



The Planning Institute of Jamaica's Review of Economic Performance, January–March 2020 Media Brief, May 27th, 2020

1. Overview – Current Economic Context

The global pandemic stemming from the spread of the novel coronavirus disease 2019 (COVID-19) which was first identified in late 2019, has been significantly impacting lives and livelihoods. The novelty of the virus and its presumed high level of transmission, has led to not only a global health crisis, but also an impending global economic crisis, with multiplier effects already being experienced in all aspects of society. Jamaica, like the rest of the global community has been challenged to develop public policy and other responses to an unprecedented crisis.

At present, there is general consensus within the global community on a generic public health approach of seeking to reduce the spread of the virus, which should aid in “flattening the curve”. This has included varying approaches to testing and contact tracing; appropriate legislative restrictions on the movement of people within and among countries; and deliberate controls on socioeconomic activities, particularly those deemed non-essential for basic day-to-day functioning and/or those which require close physical contact, and interactions within large gatherings. In the case of Jamaica, the country recorded its first confirmed case on March 10, 2020 and has since implemented various measures inclusive of testing, contact tracing, curfews, limits on social gathering and work from home orders, to curb the spread of COVID-19.

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. 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 **contracted by an estimated 1.7 per cent** in the January to March 2020 quarter compared with the corresponding quarter of 2019. This outturn, if it materializes, would have ended an extended period of 20 consecutive quarters of no economic contraction (that is, the economy grew in 19 quarters and remained flat in the October–December 2019 quarter).

The out-turn for January to March 2020 largely reflected the impact of:

1. The implementation of measures to manage the COVID-19 pandemic commencing in mid-March, to include the:
 - closure of international borders to the movement of persons, which curtailed external demand and essentially halted all tourist-related activities
 - implementation of curfews which restricted opening hours of some businesses and adversely impacted the demand for some goods and services

- closure of all schools and the implementation of general stay at home and work from home orders.
2. Lower capacity utilization within the Mining & Quarrying industry, following the temporary closure of Jamaica's largest Alumina refinery in September 2019 to upgrade capacity.
 3. A continued slow-down in construction related activities consequent on the ending of major road infrastructure projects, the slow start-up of new projects, as well as a slowing in building construction activities.

The contraction was partially tempered by an uptick in Agriculture production, as well as increased Manufacturing activities.

2. Real Sector Developments

Developments in the Goods-Producing Industry

The Goods-Producing Industry **contracted by an estimated 1.5 per cent** due to a downturn in the Mining & Quarrying and Construction industries. This performance largely reflected the impact of plant downtime and reduced levels of construction activities. These negative factors outweighed the impact of improved weather conditions on Agriculture, as well as increased capacity utilization in the Manufacturing industry.

Agriculture

The Agriculture, Forestry & Fishing industry grew by an estimated **7.8%**. The performance of the industry was facilitated by more favourable weather conditions, and increases in hectares reaped and output per hectare. The Other Agricultural Crops group was estimated to have grown by 10.8%. There were increases in seven of the nine crop groups, including: Fruits, up 20.9%; Condiments, up 16.9 %; Potatoes, up 15.5%; Other Tubers, up 14.0%; and Yams, up 11.3%.

Animal farming was estimated to have increased, due to higher production of broiler meat, up 6.5% and eggs, up 22.1%. Also, contributing to the performance

of the industry was an estimated improvement in Post Harvest Activities, associated with increased levels of coffee production.

Further growth was constrained by a contraction in Traditional Export Crops, which declined by 7.3%, largely reflecting lower production of sugarcane, which outweighed an increase in coffee production. The lower output of sugarcane largely resulted from the closure of one sugar factory (Golden Grove).

Mining & Quarrying

Real Value Added for the Mining & Quarrying industry contracted by an estimated **37.0%**. This was due mainly to declines in both Alumina and Crude Bauxite production.

Alumina production was down 39.9%, due to the closure of the JISCo Alpart Alumina refinery for upgrade works, as well as lower production at the JAMALCo alumina plant. This was reflected in a decline of 28.4 percentage points to 41.9% in the average capacity utilization rate at alumina refineries.

Crude bauxite production declined by 23.4% due to a contraction in demand from third party customers. The average bauxite capacity utilization rate decreased by 14.4 percentage points to 45.3%.

Manufacturing

Real Value Added for the Manufacturing industry was estimated to have **grown by 2.7%**, reflecting growth in both the Food, Beverages & Tobacco and Other Manufacturing components.

With respect to Food, Beverages and Tobacco, higher levels of output were recorded for Poultry Meat, up 6.8%; Edible Fats, up 13.2%; Edible Oils, up 5.8%; Animal Feeds, up 2.5% and Bakery Products, up 4.3%. With respect to the Beverages, & Tobacco sub-component, growth was recorded for Rum & Alcohol

up 59.2%, Beer & Stout, up 3.2% and Carbonated Beverages, up 2.3%. A further increase in this sub-category was stymied by an estimated contraction in Sugar, down 45.1%; and Dairy Products, down 25.2%.

In the Other Manufacturing category, higher output stemmed largely from increases in the Petroleum Products category. In the Petroleum Products category, increases were recorded for Liquid Petroleum Gas, up 164.5%; Turbo Fuel, up 172.9% and Automotive Diesel Oil, up 153.5%. This was due to the refinery being in operation for all days during the review quarter, relative to being out of operation for 19 days during the January–March 2019 quarter, to facilitate maintenance activities. The sub-industry also benefitted from increased production of Salt, up 20.4% and Fertilizer, up 14.9%, which is consistent with the increase in agriculture output.

Construction

Real Value Added for the Construction industry **fell by an estimated 2.0%**, reflecting a downturn in both the Building Construction and Other Construction components.

The contraction in the Building Construction component was due to a decline in Residential and Non-Residential Construction, reflecting a decrease of 91.2% in Housing Starts by the NHT to 382 units. However, there was an increase in the volume (up 7.1%) and value (up 47.1%) of mortgages disbursed by the NHT.

The estimated downturn in the Other Construction component reflected reduced capital expenditure by institutions such as the Jamaica Public Service, which disbursed \$1.0 billion relative to \$1.8 billion. The contraction was however tempered by increased capital expenditure by:

- National Road Operating & Construction Company (NROCC), which disbursed \$482.4 million on Part A of the South Coast Highway Improvement Project (SCHIP), relative to no expenditure in the corresponding quarter of 2019 and,

- Urban Development Corporation (UDC) which disbursed \$231.94 million, up 265.3%.

Developments in the Services Industry

The Services Industry was estimated to have **contracted by 1.5%**, largely reflecting a downturn in Transportation, Storage & Communication; Hotels & Restaurants; and the Other Services industries. The performance of these industries was negatively impacted by the measures implemented globally and locally to manage the COVID-19 Pandemic, particularly in the areas of air, land and maritime transportation; tourist accommodation; and entertainment services.

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 1.6% reflecting higher levels of consumption by the categories:

- Residential, up 4.6%
- General Service (small businesses using less than 25 kilo volt ampere (kVa), up 4.6%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 2.7%
- Large Power (businesses using more than 500 kVa), up 2.7%.

These increases outweighed declines in the Largest Power (Single locations that have a minimum peak demand of 2 000 kVa.) and Street Lighting & Other categories, down 6.7% and 44.5%, respectively. The downturn in the Street Lighting category partially reflected the energy saving effects of the increased use of L.E.D bulbs for this purpose.

Water consumption increased by 3.9%, reflecting higher consumption in both the Western division, up 2.3%, and the Eastern division, up 4.7%. The growth in Water consumption was facilitated by increased water production, up 4.7%.

Transport, Storage & Communication

Real Value Added for the Transport, Storage & Communication industry contracted by an estimated **2.6%**. This resulted from a decrease in the Transport & Storage component, due largely to lower levels of activities at the island's sea and air ports, specifically:

- Maritime transport activities, reflecting a decline in cargo movement at the
 - Outports, down 0.9%; and
 - Port of Kingston, down 34.0%
- Air transport component, reflecting decreased passenger movements, down 14.4%, due mainly to Departures (down 11.0%) and Arrivals (down 17.8%).

Finance & Insurance Services

Real Value Added for the Finance & Insurance Services industry was estimated to have grown by **1.3%** during the review quarter, reflecting increases in the net interest income on the stock of loans and advances, and fees and commission income.

This industry also benefitted from financial activities associated with the Initial Public Offering (IPO) of Trans-Jamaica Highway, the largest IPO on the Jamaica Stock Exchange, which raised \$14.1 billion during the quarter. This reflects the Government of Jamaica's continued commitment to the divestment of state-owned assets through the market to reduce the debt burden, while simultaneously expanding financial inclusion/access to all Jamaicans.

WRTRIM

Real Value Added in the **Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM)** industry was estimated to have remained flat. This performance was influenced by:

- an increase in the employed labour force by 36 400 persons as at January 2020
- Estimated growth in Agriculture and Manufacturing activities
- the impact of measures associated with the management of the COVID-19 pandemic which reduced operational hours of businesses and restricted the movement of people.

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry contracted by an estimated **13.9%**, largely reflecting an estimated decline in foreign national arrivals during the month of March, associated with the decision to close the borders to air travel to mitigate the spread of COVID-19. For the period January – February 2020, total stop-over arrivals grew by 6.0% to 462 940 visitors. Total Visitor expenditure for the two-month period is also estimated to have increased by 5.9% to **US\$694.64 million**, of which stop-over visitor expenditure increased by 7.2% to US\$656.3 million. However, data on total airport arrivals during the quarter indicate that there was a 17.9% decline during January to March 2020, largely reflecting the impact of the restrictions imposed locally and globally as a result of COVID-19.

Employment Update....

Based on the Labour Force Survey undertaken by the Statistical Institute of Jamaica (STATIN) for the month of January 2020, the unemployment rate was **7.3%**. This was 0.7 percentage points lower than the rate recorded in January 2019. The number of persons employed increased by **36 400 persons** relative to January 2019. There was an **increase** in the labour force by **29 300 persons** to 1 369 500 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, and

- A decline of 29 900 in the number of persons outside the labour force.

An examination of the employed labour force by industry group as at January 2020 revealed that eleven of the sixteen industry groups recorded higher employment levels. The largest increases in employment were recorded for:

- Wholesale & Retail Trade (up 12 600 persons)
- Real Estate Renting & Business Activities (up 8 900 persons) and
- Hotels & Restaurants (up 4 800 persons).

GDP Performance: Fiscal Year 2019/20

For FY2019/20, real GDP is estimated to have grown by **0.1%**. The heavier weighted Services Industry was estimated to have grown by **0.7%**, which outweighed a contraction in the Goods Producing Industry, which declined by 1.4%. The industries which were estimated to have recorded the largest growth during the fiscal year were Finance & Insurance services (up 3.0%); Manufacturing (up 2.8%); and Agriculture, Forestry & Fishing (up 2.4%). These out-turns outweighed declines recorded for Mining & Quarrying (down 22.9%); Construction (down 1.8%); and Hotels & Restaurants (down 1.0%).

3. Short Term Economic Outlook: April–June 2020 & FY2020/21

For **April–June 2020**, growth prospects for the economy are generally negative based on the anticipated impact of the COVID-19 pandemic, which led to a fall in demand for goods and services, amidst the full roll-out of measures to contain the spread of the virus. To date, over 5.5 million COVID-19 cases have been confirmed globally, many of which are from economies of Jamaica's main trading partners. The US, Jamaica's main trading partner, accounts for the majority of the confirmed cases globally, followed by Brazil, Russia and the United Kingdom. This will have significant impact on external demand for Jamaica's goods and services. Measures including the closure of Jamaica's borders to passenger traffic; restrictions on operating hours; as well as physical distancing protocols; have

negatively impacted key drivers of economic activities such as Hotels & Restaurants, Manufacturing, Transportation, Entertainment, and Construction services. Spill-over effects are also expected to be felt in related areas such as Wholesale & Retail Trade and Finance. In addition, the continued contraction in the ***Mining & Quarrying*** industry due to the closure of the JISCo Alpart Alumina refinery in September 2019 will exacerbate the negative impact on economic growth.

The ***Construction industry*** will be negatively impacted due to a downturn in new start-ups, as well as the halting of some ongoing projects during the period. With respect to the ***Electricity & Water industry***, data for April 2020 has indicated that electricity consumption has fallen by 6.0% due to lower electricity sales in all categories, except Residential, which grew by 15.2%. This is partially attributed to the implementation of the daily curfew, 'Work-From-Home' and 'Tan-a-Yuh-Yaad' initiatives during the period. All other customer categories recorded contractions in sales ranging from -11.1% to -45.7%. This out-turn is expected to continue until these initiatives have ended. For the water component, data for April 2020 indicate that consumption increased by 5.8%. This performance can be attributed to a general increase in the use of water for sanitization purposes in both residential and commercial establishments, as well as the stay-at-home protocol which resulted in increased water usage at home.

With respect to ***Tourism activities***, a sharp decline in stop-over and cruise passenger arrivals is anticipated during the April–June 2020 quarter, This sector is therefore expected to record the most severe contraction in activities, in areas including transportation, attractions, entertainment and hotel & restaurant services.

In light of the foregoing, it is projected, as at today, that the economy will **contract within the range of negative 12.0% to negative 14.0% during April – June 2020**. This projection is based on information and expectations to date, which are very fluid and will change as new information becomes available. The extent of the

decline is contingent on how soon the initiatives to boost economic recovery activities become effective in Jamaica and its main trading partners.

For FY2020/21, the key assumptions underpinning current projections for economic performance, are:

- There will be no major second phase outbreak of the COVID-19 pandemic in Jamaica and globally, and that the rate of contagion will remain within manageable bounds of the health sector's capacity.
- There will be a gradual relaxation of measures that restrict the movement of persons, as countries gauge its impact on the spread of the virus.
- There will be lower international and domestic demand associated with an increase in unemployment rates, as some firms will take longer to reopen.
- All schools/educational institutions will resume operations by September 2020.
- There will be a return to growth performance during the January to March quarter of 2021.

The economic projection for **FY2020/21** is for a contraction within the range of **4.0%–6.0%**. The Services Industry will record a significant share of this decline particularly in the Hotels & Restaurants, Other Services, and the Transport, Storage & Communication industries. With regard to external demand, despite no restrictions on merchandise trade movements, Jamaica is expected to be impacted by the downturn in global economic performance, as key trading partners are projected to record contractions in output.

Other anticipated areas of adverse impact during 2020 may include:

- i. Increasing unemployment and underemployment
- ii. Inconsistent or reduced income streams, including revenue and remittance flows
- iii. Risks to standards of living, including ability to consume goods and services

- iv. Risk of poverty. Some families have experienced the reality of a thin line between their employment/job/livelihood and immediate risk of poverty, that is, a significant reduction in their ability to earn and consume goods and services.

We also remind the country to be mindful of the fact that our society is characterized as an ageing population and would therefore be at a greater risk from the effects of COVID-19, given the prevalence of co-morbidities within this segment of the population

UPSIDE POTENTIAL AND DOWNSIDE RISKS

There is upside potential and downside risks to this forecast.

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

1. Slower than anticipated restart of economic activities in key industries due to supply side constraints
2. Adverse weather conditions, particularly on Agricultural activities
3. The advent of a second round of contagion due to the relaxation of measures to contain the spread of COVID-19
4. Slower than anticipated restart of the economies of Jamaica's main trading partners, which will negatively impact external demand, and
5. Increased factory downtime associated with aged production plants, as well as lower commodity prices, which make it unprofitable to produce.

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

1. Stronger than anticipated global demand associated with an early rebound in global economic activities
2. Faster than anticipated recovery of key industries due to the effective channelling of domestic demand to sustain productive activities, especially in the Agriculture, Manufacturing and Hotels & Restaurants industries.

3. Faster than expected recovery in local demand as firms re-hire workers that previously lost jobs or increases in the number of hours for workers, whose hours were previously reduced.
4. Stronger domestic linkages as local firms satisfy local and global demand which were previously fulfilled by the global supply chain.

4. Vision 2030 Jamaica Update

Jamaica's national development planning framework is geared towards the achievement of our national goals and the global goals to which we have committed, and forms the framework for our participation in global agreements and forums on development.

Jamaica remains committed to pursuing the long-term goals, articulated in Vision 2030 Jamaica – National Development Plan. However, in the face of COVID-19, strategic actions required in the medium to long term to realize our goals and maintain that path, will require review and revision. This includes revisiting the development targets up to 2030 and the period/schedule for achieving these planned outcomes and our national development goals. This process has commenced with government-led strategic actions and plans from various sectors, including programme revisions and reviews, in an effort to adapt to the challenges, shocks and risks presented by the global pandemic.

We are not yet in a position to present revised long-term development targets. However, from the PIOJ's preliminary review of the development targets under Vision 2030 Jamaica, it is anticipated that based on projections for the Jamaican and wider global society and economy, there will be slippages in several indicators. These include real Gross Domestic Product (GDP) annual growth rate and nominal GDP per capita; the unemployment rate and poverty prevalence rates. To be noted, prior to the COVID-19 pandemic, Jamaica, in its pursuit of Vision 2030 Jamaica, had entrenched macro-economic stability – evidenced by low unemployment and inflation rates; a declining debt-to-GDP ratio; and seven consecutive years of economic growth. Also, Jamaica has been strengthening its capacity for disease

surveillance, mitigation, risk reduction and the responsiveness of the health system in advancing the achievement of a healthy and stable population, which has served as a key tenet of Jamaica's public health response to COVID-19. However, COVID-19 has demonstrated how quickly a path of growth can be challenged.

Jamaica's capacity to identify the necessary strategic adjustments under Vision 2030 Jamaica will improve as more data, statistics and information become available from research and consultations within partnership frameworks, including the multi-stakeholder committees established by the government to inform the programme of economic recovery.

5. Conclusion

In conclusion, the preliminary data presented on performance for the January to March 2020 quarter indicate that the economy has begun to be impacted by the COVID-19 pandemic and restrictive measures implemented to tackle the pandemic locally and globally, evidenced by an estimated contraction of 1.7%. This outturn would result in an estimated FY2019/20 growth of 0.1%, down from the previous forecast for growth of 0.6%. Going forward, quarterly economic contractions are anticipated, at least for the remainder of calendar year 2020, with a return to growth performance projected for the January to March quarter of 2021. However, the uncertainty regarding the depth (extent of spread of infection) and the duration of the COVID-19 pandemic, poses the main downside risk to this projection. These developments would bring GDP performance for FY2020/21 to a contraction within a range of negative 4.0% to negative 6.0%, the weakest economic performance in almost 4 decades, that is, since a contraction of 4.6% was recorded in 1985.

In light of the COVID-19 pandemic, several initiatives focusing on the provision of strategic advice on policy, plans and programmes to GOJ, towards the sustainable recovery of the country from the fallout from COVID 19, has begun. Emphasis is being placed on providing analysis on economic, social, environmental, as well as

external co-operation management issues, underpinned by an appreciation of the interlinkages for sustainable development outcomes. This work is being supported by the extensive network of partners for development, including the public and private sectors, international development partners, and civil society. These initiatives include:

1. The CARE programme, led by the MOFPS – which involved the collection of data, preliminary impact assessment and the design and provision of GoJ assistance to mitigate the negative impact on the economy through sustaining domestic demand. This stimulus effort is similar to developments globally where governments provide temporary assistance to the most vulnerable groups in society.
2. The Economic Recovery Task Force, led by the MOFPS, which is aimed at developing strategies/policy initiatives to kick-start the economic recovery process.
3. The National COVID-19 Research Agenda led by the MOHW and STATIN, which focuses on measuring and monitoring the socioeconomic impact of COVID-19, in order to provide timely information and data to policy makers in devising strategies on the way forward.
4. Post disaster impact assessment using the Damage and Loss Assessment (DALA) and/or the Post Disaster Needs Assessment methodologies. A comprehensive quantification and description of total damage and losses will be undertaken to determine the impact of COVID-19 on the economy and society, to inform GOJ's policy or programme interventions during the recovery phase. So far, the core team has been activated and data collection instruments have been disseminated and reviewed. The monitoring and collection of baseline data is already in progress.

Finally, the duration of this disease, COVID-19, is unknown and therefore measures must be put in place to facilitate the effective, though restrained operation of the economy and society. We have entered into a period of significant challenges, the likes of which has never been experienced in several decades. Jamaica requires all available resources to work in tandem to overcome the

challenges being faced at this time. It requires a whole of society approach – the public and private sectors, civil society, the young and the old. I therefore encourage us all to maintain 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 us all.