The Planning Institute of Jamaica's Review of Economic Performance, January–March 2022
Media Brief, June 1st, 2022

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. The PIOJ releases the preliminary growth estimate approximately six weeks following the end of the quarter being reviewed. Note, however, that the targeted timeline for the press briefing is sometimes impacted by challenges in the data collection process. 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.

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 more likely to be 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.

Today, we are reporting that real Gross Domestic Product (GDP) for the Jamaican economy **grew by an estimated 6.0%** in the January to March 2022 quarter compared with the corresponding quarter of 2021. This out-turn represented the fourth consecutive quarter of growth and reflected a continuation of the recovery trend, following contractions in the corresponding quarter as a result of the COVID-19 pandemic and associated Public Health & Social Measures (PHSM) implemented to manage its spread.

The out-turn for January to March 2022 largely reflected the impact of:

1. Increased external demand, especially for Jamaica's Tourism product. This was facilitated by a relaxation of Public Health & Social Measures, particularly, travel restrictions. This development was reflected in the positive performances for the Transport; Hotels & Restaurants; and Other Services Industries, and
2. Increased domestic demand associated with higher levels of employment, and operational hours as more industries gradually returned to normalcy. This was particularly evident in the performance of the Agriculture and Wholesale & Retail Trade, Repair & Installation of Machinery industries.

Further growth in the economy was tempered by:

1. a relatively strong contraction in the Mining & Quarrying Industry, due to the closure of the JAMALCO alumina plant in August 2021 caused by a fire at that facility, and
2. A spike in COVID-19 cases globally and locally in January 2022 related to the Omicron variant, which tempered the pace of increase in demand and worsened the supply chain disruptions.

2. Real Sector Developments

Developments in the Goods-Producing Industry

Output of the Goods-Producing Industry **declined by an estimated 2.1%,** due to contractions in the Mining & Quarrying and Manufacturing industries. This performance largely reflected the impact of decreased capacity utilization in both industries. These contractions outweighed improvements recorded for Agriculture and Construction industries.

Agriculture

Output of the Agriculture, Forestry & Fishing industry **grew by an estimated 8.6%**. The performance of the industry reflected the impact of favourable weather conditions, an increase in hectares reaped, and increased demand associated with the further relaxation of the Public Health and Social Measures (PHSM). Additionally, Government support through initiatives aimed at boosting production and productivity, also contributed positively to output per hectare.

The *Other Agricultural Crops* group was estimated to have grown by 10.4% reflecting increased production in all nine crop groups, as a result of a rise in hectare reaped in all crop groups. The most significant increases were recorded for:

- Cereals, up 23.7%,
- Condiments, up 20.2%,
- Fruits, up 20.0%,
- Plantains, up 19.8% and
- Potatoes, up 10.9%.

Traditional Export Crops grew by an estimated 7.8% reflecting higher output for Bananas, up 10.1% and Cocoa, up 57.0%. Sugar Cane production declined by

5.4% reflecting factory downtime, largely associated with mechanical issues at the Frome sugar factory.

Animal Farming was estimated to have grown by 5.2% mainly reflecting the combined effect of increased production of Broiler meat (up 6.2%), and eggs (up 8.1%).

Lower output was recorded for *Post Harvest Activities*, due to lower Coffee production.

Mining & Quarrying

Real Value Added for Mining & Quarrying **contracted by 64.3%**, due to lower output of both *Alumina* and *Crude Bauxite*.

Alumina production, fell by 74.3%, mainly as a result of no production at the JAMALCO alumina plant, which closed in August 2021 due to a fire at the facility. Consequently, the alumina capacity utilization rate was 11.4%, down 32.8 percentage points compared with the corresponding quarter of 2021.

Crude Bauxite production declined by 2.9%, resulting from lower demand. The Average bauxite capacity utilization rate fell by 1.4 percentage points to 48.6%.

Manufacturing

Real Value Added for the Manufacturing industry was estimated to have **contracted by 0.7%**, due to a decrease in the Other Manufacturing sub-industry, which outweighed an increase in the Food, Beverages & Tobacco sub-industry.

In the Other Manufacturing category, lower output stemmed largely from decreases in the Petroleum Products and Non-Metallic Mineral categories. Reductions were recorded for Liquid Petroleum Gas, down 71.9%; Asphalt, down

42.9%; and Gasoline, down 32.9%. The Petrojam refinery was not in operation for 9 days during the quarter to facilitate repairs and maintenance. The Non-metallic Minerals category also declined due to Cement production, down 7.1% and Clinker, down 4.4%.

For the Food processing component, growth was driven by higher production for Poultry Meat, up 6.6%; as well as increases in the Beverages & Tobacco component, specifically, Rum & Alcohol up 7.2%, and Carbonated Beverages, up 17.9%. The sub-industry benefited from increased demand associated with growth in the Hotels & Restaurants industry. Further growth was stymied by declines recorded for Edible Oils, down 16.7%; Edible Fats, down 21.8%; Sugar, down 7.5%; and Molasses, down 8.3%.

Construction

Real Value Added for Construction **grew by 1.1%**, reflecting growth in both the *Other Construction* and *Building Construction* components. The growth in the Building Construction component was driven by a 1.5% increase in the value of mortgages disbursed by the NHT to $8.1 billion. Real sales of construction inputs grew, with Wholesale of Construction Materials, Hardware & Plumbing up 13.4%; and Retail Sale of Paint & Glass, up 2.9%.

The increase in the Other Construction component was due to higher capital expenditure on civil engineering activities reflecting:

- Jamaica Public Service Company, up 20.9% to $1.4 billion
- National Works Agency (NWA), which disbursed $6.6 billion, an increase of 133.1%.   Disbursement facilitated work on the Yallahs to Harbour View leg of the Southern Coastal Highway Improvement Project (SCHIP)
- NROCC, which disbursed $444.8 million, up 61.3% to facilitate works on Part A of the South Coast Highway Improvement Project (SCHIP), that is, the May Pen in Clarendon to Williamsfield in Manchester, component

Developments in the Services Industry

The Services Industry was estimated to have **grown by 8.9%,** largely reflecting growth in all industries, with the exception of Producers of Government Services, which remained flat. The improved performance resulted from the continuation of the recovery process, associated with the removal of the public health and social measures. These measures were implemented globally and locally to manage the COVID-19 Pandemic, particularly in the areas of air and land transportation; tourist accommodation; and entertainment services.

Electricity & Water Supply

The Electricity & Water Supply industry recorded **growth of 1.4%** in real value added, reflecting increases in both electricity and water consumption.

Electricity consumption increased by 1.7% reflecting higher consumption for four of six categories, namely:

- General Service (small businesses using less than 25 kilovolt Ampere - kVa), up 4.2%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 2.4%
- Large Power (Businesses using more than 500kVa), up 9.1%
- Largest Power (Single locations that have minimum peak demand of 2 000 kVa), up 9.7%.

These were sufficient to outweigh declines recorded for:

- Residential, down 3.3%; and
- Street Lighting + Traffic Signals, down 14.9%.

When disaggregated by parish, the largest increases were recorded for:

- Trelawny, up 19.9%;
- Westmoreland, up 14.8%; and
- St. Ann, up 11.3%

These increases were largely attributed to an increase in tourism activities within these parishes.

The largest declines were recorded for:

- Clarendon, down 15.8%;
- St. Elizabeth, down 5.3%; and
- St. Thomas, down 3.9%

The decline in Clarendon, may be partly attributed to no production at the JAMALCO Alumina plant compared with being operational during the January – March 2021 quarter.

<u>Water consumption</u> increased by 0.2%, due to higher consumption in the Western division, up 9.3% that outweighed lower consumption in the Eastern division of 4.0%.

Transport, Storage & Communication

Real value added for Transport, Storage & Communication **grew by 8.1%** due to an estimated increase in the Transport & Storage component, combined with an estimated increase in the Communication component. The growth in the Transport & Storage component reflected the combined effect of:

- Significant growth in air transport, largely reflecting increased passenger movements up 187.2%, due to Arrivals (up 199.2%), and Departures (up 171.9%).

This reflected the gradual reopening of the economy following the further relaxation of COVID-19 containment measures.

However, there was an estimated decline in cargo handled at both the Port of Kingston (down 5.5%), and at Outports (down 22.1%). The decline in the Outports partly reflect the fall in the export of alumina and bauxite.

Finance & Insurance Services

Real Value Added for the Finance & Insurance Services Industry was estimated to have **grown by 1.5%**. This performance was influenced by increased profitability at deposit taking institutions, associated with the higher level of economic activities.

Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM)

Real Value Added for the WRTRIM industry was estimated to have **increased by 9.5%**, reflecting the impact of:

- Higher demand resulting from an increase in the employed labour force by 57,800 persons;
- A relaxation of measures associated with the management of the COVID-19 pandemic, which facilitated increased operational hours; and
- Relatively strong increase in both the Consumer Confidence Index (up 30.1%), and the Business Confidence Index (up 13.8%).

There was a 12.6% increase in total Real Gross Sales. Higher sales were recorded for seven of the eight categories, including:

- Textiles, Clothing, Shoes & Jewellery, up 37.4%;
- Minerals, Fuels, Lubricants & Petroleum Products, up 28.1%; and
- Retail Sales of Goods & Services in Specialized & Non-specialized Stores, up 17.7%.

Hotels & Restaurants

Real Value Added for Hotels & Restaurants **increased by an estimated 105.7%**. The industry continues to benefit from increased travel, in light of the relaxation of previously implemented COVID-19 containment measures.

Preliminary data revealed that Foreign National arrivals increased by 230.1% to 475,805 visitors, and Cruise passenger arrivals was 99,798 relative to none in the corresponding quarter. Based on data received for January to February 2022, total visitor expenditure increased to US$485.6 million relative to US$169.2 million in the corresponding period.

Employment Update….

Based on the Labour Force Survey undertaken by the Statistical Institute of Jamaica (STATIN) for the month of January 2022, the unemployment rate was **6.2%, the lowest rate ever recorded.** This was 2.6 percentage points below the rate recorded for January 2021. The number of persons employed increased by **57 800** to 1 257 100 relative to January 2021. There was an **increase** in the labour force by **24 800 persons** to 1 340 600.

The continued improvement in the labour market is associated with growth in the real sector, and the relaxation of Public Health & Social Measures. As at January 2022, the labour force was 32 300 persons below January 2020 (pre-pandemic high) representing a significant improvement from the 89 600 reduction initially recorded at the early stages of the COVID-19 impact (July 2020). Similarly, the employed labour force as at January 2022 was 15 600 persons below the pre-pandemic level, but this represents a significant improvement from the initial 151 100 jobs lost at the start of the impact (July 2020). Based on current trends, the PIOJ maintains its forecast for a full recovery in the employed labour force during FY2022/23.

GDP Performance: Fiscal Year 2021/22

For FY2021/22, real GDP growth was projected to fall within the range of **7.0% to 9.0%**. Based on the preliminary out-turn for January to March 2022, the Fiscal Year 2021/22 is estimated to have grown by **8.1%** supported by improved performances in all industries, except Mining & Quarrying which contracted by an estimated 39.8%, due mainly to the closure of the JAMALCO alumina plant.

The heavier weighted Services Industry was estimated to have grown by **9.6%,** and the Goods Producing Industry, by **3.0%.** The industries which recorded the strongest growth during the fiscal year were Hotels & Restaurants (up 125.0%); Other Services (up 14.5%); Agriculture (up 11.2%); Wholesale & Retail Trade; Repair & Installation of Machinery & Equipment (up 10.9%), and Transport, Storage & Communication (up 10.1%).

3. Short Term Economic Outlook: April–June 2022 & FY2022/23

For **April–June 2022**, growth prospects for the economy are generally positive. It is projected that the economy will **grow within the range 2.0% to 4.0% relative to April–June 2021,** based on the continuation of the recovery process, relative to the low output levels recorded in the corresponding period of 2021.

- This projection is supported by the further relaxation of COVID-19 containment measures, relative to 2021 where restrictions were still in effect for social gathering, as well as an increase in domestic demand spurred by higher levels of employment.

Growth during this period is expected to be driven by the Hotels and Restaurants, Other Services and Transport Storage and Communications Industries, reflecting the upturn in Tourism and entertainment activities.

Preliminary data for the April to June 2022 quarter has indicated some positive movements which support this projection. Preliminary Airport arrivals for April

2022 totalled 227 259 persons, an increase of 174.8% compared with April 2021. Electricity Consumption for April 2022 grew by 4.1% relative to April 2021.

The projection for **FY2022/23** is for growth within the range of **2.0%–5.0%**. This revised forecast, down from the previous range of **3.0%–6.0%,** takes into consideration the high degree of uncertainty surrounding unfolding global developments, including the impact of geo-political developments associated with the Russian-Ukraine war. This has led to an intensification of the supply chain challenges occasioned by the COVID-19 pandemic, and a slowing in the pace of global economic recovery. The war in Ukraine has therefore compounded economic challenges, as many countries are still in the process of fully recovering from the economic and social onslaught of the COVID-19 pandemic.

UPSIDE POTENTIAL AND DOWNSIDE RISKS

There are upside potential and downside risks to this forecast. However, given the high level of uncertainty, the risks are generally to the downside. The main **downside risks** to the forecast presented include:

1. The potential for the emergence of new and more virulent strains of COVID-19 coupled with the relatively low rate of vaccination in the country. This increases the uncertainty with regard to normalization and may lead to the re-imposition of Public Health and Social Measures.

2. Slower than expected growth in external demand, due to weaker than projected growth in the economies of Jamaica's main trading partners. This has already materialised due to the war in Ukraine, and the associated increases in commodity prices; faster than initially projected increase in interest rates; and the downward revision to global growth. The war is expected to delay the recovery process due to its negative impact manifested through: higher commodity prices, particularly crude oil and grains, for which Russia and the Ukraine are significant market players. Russia also plays an integral role in the global production of fertilisers. The

resultant adverse impact on the cost of living for households, and the cost of production for firms, is expected to have a dampening effect on economic activity. The pace of growth may slow even further if the war lasts for an extended period.

3. Global supply chain challenges, associated with COVID-19 induced factory closures and labour shortages that disrupt the production process, is further compounded by the impact of the Russian-Ukraine war.

As such, against the background of:

- the continued threat of COVID-19;
- global supply-chain disruptions;
- the Russia/Ukraine war and its associated impact on commodity prices; and
- monetary tightening in several countries to address inflation,

the IMF has revised downwards its global growth projection for 2022 by **0.8 percentage point to 3.6%**.

Other risks to the forecast are:

4. Weather-related shocks, particularly on the Agriculture and Electricity & Water industries
5. Increased factory downtime associated with aged production plants, and
6. Slower than initially expected resumption of production at the JAMALCO refinery. Current projections are that 50.0% of Jamalco's capacity will be available at the end of June 2022 and 100% of capacity available by the end of September 2022.

Potential Upside to Growth:

- Higher than expected external demand for Jamaica's goods and services, specifically, Tourism, due to among other things, a faster than expected growth in the economies of Jamaica's main trading partners.

- Faster than expected refurbishing and upgrading of production plants, especially in the Mining & Quarrying and Manufacturing industries.

- Increased domestic demand associated with stronger domestic linkages, as local firms capitalize on opportunities to satisfy local and global demand that were previously fulfilled by the global supply chain. Additionally, a more robust increase in employment levels could lead to higher than expected strengthening of domestic demand.

4. Vision 2030 Jamaica Update

Regarding Vision 2030 Jamaica – National Development Plan, the PIOJ is currently in the process of completing documentation for the preparation of the Medium Term Framework 2021-2024. This incorporates the strategic planning and thematic reporting on performance in the implementation of Vision 2030 Jamaica, that is, the progress towards achieving established targets. As such, a comprehensive update on Vision 2030 Jamaica, will be provided in the next Quarterly Press Briefing.

5. Impact of the Recent Labour Disputes on Economic Activities

Recently, there were disruptions in economic activities as a result of industrial actions by workers operating in Water and Air-Transport services. To date, we have received preliminary data on the impact on the output of the Water Supply sub- industry.

The strike by NWC workers on May 10th and 11th was estimated by the National Water Commission (NWC) to have led to losses as follows:

- Revenue, down $240.0 million,
- Water Production, down 1,297.4 megalitres; and
- Water Consumption, down 454.3 megalitres

The downturn in water consumption during the period of industrial action was equivalent to 2.1% of total water consumption during April-June 2021.

At this stage, we are still awaiting data on the impact on the air transport and tourism activities to complete the assessment on overall GDP as requested by the Prime Minister. A more comprehensive update will therefore be provided at a later date.

6. Conclusion

In conclusion, the preliminary data presented on economic performance for the January to March 2022 quarter, indicate that the economy continues to grow, despite the challenges of managing the COVID-19 pandemic, as well as those emerging from the Russia-Ukraine war. The growth recorded for Fiscal Year 2021/22 is in line with previous projections, and supports the expectation for a return to pre-pandemic output levels by FY2023/24. With respect to the labour market, it is expected that pre-pandemic employment levels will be regained in the current Fiscal Year, 2022/23.

For the current Fiscal Year 2022/23, the economy is anticipated to grow within the range of 2% to 5%. Growth will be supported by the continued economic recovery, particularly in the Services Industry, which was more negatively impacted by the pandemic. The expected reopening of the JAMALCO Alumina plant will also serve to boost output in the Mining & Quarrying industry and cauterize the drag on growth in the Goods-Producing Industry. The relatively wider forecast range, is a reflection of the higher degree of uncertainties associated with the challenges. So for example, if the war in Ukraine extends for a protracted period (for the remainder of the fiscal year), it is assumed that the out-turn will fall closer to the lower end of the range.

Despite the several challenges that abound, we remain cautiously optimistic as we continue to closely monitor and assess these developments. Any additional challenges in the labour market would serve to negate some of the recent positive gains realized during this recovery period. It is against this background, that I encourage both the government and private sector employers, as well as the unions representing workers in both the public and private sectors, to approach labour disputes in a manner that will be rewarding to both workers and employers, and not cause harm to the development process.

In closing, I want to acknowledge and thank the very dedicated team here at the PIOJ.

I encourage us 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.***

May God continue to bless Jamaica land we love.