The Planning Institute of Jamaica's Review of Economic Performance, July–September 2021
Media Brief
November 24, 2021

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 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 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 release of preliminary out-turn information 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.

I would also like to re-iterate, that trends have shown that the gap between our initial estimate and the subsequent estimate produced by STATIN is usually larger in times of extraordinary shocks (for example the COVID-19 pandemic). That is, the variation between PIOJ's estimate and STATIN's subsequent estimate is likely to be outside the usual band, both at the industry level as well as the overall growth out-turn.

Today, we are reporting an estimated real value added growth of **6.3%** for the July–September 2021 quarter, relative to the corresponding quarter of 2020. The estimated out-turn for the review quarter largely reflected the impact of:

1. The relaxation of COVID-19 containment measures globally, which facilitated increased domestic and external demand, resulting in a general uptick in economic activities
2. Increased operating hours for businesses, which facilitated higher capacity utilization rates and production levels
3. Higher levels of employment, as firms either resumed or ramped up operations and
4. Increased Business confidence, associated with the prospects for strengthened economic out-turn in the short to medium term.

2.Real Sector Developments

<u>Developments in the Goods-Producing Industry</u>

The Goods Producing Industry is estimated to have increased by 2.8%, due to an improved performance in three of the four industries, namely Agriculture, Manufacturing and Construction.

Agriculture

Real Value Added for the Agriculture, Forestry & Fishing industry, was estimated to have grown by 7.2%. This improvement reflected the impact of increased demand, particularly from the Tourism sector, which grew consequent on the relaxation of previously implemented COVID-19 measures. Also positively impacting the industry was the continuation of the Productivity Incentive Programme, which provided fertilizer and seedlings that assisted farmers to rebound following Tropical Storms Elsa and Grace. Growth was also facilitated by a 6.5% increase in hectares of domestic crops reaped.

Performance was driven by higher output in all sub-components of the industry. *<u>Other Agricultural Crops</u>*, was estimated to have grown by 5.5% reflecting higher production in six of the nine crop groups. The most significant increases were recorded for Potatoes, up 20.8%; Yams, up 17.3%; Legumes, 17.2% and Vegetables, up 4.5%.

Output of *<u>Traditional Export Crops</u>*, increased by 9.5%, largely reflecting growth in the production of banana (up 4.4%), coffee (up 50.9%) and cocoa, which increased from 13 tonnes to 81 tonnes.

<u>Animal farming</u> is estimated to have increased by 13.9%, due to higher broiler meat production, up 20.4%; and egg production, up 2.8% to 55.4 million eggs.

Mining & Quarrying

Real Value Added for the Mining & Quarrying industry decreased by 31.0%, due to declines in both alumina and crude bauxite production. *Alumina production* decreased by 34.8%, largely due to lower production from the JAMALCO refinery, which was impacted by a fire at the powerhouse, resulting in a cessation of operations during the quarter. The refinery is expected to re-open in 2022. The capacity utilization rate at alumina refineries decreased to 29.3%, down 15.6 percentage points.

Crude Bauxite production fell by 8.0%, reflecting the impact of lower demand from overseas purchasers. Consequently, the bauxite capacity utilization rate decreased to 47.7%, down 4.2 percentage points.

Manufacturing

Real Value Added for the **Manufacturing** industry grew by an estimated 8.5%, due to increased output in the *Food, Beverages & Tobacco* and the *Other Manufacturing* sub-industries.

The growth in the *Food, Beverages & Tobacco* sub-industry reflected higher production for Edible Fats, up 28.6%; Edible Oils, up 15.6%; Poultry Meat, up 21.9%; and Animal Feed, up 12.8%. These increases were sufficient to outweigh declines in the production of Rum & Alcohol, down 11.1% and Dairy Products, down 25.0%.

Other Manufacturing grew, reflecting higher production in the *Petroleum Products* and the *Chemicals & Chemical Products* components. All Petroleum Products surveyed with the exception of Liquid Petroleum Gas (LPG) grew, including:

- Gasoline, up 34.8%;
- Automotive Diesel Oil (ADO), up 55.1%;
- Fuel Oil, up 37.8%; and
- Turbo Fuel, up 73.1%.

For Chemicals & Chemical Products, increases were recorded for Aluminium Sulphate, up 59.8% and Salt, up 65.8%.

Further growth in the other Manufacturing subindustry was tempered by lower cement and clinker production by 28.0% and 23.3%, respectively.

Construction

Real Value Added for the **Construction** industry increased by 1.7%, mainly spurred by growth in the *Other Construction* and *Building Construction* components. This performance was reflected in a 5.6% real increase in the sales of construction related inputs.

Growth in the *Other Construction* component was due to an increase in capital expenditure on civil engineering activities reflecting:

- National Works Agency, which disbursed $9.1 billion relative to $5.1 billion in the corresponding quarter of 2020. Disbursement was largely for work on the Yallahs to Harbour View leg of the Southern Coastal Highway Improvement Project (SCHIP)
- NROCC, which disbursed $2.2 billion relative to $1.3 billion in the corresponding quarter of 2020. Expenditure facilitated works on the SCHIP Part A, that is, the May Pen in Clarendon to Williamsfield in Manchester component.

The estimated growth in the *Building Construction* component was driven mainly by the performance of the non-residential category, reflecting hotel construction and renovation activities, as well as the build out of commercial office space.

Developments in the Services Industry

The Services Industry was estimated to have grown by 7.3%, relative to the corresponding quarter of the previous year, reflecting higher Real Value Added for all Industries.

Electricity & Water Supply

The Electricity & Water Supply industry is estimated to have recorded growth in Real Value Added of 0.6%, reflecting higher electricity and water consumption. Electricity consumption grew by 0.2% due to higher consumption in two of the six categories. Higher sales were recorded for:

- Largest Power (Rate 70), up 27.5%.
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 0.1%

Declines were, however, recorded for:

- Residential, down 2.2%
- General Service (small businesses using less than 25 kVa), down 4.2%
- Large Power (Businesses using more than 500kVa), down 0.2%, and
- Street Lighting plus Other, down 3.0%

The decline in sales to the Residential category may be attributed to an increase in the number of persons who have resumed work activities outside the home. Nine of the 14 parishes recorded increased electricity sales, led by Trelawny, up 23.9%, Westmoreland, up 14.9% and Hanover, up 14.9%. These increases may be attributed to higher tourism-related activities.

Water consumption grew by 2.0%, reflecting increases in 9 of the 14 Parishes, led by Hanover, up 34.6%, Trelawny 9.7% and Westmoreland 9.4%. Similarly, these increases may be attributed to higher tourism-related activities in these parishes.

Transport, Storage & Communication

Real Value Added for Transport, Storage & Communication grew by **9.0%** mainly due to higher levels of activities in both the Transport & Storage and Communication components. The out-turn was driven by:

1. An improvement in the air transport component, largely reflecting growth in passenger movement up 263.9%, due to Departures (up 269.0%); and Arrivals (up 256.5%).
2. Increased maritime transport activities reflecting a 6.0% increase in cargo handled at the heavier weighted Port of Kingston. Outports, declined by 7.2%.
3. The estimated growth in the Communication component was driven by the reopening of businesses, particularly in the tourism sector.

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 grown by 3.9% due to increased demand stemming from:

1. Increased employment of 93,400 persons
2. Increased net remittance inflows by 7.4% to US$ 835.4 million
3. Growth in the related Manufacture, Construction and Agriculture, Forestry & Fishing industries, and the
4. Relaxation of COVID-19 containment measures.

Higher sales were recorded for six of the eight categories in real terms, including:

- Other Wholesale and Retail Sale of Goods and Services in Specialized & Non-specialized Stores, up 9.3%
- Minerals, Fuels, Lubricants & Petroleum Products, up 16.5%
- Agriculture, Food, Beverages & Tobacco, up 8.1%, and

- Hardware, Building Supplies, Electrical Goods & Machinery, up 5.0%.

Finance & Insurance Services

Real Value Added for the Finance & Insurance Services industry was estimated to have grown by 3.0%. During the quarter, widespread economic recovery resulted in an increased demand for working capital to upgrade equipment and purchase inventory, to satisfy higher demand from customers. Specifically, Finance & Insurance providers recorded :

- higher net interest income on the stock of loans at deposit taking institutions; as well as
- higher Fee and Commission income.

Hotels & Restaurants

Real Value Added for the Hotels & Restaurants industry was estimated to have grown by 114.7%. Stopover visitor arrivals for the months of July and August 2021 increased by 293.3%. The performance of the industry benefitted from increased vaccination in Jamaica's main source markets and initiatives such as the establishment of a resilient corridor, and the drive by tourism stakeholders to get their workers vaccinated to prepare for visitors.

Cruise passenger arrivals which resumed visits to the island in August 2021, totalled 8 379 from 5 ships for the months of August and September, relative to none during the corresponding period of 2020.

Visitor Expenditure was estimated to have increased by 186.3% to **US$463.4 million for the months of July and August 2021**.

GDP Performance: January–September 2021

For the first nine months of 2021, real GDP was estimated to have increased by **4.0%.** This reflected higher Real Value Added for both the Goods Producing Industry, up **5.8%** and the Services Industry, up **3.4%.** All industries recorded growth in output, with the exception of the *Mining & Quarrying* and *Electricity & Water Supply* industries. Growth for the nine-month period was led by Hotels & Restaurants, up 23.7%.

3. Employment Update....

Regarding the Employment Update, our sister agency STATIN has already provided an update on the Labour Force Survey. As such, we will not present a detailed report on this area. The highlights, however, are that for the month of July 2021, the unemployment rate was **8.5%,** down 4.1 percentage points. Youth unemployment decreased by 6.4 percentage points to 23.9%.

The number of persons employed increased by **93 400 persons** relative to July 2020. Male employment increased by 55 700 to 677 500 persons, while for females, employment increased by 37 700 persons to 537 500. The age cohorts with the largest increases were: 25–34 up 33 900 persons, 20–24 up 17 600 persons and 35–44 up 16 700 persons.

4. Short Term Economic Outlook: October – December 2021, Calendar and Fiscal Year 2020/21

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects are positive, given the impact of the easing of the previously implemented COVID-19 containment measures. This has facilitated the resumption or expansion of economic activities in most industries.

Additionally, the gradual opening up of the economies of Jamaica's main trading partners supported higher levels of external demand, particularly for Tourism-related services. Increased employment levels are expected to support greater domestic demand in the medium term.

The main downside to this positive outlook is the possibility of a fourth wave of COVID-19 infections given the relatively low rate of vaccination in the country, as well as a spike in COVID-19 cases in Jamaica's main source markets, which would have implications for the re-imposition of more restrictive Public Health & Safety Measures. There is also the potential for a negative effect on economic activities from supply chain disruptions. Additionally, the continued closure of the Jamalco refinery will result in continued contractions for the Mining & Quarrying industry for the short-term.

Within this context, economic growth is anticipated for the remainder of this calendar and fiscal year. For **October to December 2021,** it is projected that the economy will grow within a range of **5.0% to 8.0%,** resulting in a calendar year growth (i.e. January to December 2021) in the range of **3.0% to 6.0%.** For **Fiscal Year 2021/22,** the projection is for growth within the range of **6.0% to 9.0%.**

5. Conclusion

In summary, **the Jamaican economy continued to recover during the review quarter.** Most industries have recorded growth with the exception of Mining & Quarrying, which was impacted by production downtime as a result of a fire at one of the alumina refineries. The Agriculture industry recorded growth despite the impact of Tropical Storms Elsa and Grace.

The economy began the recovery process in the first half of FY2021/22, i.e. the April-September 2021 period, expanding by an estimated 10.1% mainly as a result of a relaxation of measures implemented to stem the spread of the virus, as the rate of vaccination increased globally and locally. Additionally, employment has increased by 93,400 persons in July 2021 relative to July 2020. However, both GDP and employment levels are still below their pre-COVID-19 highs.

The pace of recovery for each sector has been different, partly reflecting source of demand. For example, during April to September 2021, growth was driven mainly by Hotels & Restaurants (187.2%) and Other Services (which includes Recreational, Cultural & Sporting Activities) {18.5%}, that benefitted from increased visitor arrivals as a result of relatively high vaccination rates in main source markets, as well as initiatives undertaken locally (including vaccination, and the establishment of a resilient corridor) to prepare for visitors. Despite these increases, these industries are still below their pre-COVID-19 numbers.

Growth in the October to December 2021 quarter is anticipated in the range of 5.0% to 8.0%. Early indications are that the recovery has continued as preliminary airport arrivals for October 2021 indicate growth of 141.5%.

For the current fiscal year, the projection is for growth in the range of 6.0% to 9.0%. This anticipated performance will be facilitated by the continued relaxation of COVID-19 containment measures, as well as a continuation of the growth momentum observed in industries such as Hotels & Restaurants, Other Services, Agriculture and Transport, Storage & Communication.

GDP levels for the Jamaican economy is anticipated to fully recover in FY2023/24, while employment should regain its pre-COVID-19 level in FY2022/23. It should be noted however, that the longer it takes for the economy to recover, the more likely there will be economic scarring (e.g. permanent closure of businesses), where the most vulnerable will be disproportionately impacted.

In closing, the resurgence of COVID-19 and the re-imposition of Public Health & Safety Measures remain the main downside risk to growth. The pace of recovery will depend on Jamaicans observing the protocols and working together to reduce the impact of COVID-19 on the economy and make Jamaica the place of choice to live, work, raise families and do business.

Thank you and God bless you all.