

# **The Planning Institute of Jamaica's Review of Economic Performance, July–September 2024 Media Brief November 20, 2024**

## **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 **contraction** of **2.8%** in Real Value Added during the July–September 2024 quarter, relative to the corresponding quarter of 2023. The estimated out-turn for the review quarter largely reflected the adverse impact of Hurricane Beryl and other hydrological events. The downturn is due to an estimated contraction in both the Goods-Producing and the Services industries. The industries which suffered the greatest impact from the hurricane were:

1. Agriculture, Forestry & Fishing – Domestic crop production was severely affected, with 13 of 14 parishes recording a decline in hectares reaped during the review quarter.
2. Mining & Quarrying – the industry was adversely affected by Hurricane Beryl, which caused infrastructure damage to the Port at Rocky Point. This necessitated the diversion of alumina exports to an alternative port as well as tempered production.
3. Hotels & Restaurants – the cancellation of flights and diversion of visitors to alternative destinations adversely affected the industry.
4. Electricity & Water Production – the industry experienced significant damage and loss as a result of the destruction to infrastructure assets caused by Hurricane Beryl. Sections of the island were negatively impacted by the delays in restoring electricity, which had implications for production across other industries.
5. Transport, Storage & Communication – The industry was impacted by the closure of Jamaica’s international airports and aerodromes, and the consequential temporary cessation of travel to the Island. Damage to telecommunication systems limited internet and phone access.

Other factors impacting performance included:

1. Weakened demand which resulted in the curtailment of economic activities. This was reflected in a downturn in Business confidence, and

2. the release of a second Level 3 Travel Advisory by the US State Department in July 2024, (the first was in January 2024), warning passengers from Jamaica's largest source market, to 'reconsider travel' to Jamaica. A Level 3 Travel Advisory is the second worst ranking that can be issued. The worst is Level 4, which warns passengers not to travel to a particular destination.

## **2. Real Sector Developments**

### **Developments in the Goods Producing Industry**

The Goods-Producing Industry is estimated to have contracted by **6.5%**, due to lower output by all industries in the category.

#### **Agriculture**

The **Agriculture, Forestry & Fishing** industry was estimated to have contracted by **13.5%**, reflecting the adverse impact of weather conditions, particularly the effects of Hurricane Beryl.

The industry's performance was reflected in declines recorded for Other Agricultural Crops, which contracted by 12.9%. Lower production was recorded for eight of the nine crop groups, with the largest declines recorded for: Cereals, down 33.4%; Condiments, down 21.8%; Vegetables, down 17.3%; and Fruits, down 16.6%.

Additionally, lower output was recorded for Traditional Export Crops, which decreased by 15.0%, largely reflecting contractions in the production of banana (down 18.7%); Coffee (down 70.4%); and Cocoa (down 74.2%). This was sufficient to outweigh increased production of sugar totaling 11,671 tonnes, relative to no production in the corresponding quarter of 2023.

Animal farming was estimated to have increased by 1.6% due to higher broiler meat production, up 3.4%.

### **Mining & Quarrying**

Real Value Added for **Mining & Quarrying** contracted by **15.2%**, reflecting declines in the Bauxite & Alumina and Quarrying sub-industries. The lower output in the Bauxite & Alumina subindustry was due to a contraction in Alumina and Crude Bauxite production.

Alumina production declined by 12.6%, due to a reduction in the alumina capacity utilization rate to 37.1%, down 5.3 percentage points, compared with the corresponding quarter of 2023.

Crude Bauxite production fell by 33.1%, reflecting lower demand from overseas purchasers. The average bauxite capacity utilization rate decreased to 27.2%, down 13.5 percentage points.

The Quarrying sub-industry was also estimated to have declined, reflecting lower production of all industrial minerals, except shale. The largest absolute declines were recorded for Sand & Stone and Limestone.

### **Manufacturing**

Real Value Added for the **Manufacturing industry** contracted by an estimated **2.0%**, due to lower output in the Food, Beverages & Tobacco and the *Other Manufacturing* sub-industries.

The contraction in the Food, Beverages & Tobacco sub-industry stemmed from lower production of Edible Oils, down 7.9%, Edible Fats, down 17.7%, Flour, down 3.1%; and Beer & Stout, down 21.6%. These were sufficient to outweigh increased

production recorded for Poultry Meat, up 3.4%; Dairy products, up 33.5%; and Sugar, and Molasses, for which there were no production in the corresponding quarter of 2023.

The Other Manufacturing sub-industry mainly reflected lower production in the Petroleum Products category. All products surveyed declined, led by: Fuel Oil, down 53.9%; LPG, down 29.6%; Automotive Diesel Oil, down 25.2% and Gasoline, down 24.0%. Also contributing to the downturn in the Other Manufacturing sub-industry, was a decline in the Non-metallic Minerals category, driven by declines in the production of Cement (down 29.7%) and Clinker (down 39.0%).

## **Construction**

Real Value Added for the **Construction** industry was estimated to have contracted by **2.8%**, reflecting an estimated contraction in both the Building Construction, and Other Construction components of the industry. The industry's performance was constrained by a 10.0% real decline 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 3.5% downturn in housing starts by the NHT. The total value and volume of mortgages disbursed, declined by 16.5% and 22.8%, respectively.

The downturn in the Other Construction component was due to decline in capital expenditure on civil engineering activities, largely stemming from:

1. National Works Agency, which disbursed \$0.9 billion relative to \$8.3 billion in the corresponding quarter of 2023. The fall in expenditure reflected the winding down of roadwork activities associated with the South Coast Highway Improvement Project, as well as the impact of Hurricane Beryl which hindered ongoing work, and
2. JPS, which disbursed \$1.2 billion, down from \$2.3 billion in the corresponding quarter of 2023. Disbursements during the quarter included

expenditure on the repair and re-installation of electricity generation and distribution infrastructure.

In contrast, NROCC, disbursed \$1.7 billion, an increase from the \$1.1 billion in the corresponding quarter of 2023. Expenditure during the review period was primarily for the Montego Bay Perimeter Road.

### **Developments in the Services Industry**

The Services Industry was estimated to have contracted by 1.2%, relative to the corresponding quarter of 2023, reflecting a reduction in Real Value Added for all industries, with the exception of the Finance & Insurance industry, which grew and Producers of Government Services, which remained flat.

### **Electricity & Water Supply**

The **Electricity & Water Supply** industry was estimated to have recorded a downturn in Real Value Added of **5.8%**, reflecting lower electricity and water consumption, due to the damage to transmission and distribution assets of the utility providers.

Electricity consumption fell by 6.9%, due to lower consumption for all six categories.

Lower sales were recorded for:

- Residential, down 6.7%
- General Service (small businesses using less than 25 kilovolt ampere kVa), down 5.7%
- Power Service (large businesses using more than 25 kVa but less than 500 kVa), down 6.8%
- Large Power (Businesses using more than 500 kVa), down 6.5%
- Largest Power (single locations with a minimum peak demand of 2000 kVa), down 10.6%; and
- Street Lighting & Traffic Signals, down 6.4%.

Water consumption declined by 1.0%, reflecting the net impact of a 5.4% decline in the Western Division and a 1.5% increase in the Eastern Division. Lower consumption was recorded in 9 of the 14 Parishes, led by Manchester, down 15.9%; St. Mary, down 8.5%; St. Elizabeth, down 7.5%; and St. James, down 6.7%.

### **Transport, Storage & Communication**

Real Value Added for **Transport, Storage & Communication** was **2.8%** lower than in the corresponding quarter of 2023. This was due to lower levels of activities in both the Transport & Storage and Communication components, due to:

- A decline in the air transport component, largely reflecting a reduction in passenger movement by 7.8%, due to Departures (down 7.8%); and Arrivals (down 8.2%); and
- A decrease in maritime transport activities caused by a 9.7% fall in total cargo handled and a 22.7% contraction in cruise passenger arrivals. Cargo handled at the Port of Kingston and Outports, fell by 5.8% and 22.6%, respectively.

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

Real Value Added for the **Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (WRTRIM)** industry was estimated to have contracted by 1.4%, due to:

- An estimated real decline of 4.6% in the level of real gross sales, and
- A downturn in the related Agriculture, Construction and Manufacturing industries as well as a weakening in Business Confidence (down 8.6%).

Lower sales were recorded for six of the eight categories, including:

- Hardware, Building Supplies and Electrical Goods and Machinery, down 9.2%
- Motor Vehicles, Auto Repairs & Accessories, down 8.9%
- Minerals, Fuels, Lubricants and Petroleum products, down 7.8%, and
- Wholesale & Repair of Household Goods & Office Equipment, down 4.8%.

### **Finance & Insurance Services**

Real value added in the Finance & Insurance Services industry grew by 1.0%. This out-turn was attributed to greater revenues earned at deposit-taking institutions from net interest income, fees and commission.

### **Hotels & Restaurants**

Real Value Added for the **Hotels & Restaurants** industry was estimated to have contracted by **2.1%**. Preliminary data indicate that Foreign National arrivals for July-September 2024 was 633,993 visitors representing a decrease of 3.1%.

### **GDP Performance: January–September 2024**

For the first nine months of 2024, real GDP was estimated to have decreased by **0.4%**. This reflected lower Real Value Added of 1.2% for the Goods Producing Industry, as the Services Industry, remained flat.

The most significant declines were recorded for Construction, down 2.9% and Wholesale & Retail Trade; Repairs; Installation of Machinery and & Equipment industry, down 1.4%. Among the industries that recorded growth for the nine-month period were Hotels & Restaurants, by 2.1% and Finance & Insurance Services, up 1.9%.

## **3. Employment Update....**

Regarding the Employment Update, the April 2024 Labour Force Survey undertaken by the Statistical Institute of Jamaica (STATIN) represents the second report since the new series began. Recall that STATIN indicated that the January 2024 Labour Force Survey (LFS) represented a break in the data series to incorporate the recommendations from the 19th, 20th and 21st International Conferences of Labour Statisticians of the International Labour Organization.



Consequently, the April 2024 labour force data is not comparable with the report for the corresponding period of 2023. Notwithstanding, the highlights of the April 2024 labour market survey are as follows:

- The **unemployment rate was 4.2%**, with Male unemployment rate at 3.3% and Female unemployment rate at 5.3%
- The **youth unemployment rate was 14.8%**, with Male youth unemployment at 13.6% and Female youth unemployment at 16.4%
- The **employed labour force stood at 1,420,300** as at April 2024. Males accounted for 53.7% of the employed labour force with Females at 46.3%.
- The **unemployed labour force was 62,800** persons as at April 2024.

#### **4. Vision 2030 Update**

I will now turn to an update on Vision 2030 Jamaica - National Development Plan (NDP). Note, the achievement of developed country status is representative of the attainment of a full slate of targets aligned with the social, economic, environmental, socio-political and governance dimensions of a country.

National Development performance has been mixed since 2009, when Vision 2030 Jamaica and the adoption of long-term national development planning were launched. Since then, over 60% of indicators measuring national development progress towards attaining the long-term national goals and outcomes have recorded improvements.

The country has made important progress in building the regulatory and institutional framework for social protection, education and training, health, the business environment, environmental sustainability, justice, security, and governance, including local governance. The per capita rate for serious crimes has been on a downward trend, even though the level of crime and violence remains too high. Poverty has generally been on a downward trend with rates showing increasing resilience to shocks. Provisions for social and income security have

been strengthened, particularly in the tourism, sport, and culture and creative industries. The country has improved its energy efficiency and integration of renewables in the energy mix.

The performance to date suggest that the objective of achieving developed country status, will likely not be achieved by 2030. Note, however, that falling short of achieving the objective of developed country status is not synonymous with lack of development and growth. Jamaica's current growth profile is more aligned with that of countries working towards being defined as "emerging economies" on the path to higher levels of development.

Progress towards developed country status has not been without challenges. Note, Jamaica has faced two major global crises since the development of the National Development Plan:—the 2008 global financial crisis, with the impact extending over the next decade and the 2020 COVID-19 pandemic. As an upper middle income small island developing state (SIDS), Jamaica has recognised vulnerabilities, owing to size, location, terrain and climate change.

Additionally, natural and other vulnerabilities place strains on economic activity, competitiveness and growth. However, within a context of insufficient growth, and damage and loss due to frequent disasters, redirecting economic resources to address these shocks, have stymied public investments necessary for promoting growth and development.

The shocks, crises and related global dynamics have not only impeded development prospects for Jamaica, but also, in the wider global community, where it has been reported that the Sustainable Development Goals are unlikely to be met in all countries.

The next steps in the implementation of Vision 2030 Jamaica and pursuing long-term national development include the execution of a comprehensive evaluation

to inform the development programme to 2030, and the preparation of the development agenda for the post-2030 period. The lessons learned from implementation to date, demonstrate the importance of social contracts to achieving national development goals. The PIOJ will engage the range of stakeholders to inform the way forward.

The PIOJ will also continue stakeholder engagement through strategic partnerships, initiatives and information sharing, to advance the national development planning process.

## **5. Short-Term Economic Outlook: October–December 2024, Calendar Year 2024 and Fiscal Year 2024/25**

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects are negative, due largely to the lingering effects of Hurricane Beryl on the economy, compounded by several other hydrological events. The passage of Hurricane Beryl and the associated damage and loss disrupted economic activity, and adversely affected macroeconomic performance. The cost of **damage and loss** associated with the passage of **Hurricane Beryl was estimated at \$32.2 billion or 1.1% of 2023 GDP** for Jamaica. Damage and loss in the Infrastructure sector accounted for almost 50.0% of the total, at \$15.9 billion. This was led by damage to Transport Infrastructure at \$10.3 billion, followed by damage to Electricity infrastructure at \$4.1 billion.

Looking ahead, all industries with the exception of Agriculture; Construction; Hotels & Restaurants; and Other Services are expected to record growth in the short-term. For Agriculture, it is anticipated that the industry will return to a growth path in the new Fiscal Year (2025/26). This, as some crops impacted by weather events, which continued into October–December 2024, require 3 to 6 months for recovery.

The Construction industry is anticipated to be impacted by the downturn in capital expenditure on infrastructure works, due to work stoppages associated with the hydrological events, and the resultant delays in the disbursement of funds.

For the Hotels & Restaurants and Other Services industries, the continued impact of the travel advisories, as well as industrial disputes which impacted operations at some hotels, are expected to temper the performance.

Within this context, the economy is anticipated to contract for the remainder of this calendar and fiscal year. For **October to December 2024**, it is projected that the change in Real Value added will be within the range of **-1.5% to 0.0%**, resulting in calendar year out-turn (i.e. January to December 2024) within the range of **-1.0% to 0.0%**.

This projection is further supported by preliminary data received for October 2024, which indicate a downturn in the Hotels & Restaurants industry. Provisional data reflect a decline of 1.1% in airport arrivals to 194,830 visitors.

However, the Mining & Quarrying industry is anticipated to record a positive performance during October to December 2024. Data for the month of October 2024 indicated that alumina production grew by 18.6% while crude bauxite production declined by 9.0%.

For **Fiscal Year 2024/25**, the projection is for an outturn within the range of **-1.5% to 0.0%**.

## **6. Conclusion**

In summary, preliminary data indicate that the Jamaican economy recorded a downturn during the review quarter, due to the impact of Hurricane Beryl. This impact, compounded by subsequent hydrological events, including Tropical Storm

Rafael are expected to negatively impact output during October-December 2024. Although the overall performance of the economy is projected to stabilize during the January-March 2025 quarter, with a flat performance projected, the agricultural industry is not expected to recover until the first half of Fiscal Year 2025/26.

These and other shocks have hindered the country's ability to realize sustained economic growth. This highlights the need to re-examine and prioritize the plans and initiatives to address the challenges that have hindered the country's ability to foster more robust and sustained growth. This is particularly important, given Jamaica's legislated target of achieving a Debt to GDP ratio of 60% or less by Fiscal Year 2027/28.

The Prime Minister yesterday outlined the tenets of the ASPIRE Jamaica programme, as the country focuses on generating more robust levels of inclusive growth. Critical to the Programme is engendering higher levels of **productivity**, that is, increasing output per worker. Specifically, the central tenets of the Programme are:

- 1. Human Capital Development**, which will involve a comprehensive transformation of the education system.
- 2. Diversification of Jamaica's Economic Base through the Development of New Industries** by strengthening inter-sectoral linkages; positioning Jamaica as a Logistics Hub; increasing investments in the Creative and Cultural industries; supporting initiatives to enable Jamaica to Become a Digital Society for example; the full roll-out of the National Identification Cards (NIDS); and expanding the broadband network to provide internet connectivity for all households and communities.
- 3. Infrastructure Development** with a focus on improving the road network; expanding the water supply network; and diversifying the energy mix.
- 4. Easing the cost and speed of Doing Business** through the removal of unnecessary barriers.

5. **Strengthening Security** through a dual focus approach on short-term measures and long term initiatives to reduce the burden of security costs on households and businesses, and
6. **Fostering Inclusive growth** through supporting the most vulnerable groups in the society.

Pivoting to this phase of Jamaica's economic development will require whole-of-society collaboration to generate robust, transformative, and inclusive economic growth that creates opportunities for all Jamaicans.

In closing, I want to recognize the very dedicated and hard-working team here at the PIOJ and encourage us all to sustain our efforts to make ***Jamaica, the place of choice to live, work, raise families and do business.***

God bless you all.