemmed from an estimated decline in both the Chemical & Chemical Products and Petroleum Products categories. Lower petroleum production was led by:

- LPG, down 71.6%
- Turbo Fuel, down 65.1%;
- Automotive Diesel Oil, down 41.5%; and
- Fuel Oil, down 13.5%.

The decline in the Chemical & Chemical Products category was due to, Fertilizer production, down 54.1%, and Aluminium Sulphate, down 22.2%.

With respect to *Food, Beverages and Tobacco*, higher levels of output was recorded for Poultry meat, up 3.3%; Edible Fats, up 2.1%; and Carbonated Beverages, up 8.7%.

Construction

Real Value Added for the Construction industry **grew by an estimated 3.5%,** reflecting increased activity in both the *Building Construction* and *Other Construction* components.

Growth in the *Building Construction* component was due to an increase in Residential and Non-Residential Construction, reflecting:

- An increase of 186.8% in Housing Starts by the NHT to 4 337 units; and
- An increase in the volume (up 10.5%) and value (up 18.3%) of mortgages disbursed by the NHT.

The estimated growth in the *Other Construction* component was facilitated by higher capital expenditure recorded by:

- National Works Agency, which disbursed $6.4 billion on the construction and rehabilitation of roads, relative to $3.0 billion in the corresponding quarter of 2018; and

- Jamaica Public Service which disbursed $1.8 billion relative to $1.7 billion.

Developments in the Services Industry

The Services Industry was estimated to have **grown by 1.5%** reflecting real value added growth in all industries, with the exception of Producers of Government Services which remained flat.

Electricity & Water Supply

Electricity & Water Supply recorded estimated growth of **2.1%** in real value added, due to increased electricity and water consumption.

Electricity consumption grew by 2.3% reflecting higher levels of consumption by the categories:

- Residential, up 2.5%
- General Service (small businesses using less than 25 kilo volt ampere (kVa), up 1.6%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 3.1%
- Large Power (businesses using more than 500 kVa), up 9.9%

- Largest Power (single location, with peak demand of 2000 kVa), up 1.1%.

These increases were mitigated by a decline in the Street Lighting category, down 19.8%, which largely reflected the energy saving effects of the increased use of LED bulbs for this purpose.

Water consumption increased by 0.7%, reflecting increased consumption in the Western division, up 4.7%, which outweighed a decline in the Eastern division of 1.5%.

Transport, Storage & Communication

Real Value Added for the Transport, Storage & Communication industry grew by an estimated **1.5%.** This resulted from an increase in the Transport & Storage component, due largely to higher levels of activities at the island's sea and airports, specifically:

- Maritime transport activities, reflecting higher cargo movement at the
    - Outports, up 10.5%
    - Port of Kingston, up 10.7%

- Growth in the air transport component, largely reflecting increased total passenger movement up 11.4%, due to Departures (up 12.4%) and Arrivals (up 11.9%).

Finance & Insurance Services

Real Value Added for the **Finance & Insurance Services** industry was estimated to have grown by **0.9%** during the review quarter, reflecting increases in the net interest income on the stock of loans and advances, and fees and commission income.

WRTRIM

Real Value Added in the **Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM)** industry is estimated to have grown by **1.3%** due to higher levels of domestic demand facilitated by:

- Increased activities in the Construction Industry
- an increase in the employed labour force by 28 600 persons
- increased Consumer Confidence (up 13.5%) and Business Confidence (up 10.8%)
- an increase in the outstanding stock of loans and advances to distributors by Commercial Banks.

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry grew by an estimated 7.0**%,** largely reflecting increased foreign national arrivals from Jamaica's primary source market, the USA. Total stop-over arrivals increased by 13.3% to 708 297 visitors, largely reflecting foreign national arrivals, up 13.4%**.**

Total Visitor expenditure is estimated to have grown by 11.5% to **US$945.0 million,** of which stop-over visitor expenditure increased by 13.0% to US$880.9 million.

Employment Update….

Based on the Labour Force Survey undertaken by the Statistical Institute of Jamaica (STATIN) for the month of January 2019, the unemployment rate was **8.0%.** This was 1.6 percentage points lower than the rate recorded in January 2018. This out-turn also represented the lowest unemployment rate on record. The number of persons employed increased by **28 600 persons** relative to January 2018. There was an **increase** in the labour force by **8 400 persons** to 1 340 200 persons due to the following factors:

- A natural decrease in the working age population by 600 persons, that is, there were 600 less persons within the age group 14 years and older
- A decline of 9 000 in the number of persons outside the labour force. The main reasons cited for this decrease were:
  - 13 000 less persons indicated that they ‘Did Not Want Work’
  - 7 800 less persons indicated that they were ‘At School Part-time’
  - 6 100 less persons indicated that they were ‘Incapable of Work’
  - 700 less persons indicated that they were ‘Pregnant’.

The total number of employed persons as at January 2019 stood at 1 232 700. An examination of the employed labour force by industry group revealed that eleven of the sixteen industry groups recorded higher employment levels. The largest increases in employment levels were recorded in:

- Real Estate Renting & Business Activities (up 9 600 persons)
- Hotels & Restaurants (up 8 000 persons)

- Wholesale & Retail Trade (up 6 500 persons) and
- Mining & Quarrying (up 3 300 persons).

GDP Performance: Fiscal Year 2018/19

For FY2018/19, real GDP is estimated to have grown by **1.9%.** The Goods Producing Industry is estimated to have grown by **4.7%** while the Services Industry by **1.0%.** The industries which are estimated to have recorded the largest growth during the fiscal year were Mining & Quarrying (up 28.5%); Agriculture, Forestry & Fishing (4.1%); Construction (up 3.5%); and Hotels & Restaurants (up 3.1%).

3. Short Term Economic Outlook: April–June 2019 & FY2019/20

For **April–June 2019**, growth prospects for the economy are generally positive based on the anticipated strengthening of the performance of most industries, relative to the similar quarter of 2018. Baseline economic growth is expected to be in the range of **1.0% to 2.0%,** and will be supported by growth in:

- Construction – reflecting the anticipated increase in housing starts, non-residential building construction, as well as, increased civil engineering activities associated with road construction and rehabilitation.

- Hotels & Restaurants – reflecting growth in foreign national arrivals, facilitated by increased room stock as a result of the expansion of existing properties and the construction of new hotels. Preliminary data indicate that airport arrivals increased by 13.1% for the month of April.
- Mining & Quarrying – reflecting growth in alumina production due to higher capacity utilization, particularly at the Alpart Refinery. For the month of April, alumina production increased by 11.5%.

The growth projection for **FY2019/20** is within the range of **1.0%–2.0%**. The economy's short-term performance is predicated on increased demand from both external and domestic sources. With regard to external demand, Jamaica is expected to benefit from the improved performance of the global economy, which is projected to grow by 3.3%, and in particular our main trading partner, the US economy, which is projected to grow by 2.3%. Domestic demand will be boosted by the anticipated year-on-year growth in employment.

The main drivers of growth in the Goods Producing Industry are expected to be:

- Agriculture, Forestry & Fishing – driven by continued improvement in productivity, primarily in Other Agricultural Crops.
- Mining & Quarrying – reflecting increased capacity utilization as a result of increased global demand for aluminium. However, the pace of growth is expected to normalise given the cycling-out of the impact of the reopening of the Alpart Plant. This forecast also factors in possible production disruptions as planned upgrades of the refinery at Alpart are implemented.
- Construction – pushed by increased activities in both the Building and Other Construction components. For Building Construction, increased residential activity will be driven by plans by the NHT to construct 8 640 units, with a total expenditure of $39.4 billion. For Other Construction, the continuation of roadworks that started in the previous fiscal year, as well as new roadworks, which include the start-up of the Southern Coastal Highway Improvement Project (SCHIP), is expected to boost output in this segment of the industry.

Growth in the Services Industry is expected to be driven by:

- Hotels & Restaurants – due to expected increases in visitor arrivals, facilitated by an expansion in hotel room stock, greater flight frequency and passenger load factor.
- Transport – fuelled by growth in both the maritime and air transport components. The movement in maritime should be pushed by increased cargo handled at the island's ports due to higher levels of trade. For the air transport component, higher air passenger movements will drive the improved performance.
- Other Services – this industry is expected to be supported by higher visitor arrivals and the associated increase in the demand for tourist attractions.

UPSIDE POTENTIAL AND DOWNSIDE RISKS

There is upside potential and downside risks to these forecast.

The main **downside risks** to the forecast presented include:

- Plant downtime in the industrial sectors
- Adverse weather conditions, particularly for Agriculture
- Lower than anticipated global growth, especially in the economies of Jamaica's main trading partners
- Spike in commodity prices, in particular crude oil, and

- Crime, and its potential impact on production and productivity.

The pace of economic growth could be enhanced if the following **upside potential** are realised:

- Stronger than anticipated global demand which should augur well for key export industries
- Continued upward trend in employment generation which is expected to spur domestic demand
- Higher than anticipated capacity utilisation rates at major industrial plants and
- Faster than anticipated implementation of strategic growth projects in both the public and private sectors.

4. Vision 2030 Jamaica Update

Today, we take the opportunity to inform you that the 4th Medium Term Socio-Economic Policy Framework, or MTF — the implementation framework under Vision 2030 Jamaica — has been approved by Cabinet and covers fiscal year 2018/19 to fiscal year 2020/21. The MTF is aligned to the vision, goals and national outcomes of Vision 2030 Jamaica – National

Development Plan and allows for a stage by stage operationalization of the long term National Development Plan.

MTF 2018–21 presents the medium-term development priorities, strategies and actions to be pursued under each of the 15 National Outcomes of Vision 2030 Jamaica. It also shows the alignment of the national outcomes and the strategies being pursued with the Sustainable Development Goals (SDGs) and relevant SDG targets to facilitate Jamaica's advancement of Agenda 2030. It is important to note that the implementation of the MTF is undertaken by the public and private sectors, civil society organizations and academia.

Let me share with you the main development results up to the end of the MTF period 2015-2018. For this assessment, measurement of the national development results is against 2018 targets based on latest available data. The overall progress of implementation of Vision 2030 Jamaica – National Development Plan under successive MTFs (2009–2012, 2012–2015 and 2015–2018) has been mixed.

A summary of the progress made under the framework of national outcome indicators and targets for the Vision 2030 Jamaica – National Development Plan indicates that of a total of 67 national outcome indicators monitored under Vision 2030 Jamaica, 61.2 per cent have shown improvement compared with the baseline year 2007 based on data up to December 2018; while 31.3 per cent showed no improvement or worsened relative to the baseline.

This can be further broken down as follows:

- 31.3 per cent of the Vision 2030 Jamaica targets were met or exceeded
- 29.9 per cent of indicators showed some improvement over the baseline year 2007 towards meeting the targets
- 31.3 per cent of indicators showed no improvement or worsened

During the period 2015–2018, Jamaica recorded development gains in several areas. A summary of performance by National Goals shows that:

- The largest development gains were under Goal 3: “Jamaica’s Economy is Prosperous”, followed by Goal 1: “Jamaicans are Empowered to Achieve their Fullest Potential”. With respect to Goal 3, much of the development gains were attributed to improvements in the macro-economy; the tourism and agriculture industries also showed progress with the tourism sector meeting the majority of its targets for 2018; the target for the unemployment rate was also met. Notwithstanding, these successes, the results show lower than targeted rates of economic growth and the need to advance improvements in the ease of doing business and enhancing international competitiveness for our main industry structures. With respect to Goal 1, while there were improvements in indicators such as the human development index, life expectancy, and educational outcomes related to literacy, there were concerns including the increase in the burden of chronic non-communicable diseases (NCDs), the attendance rates at all levels of the educational system and undesirable levels of poverty, particularly rural poverty.

- Goal 2: “The Jamaica Society is Secure, Cohesive and Just” and Goal 4: “Jamaica has a Healthy Natural Environment” are the areas of greatest concern for the country. Under goal 2, the crime rate, and the backlog of cases in the courts remain areas of concern. Notwithstanding, over the period, the country recorded development gains in government effectiveness – with the being met for the first time since the Plan was promulgated in 2009.

These results played a key role in defining the strategic priorities for MTF 2018–2021. MTF 2018–2021 will consolidate the developmental gains made in the previous MTFs and strengthen the foundations for achieving the country's long-term results, taking into account the many opportunities that surround us, the current developmental challenges we are confronted with and the global context. Accordingly, the Medium-Term National Strategic Priorities to be addressed under MTF 2018–2021 are:

1. Human Capital Development
2. Social Protection and Social Inclusion
3. Values and Attitudes
4. Rule of Law and Timely Justice
5. Public Sector Efficiency and Effectiveness
6. Economic Stability, Growth and Employment
7. International Competitiveness
8. Environmental Sustainability and Climate Change Response

These priorities are intended to be translated into a range of initiatives towards advancing the country's development results.

The PIOJ will continue to lead the coordination of the implementation of Vision 2030 Jamaica, including monitoring and evaluation to:

1. identify progress towards planned development outcomes, and
2. assess the strengths and gaps in the approach and the priorities being pursued to advance the achievement of Vision 2030 Jamaica, and report the results to the country on a continuous basis.

5. Conclusion

In closing, the preliminary data presented on performance for the January to March 2019 quarter indicate that the economy has continued to strengthen, recording the seventeenth consecutive quarter of growth. This out-turn if it materializes, would bring the GDP growth rate for FY2018/19 to 1.9%, the strongest fiscal year growth since FY 2006/07.

The Jamaican economy is one characterized by periods of shocks followed by periods of recovery leading to anaemic average growth performance observed over the past decades. This performance was largely associated with natural hazards and other supply-side shocks, which negatively impacted the island. Following on the Growth Inducement Strategy of 2012 and more recently the Economic Growth Council's (EGC's) "Call to Action", the GOJ has taken steps to clearly identify and implement strategic actions to mitigate the impact of these supply side constraints to growth. These actions have begun to bear fruits, but the strong and concerted efforts must continue in order to sustain the gains achieved so far. In the short to medium term, we need to continue the broad-based reform efforts that are fundamental to inducing growth, including:

1. Crime reduction – crime continues to be an impediment to investment and a significant cost to doing business in Jamaica, and adversely affects real GDP growth.
2. Disaster risk reduction and climate change adaptation, given the forecast for increased frequency and intensity of extreme weather events (such as drought, floods, and hurricanes). The roll-out of the Essex Valley irrigation project expected by FY2020/21 will aid in mitigating

drought impacts on Agriculture and therefore assist in stabilizing the supply chain.

3. Deficiencies in human resource capacity and business innovation. The reform of early childhood, primary and secondary level education has been identified as key priorities.
4. Development Approval – An Action Plan was formulated to clear the backlog of development applications and decrease the approval waiting time to 90 days or less (where no Environmental Impact Assessment is required). It is expected that this streamlining could generate stronger rates of GDP growth and
5. Business environment reforms including single form registration – continued focus on the development of online registration of companies and decreasing the time and steps involved in getting electricity.

Other short-term initiatives expected to impact the growth trajectory include:

- Capacity expansion in key industrial sectors (Mining & Quarrying)
- Efforts to strengthen disaster resilience through the protection of the natural environment and the build-out of

the physical structures (roads, bridges, sewage, gullies and other drainage systems

- facilitating the faster implementation of strategic growth projects in both private and public sectors

The prospects for growth in the near term are positive. For our part, maintaining focus and discipline on the efforts to facilitate stronger economic growth is key. In light of the foregoing, the baseline growth projection for FY2019/20 is within the range of 1.0%–2.0%. However, it is important to note that this forecast takes into consideration some downtime in the Mining and Manufacturing sectors. Stronger growth is therefore possible if these anticipated shocks are minimized.

Finally, I want to recognize the very dedicated and hard-working team here at the PIOJ. I encourage us all to maintain the dialogue and continue the collaboration, as we sustain our efforts to make ***Jamaica, the place of choice to live, work, raise families and do business.***

God bless you all.