The Planning Institute of Jamaica's Review of Economic Performance, July–September 2023
Media Brief
November 21, 2023

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 modern economies globally, where it is the common practice to release preliminary estimates, before the final official figures are published. 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 preliminary out-turn 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.

Today, we are reporting an estimated growth of **1.9%** in Real Value Added during the July–September 2023 quarter, relative to the corresponding quarter of 2022. The estimated out-turn for the review quarter largely reflected the impact of:

1. Higher levels of employment, which supported the growth in demand
2. Increased capacity utilization in the Mining & Quarrying industry.
3. Continued growth momentum in the tourism sector as reflected in the improved performances of the Hotels & Restaurants; Other Services, Transport, Storage & Communication and Manufacturing industries.

2. Real Sector Developments

Developments in the Goods-Producing Industry

The Goods-Producing Industry is estimated to have expanded by 2.3%, driven by improved performances in two of the four industries, namely the Mining & Quarrying and Manufacturing industries.

Agriculture

The **Agriculture, Forestry & Fishing** industry was estimated to have contracted by **9.0%**, reflecting the adverse impact of drought conditions. Below normal levels of rainfall throughout the quarter, resulted in lower yields and a reduction in hectares reaped.

The industry's performance was reflected in declines recorded for *Other Agricultural Crops*, which contracted by 11.8%. Lower production was recorded for eight of the nine crop groups, with the largest declines recorded for: Potatoes, down 21.2%; Condiments, down 16.6%; and Other Tubers, down 14.1%.

Additionally, lower output was recorded for *Traditional Export Crops*, which decreased by 7.5%, largely reflecting contractions in the production of banana (down 6.6%); Coffee (down 48.0%); and sugar, for which there was no production during the review quarter compared with 25 107 tonnes produced in the corresponding quarter of 2022.

Animal farming was estimated to have increased by 1.4% due to higher broiler meat production, up 0.6% to 34.7 million kilograms and egg production, up 11.8% to 66.0 million eggs.

Mining & Quarrying

Real Value Added for the **Mining & Quarrying** industry increased by an estimated **102.0%,** due to higher Alumina production which outweighed a contraction in crude bauxite production.

Alumina production increased by 136.6%, due to an expansion in the alumina capacity utilization rate to 42.4%, up 24.5 percentage points. This was driven by increased capacity utilization at the Windalco and

Jamalco refineries, as operations gradually returned to normalcy, following technical issues that constrained production at Windalco, as well as Jamalco's ramping up of capacity since its reopening at limited capacity in the corresponding period of 2022.

Crude Bauxite production fell by 4.9%, reflecting lower demand from overseas purchasers. The average bauxite capacity utilization rate decreased to 40.7%, down 2.1 percentage points.

Manufacturing

Growth in the **Manufacturing** industry was estimated to be **3.2%,** stemming from increased output in both the *Food, Beverages & Tobacco* and *Other Manufacturing* sub-industries.

Growth in the *Food, Beverages & Tobacco* sub-industry stemmed from higher production of Condensed Milk, up 92.2%; Flour, up 58.8%; Bakery Products, up 3.2%; Poultry Meat, up 0.6%; Rum &

Alcohol, up 16.6%; and Carbonated Beverages, up 3.3%. These increases were sufficient to outweigh declines in production recorded for Beer & Stout; and Sugar & Molasses.

The improved performance of the *Other Manufacturing* sub-industry mainly reflected higher production in the Petroleum Products category. All products surveyed increased, led by: LPG, up 271.5%; Gasoline, up 90.6%; Turbo Fuel, up 66.3%; Automotive Diesel Oil, up 40.2% and Fuel Oil, up 33.9%. Also contributing to the improved performance of the Other Manufacturing sub-industry, were the categories: Chemical & Chemical Products and Non-metallic Minerals, driven by increases in the production of Fertilizer (up 24.9%); Clinker (up 13.5%); and Cement (up 0.7%).

Construction

Real Value Added for the **Construction** industry was projected to be flat, reflecting an estimated contraction in *Building Construction,* which was counter-balanced by growth in the *Other Construction* component of the industry. The industry's performance was constrained by a 3.1% real decrease in the sales of construction-related inputs.

The fall-off in the *Building Construction* component was due mainly to the performance of the residential category, reflected in a 66.0% downturn in housing starts by the NHT. Furthermore, the total value and volume of mortgages disbursed, declined by 45.4% and 12.6%, respectively.

Growth in the *Other Construction* component was due to an uptick in capital expenditure on civil engineering activities largely stemming from:

1. National Works Agency, which disbursed $8.3 billion relative to $5.9 billion in the corresponding quarter of 2022. Expenditure was primarily for projects associated with the South Coast Highway Improvement Project, which is scheduled to be completed in March 2024;

2. JPS, which disbursed $2.3 billion, up from $1.9 billion in the corresponding quarter of 2022. Expenditure during the quarter was for the construction and installation activities related to the generation and distribution of power; and
3. NROCC, which disbursed $1.1 billion, up from $889.4 million in the corresponding quarter of 2022. Expenditure during the review period was primarily for the May Pen to Williamsfield leg of the South Coast Highway Improvement project.

Developments in the Services Industry

The Services Industry was estimated to have grown by 1.8%, relative to the corresponding quarter of 2022, reflecting higher Real Value Added for all industries, with the exception of the Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment industry, which remained flat, and the Producers of Government Services industry, which declined.

Electricity & Water Supply

The **Electricity & Water Supply** industry was estimated to have recorded growth in Real Value Added of **6.6%,** reflecting higher electricity consumption.

Electricity consumption grew by 8.4% due to higher consumption in four of the six categories. Higher sales were recorded for:

- Residential, up 12.1%
- General Service (small businesses using less than 25 kilovolt ampere kVa), up 10.3%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), up 5.6%
- Large Power (Businesses using more than 500 kVa), up 10.1%.

However, lower consumption was recorded for the categories Largest Power as well as Street Lighting & Traffic Signals, down 0.7% and 4.0%, respectively.

In contrast to the increase in electricity consumption, water consumption declined by 0.2%, reflecting the net impact of a 2.7% decline in the Eastern Division and a 4.5% increase in the Western Division. Lower consumption was recorded in 6 of the 14 Parishes, led by St. Mary, down 2.7%; St. Thomas, down 7.1% and Kingston & St. Andrew, down 4.4%.

Transport, Storage & Communication

Real Value Added for **Transport, Storage & Communication** grew by **3.6%** mainly due to higher levels of activities in both the Transport & Storage and Communication components. This out-turn was largely driven by improvements in both the Air and Maritime Transport components. For Air Transport, total passenger movements grew by 9.7% reflecting increases in Departures, (up 11.9%) and Arrivals, (up 11.2%). The increased air travel was facilitated by a 5.0% increase in Aircraft movements. Growth in Maritime Transport was driven by a 21.9% increase in total cargo handled, reflecting increases in Port of

Kingston, up 10.8%, and Outports, up 33.1%. The expansion in activities at the Outports was due to increased alumina exports.

Wholesale & Retail Trade; Repairs; Installation of Machinery and & Equipment (WRTRIM)

Real Value Added for the **Wholesale & Retail Trade; Repairs; Installation of Machinery and & Equipment (WRTRIM)** industry was estimated to have remained flat due to:

- Higher levels of employment and growth in the related Manufacturing industry; counterbalanced by
- A contraction in the related Agriculture industry as well as a weakening in Business and Consumer confidence.

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

- Other Wholesale and Retail Sale of Goods and Services in Specialized & Non-specialized Stores, up 1.1%

- Motor Vehicles, Auto Repairs & Accessories, up 28.1%
- Hardware, Building Supplies and Electrical Goods and Machinery, up 3.1%
- Textiles, Clothing Shoes & Jewelry, up 7.5%
- Retail sale of Pharmaceuticals, Medical Goods and Cosmetics, up 0.6%.

Finance & Insurance Services

Real value added in the Finance & Insurance industry grew by **1.5%** during the quarter. This out-turn was attributed mainly to higher revenues earned at deposit-taking institutions from net interest income. Growth in the industry was facilitated by higher levels of employment and greater economic activity.

Hotels & Restaurants

Real Value Added for the **Hotels & Restaurants** industry was estimated to have grown by **8.0%**. The industry continues to benefit from increased Foreign

National Arrivals, in light of the continued economic growth in main source markets.

Preliminary data indicated that stopover visitor arrivals for July to September 2023 increased by 5.5% to 682,586 visitors. Cruise passenger arrivals was estimated at 178,412 a decline of 20.5% relative to the corresponding quarter of 2022.

Visitor Expenditure was estimated to have increased by 6.0% to **US$991.0 million** relative to the corresponding quarter of 2022.

GDP Performance: January–September 2023

For the first nine months of 2023, real GDP was estimated to have increased by **2.8%.** This reflected higher Real Value Added for both the Goods Producing Industry, up **2.0%** and the Services Industry, up **3.1%.** All industries recorded growth in output, with the exception of the Agriculture, Forestry & Fishing, Construction and Producers of Government Services.

Growth for the nine-month period was led by Mining & Quarrying, up 123.2%; Hotels & Restaurants, up 14.7%; Transport, Storage & Communication, up 5.4% and Other Services, up 5.3%.

3. Employment Update….

Regarding the Labour Market, STATIN has already provided an update on the Labour Force Survey for July 2023. As such, we will not present a detailed report on this area. The highlights, however, are that for the month of July 2023, the unemployment rate was **4.5%,** down 2.1 percentage points. Youth unemployment decreased by 3.5 percentage points to 13.2%.

The number of persons employed increased by **47 100 persons** relative to July 2022. Male employment increased by 21,400 to 709,900 persons, while for females, employment increased by 25,700 persons to 605,200. The age cohorts with the largest increases were: 25–34 up 13,100, 20–24 up 8,800 persons, and

35–44 up 8,700 persons. The industries that recorded the largest absolute increases were Real Estate & Other Business Services, up 14,000 to 150,800 and Construction, up 8,900 to 135,200 persons.

4.Vision 2030 Update

There will be no update provided on the Vision 2030 Jamaica National Development Plan. The Vision 2030 Secretariat is currently working on the development of the Medium Term Socioeconomic Policy Framework (MTF) for the period 2024–2027 and will provide an update at the next briefing.

5.Short-Term Economic Outlook: October–December 2023, Calendar 2023 and Fiscal Year 2023/24

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects are positive and is predicated on the continued expansion of economic activities in most industries. Increased employment level is also expected to result in greater domestic demand in the short to medium term. By industry, the continued ramping-up of production capacity at the JAMALCO Alumina refinery is expected to result in relatively strong growth in Mining & Quarrying. For the month of October, alumina production increased by 4.6%. In addition, the Hotels & Restaurants industry and related industries such as Other Services and Transport, Storage & Communication are expected to lead the growth momentum in the Services Industry. Preliminary data on airport arrivals for October 2023 indicate an increase of 3.5%.

Among the downside risks to this positive outlook are:

1. Supply-chain disruptions due to the impact of geo-political conflicts and the potential impact on trade and transportation infrastructure and costs. In addition to the potential negative impact on

demand and trade, these disruptions may also contribute to higher than desired inflation.

2. Slower than anticipated recovery in the economies of Jamaica’s main trading partners, which may temper the external demand for Jamaica’s goods and services.
3. Adverse weather conditions, particularly from hydrological events. The recent heavy rains which followed a sustained period of dry conditions in the previous quarters, have further highlighted Jamaica’s vulnerability to these shocks and the negative impact on the economy.

Within this context, economic growth is anticipated for the remainder of this calendar and fiscal year. For **October to December 2023,** it is projected that the economy will grow within the range of **1.0% to 2.0%,** resulting in calendar year growth (i.e. January to December 2023) within the range of **2.0% to 3.0%.** For **Fiscal Year 2023/24,** the projection is for growth within the range of **1.0% to 2.0%.**

6.Conclusion

In summary, preliminary data indicate that the Jamaican economy continued to expand in this post-COVID growth phase. Most industries have recorded growth with the exception of Agriculture, Forestry and Fishing which was affected by drought conditions. Growth was led by Mining & Quarrying which benefited from the expansion of the capacity utilization rate at the JAMALCO refinery; Hotels & Restaurants and related services; and Manufacturing which continue to demonstrate improvement in this post-COVID growth phase. For Hotels & Restaurants the industry continued to benefit from the ongoing expansion in room stock and effective marketing strategies which facilitated faster than expected rebound in that industry. Growth in Manufacturing may be partially attributed to pivoting due to the impact of COVID-19 which forced companies to offer new products and enter new markets.

Continued strong performance in the Labour Market, shown by record high employment levels and record low unemployment rate, indicate that the economy is heading in the right direction. The Real Estate and Other Business Services industry group has contributed significantly to this out-turn, as the industry has moved from the seventh highest employment by industry group in July 2019 to the third highest in July 2023, with employment numbers growing by 54,700 during the period. This is partly due to the expansion of Business Processing Outsourcing, specifically, call centres.

Generally, indications are that the Jamaican economy will continue its growth trend within the short term, albeit at a slower rate. The drag on growth from Construction is anticipated to weaken in the upcoming quarters as the impact of the 'high-base' effect dissipates. That is, there was a high level of capital investment in major infrastructure projects during 2022 given the stage of the projects being implemented, relative to 2023 when investment slowed as projects approached completion. As capital expenditure levels normalize, and new projects come on stream, the industry is expected to return to positive performance.

It is long recognised that sustained and more robust economic growth in Jamaica can only be achieved by minimizing the impact of weather-related shocks and expanding productive capacity (including skilled human capital). With respect to the impact of weather-related shocks there are some ongoing initiatives, which when completed, are expected to have an effect in mitigating the impact of these shocks. These include the refinement of a project selection/prioritization Tool, which includes climate change considerations, to assist in the prioritization of projects for inclusion in the Public Sector Investment Programme (PSIP). This means that projects which are supportive of building resilience will also be prioritized.

Another ongoing initiative, is the development of the Jamaica Systemic Risk Assessment Tool (JSRAT) which allows for the identification of ‘hotspots’, that is, locations throughout the island which are most likely to be affected by climate hazards, the potential losses involved and the assets affected. This will facilitate more targeted planning, and aid in the development and prioritization of mitigation and adaptation efforts to minimize future impacts. The Tool is currently being upgraded to incorporate additional functionalities by the developers from Oxford University, through support from the UK Foreign Commonwealth Development Office (FCDO). Other partners include the Green Climate Fund (GCF) which spearheaded the second phase of the project to identify nature-based and other solutions to address the hotspots, as well as the Coalition for Climate Resilient Investment (CCRI), which spearheaded the project.

The GOJ, through the PIOJ, continues to work with our International Development Partners to find solutions to complex issues that have had a negative impact on our development over the decades. It is anticipated that with the continued targeted focus on addressing these issues, the country will continue to feel the effects of a more industrious economy and society.

In closing, I want to recognize the very dedicated and hard-working team here at the PIOJ. I also remind us all to continue the whole-of-society 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.