

Performance Review of October-December 2018

Planning Institute of Jamaica

February 20, 2019

Overview: October-December 2018



Goods-Producing Industry, up by **4.2%**



Services Industry grew by **0.8%**



Real Value Added in the Goods Producing Industries (%)

	Oct-Dec 2017	Jan-Mar 2018	Apr-Jun 2018	July-Sep 2018	Oct-Dec 2018
Goods Producing	1.4	2.8	7.2	5.1	4.2
Agriculture, Forestry & Fishing	-0.5	0.6	12.5	0.0	2.6
Mining & Quarrying	14.6	26.0	31.6	51.0	22.9
Manufacturing	0.4	0.6	0.2	-0.3	1.0
Construction	0.7	1.1	2.9	3.7	3.5

Agriculture, Forestry & Fishing

- ▶ The Agriculture, Forestry & Fishing industry increased by an estimated **2.6%**, largely reflecting the combined effect of:
 - ▶ Other Agricultural Crops, **up 7.1%**. Six crop groups recorded growth, led by:
 - ▶ Fruits, up 22.7%; Condiments up 14.9%; Yams, up 8.4%; and Vegetables, up 6.1%
 - ▶ Animal Farming, **up 3.9%**, due mainly to:
 - ▶ Broiler meat production, up 5.9%
 - ▶ Export crops, **down 7.0%**; reflecting declines in all export crop groups
 - ▶ Banana, down 3.4%; Coffee, down 48.3%; and Cocoa, down 10.3%
 - ▶ There was no production of sugar cane during the quarter, relative to 33 707 tonnes in the corresponding quarter of 2017.
- ▶ Performance for the quarter was attributed to more favourable weather conditions.

Mining & Quarrying

- ▶ Real Value Added for Mining & Quarrying grew by **22.9%**, reflecting an increase in alumina production
 - ▶ Total bauxite production increased by 7.4% reflecting the combined effect of:
 - ▶ Alumina production up by **30.8%**
 - ▶ the alumina capacity utilization rate increased to **69.2%**, up **16.3** percentage points compared with the corresponding quarter of 2017.
 - ▶ Crude Bauxite production down **19.4%**
 - ▶ Average bauxite capacity utilization rate decreased to **57.7%**, down **13.9** percentage points.

Manufacturing Industry

- ▶ Real Value Added for the Manufacture industry grew by an estimated **1.0%**, due to increases in both:
 - ▶ Food and Beverages & Tobacco:
 - ▶ Food processing component - Poultry Meat, up 5.9%; Edible Fats, up 16.4%; and Dairy Products, up 5.7%
 - ▶ Beverages & Tobacco component - Carbonated Beverages, up 6.4%
 - ▶ Other Manufacturing, reflecting higher production in both the Chemicals & Chemical Products and Petroleum Products sub-categories. Among the products for which production increased were:
 - ▶ Fuel Oil, up 27.5%; Other Petroleum Products, up 45.7%; and Turbo Fuel, up 25.0%.
 - ▶ Fertilizer, up 11.4% and Salt, up 15.5%.

Construction Industry

Real Value Added for Construction grew by **3.5%**, reflecting growth in the Building Construction and Other Construction components.

- ▶ The growth in the **Building Construction** component was driven by:
 - ▶ Housing starts, up 54.0% to 818 units
 - ▶ Housing completions, up 171% to 813 units
 - ▶ a **17.2%** increase in the total value of mortgages by the NHT
 - ▶ work-in-progress on previously started developments.
- ▶ An estimated growth in the **Other Construction component** due to higher capital expenditure on civil engineering activities reflecting:
 - ▶ National Works Agency, **up 112.7% to \$7.1 billion** (MIDP projects);
 - ▶ Telecommunication sub-sector, **up 1036% to \$3.0 billion** (expansion of GSM network)
 - ▶ Jamaica Public Service, **up 6.0% to \$6.1 billion** (construction and installation related to power generation and transmission)

Real Value Added for the Services Industries (%)

	Oct–Dec 2017	Jan–Mar 2018	Apr–Jun 2018	Jul–Sep 2018	Oct–Dec 2018
Services Industry	1.1	0.9	0.7	0.8	0.8
Electricity & Water	0.5	1.0	1.0	-0.1	0.1
Transport, Storage & Communication	0.8	1.4	1.6	1.4	1.6
Wholesale & Retail Trade; Repair and Installation of Machinery	0.7	0.5	0.6	0.8	0.6
Finance & Insurance Services	0.8	1.2	1.2	0.7	0.9
Real Estate, Renting & Business Activities	0.8	0.8	0.6	0.5	0.6
Producers of Government Services	0.3	0.1	0.0	0.0	0.0
Hotels and Restaurants	5.9	1.9	0.4	2.1	2.5
Other Services	1.7	1.3	0.3	1.2	1.0

Electricity & Water

The Electricity & Water industry recorded growth of **0.1%** in real value added, reflecting higher electricity consumption and increased water production.

- ▶ Electricity consumption grew by **0.1%** reflecting increased consumption for four of six categories:
 - ▶ Residential (Rate 10), **up 1.2%**
 - ▶ General Service (Rate 20), **up 1.4%**
 - ▶ Power Service (Rate 40), **up 2.3%**
 - ▶ Large Power (Rate 50), **up 7.6%**
- ▶ Water production rose by **0.8%**
 - ▶ Western division (**up 2.0%**), which outweighed an estimated decline of 0.1% for the Eastern division

Transport, Storage & Communication

Real value added for Transport, Storage & Communication grew by **1.6%** due to increased activities in the Transport & Storage component. This was driven by:

- ▶ Increased maritime transport activities reflecting cargo movement, up 21.2%,
 - ▶ Outports, up 35.0%, due to an expansion in the exports of both crude bauxite and alumina
 - ▶ Port of Kingston, 1.6%
- ▶ Growth in the air transport component, largely reflecting increased passenger movement up 3.5%, due to Departures (up 3.4%) and Arrivals (up 4.6%).

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

- ▶ Real Value Added for the WRTRIM industry grew by **0.6%** due to:
 - ▶ Estimated growth in the related goods-producing industries
 - ▶ Increased employment
- ▶ Growth was facilitated by a real increase of 39.7% in the value of Automated Banking Machines (ABM) and Point of Sales transactions
- ▶ Higher sales were recorded for seven of the eight categories, led by:
 - ▶ Hardware, Building Supplies, Electrical Goods & Machinery, **up 13.7%**
 - ▶ Mineral, Fuels, Lubricants & Petroleum Products **up 12.0%**
 - ▶ Agriculture, Food, Beverages & Tobacco **up 6.4%**

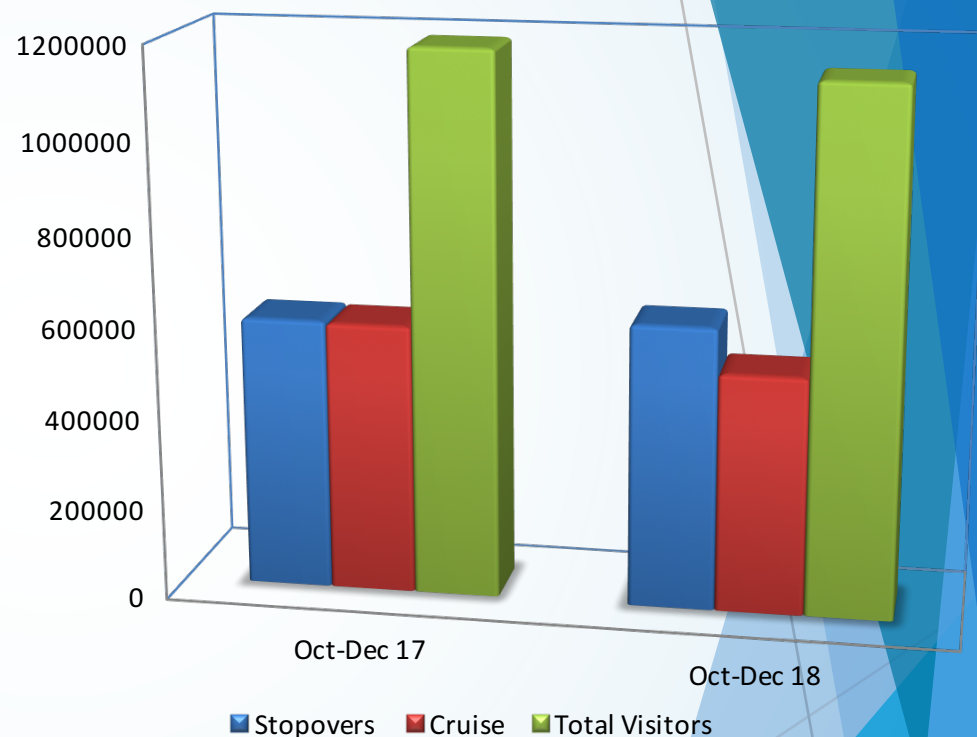
Finance & Insurance Services

Real value added in the Finance & Insurance industry grew by **0.9%** during the quarter, due to:

- ▶ an increase in the net interest income on the stock of loans at deposit taking institutions; and
- ▶ an increase in fees and commissions income

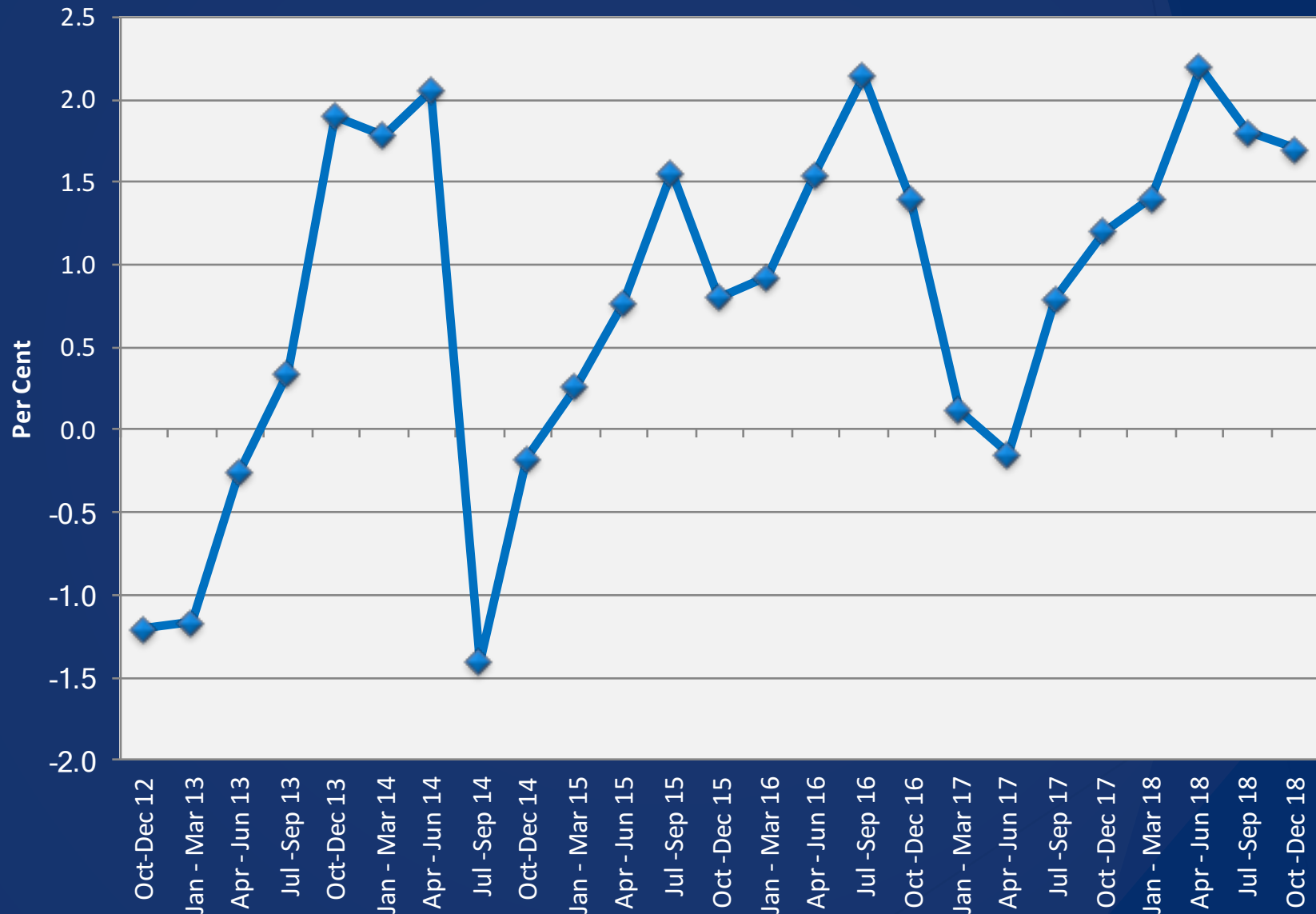
Hotels & Restaurants

- ▶ Real Value Added for Hotels & Restaurants **grew by 2.5%**.
- ▶ This was due to an increase in Foreign National Arrivals, **up by 3.7%**.
- ▶ Total Stopover Arrivals increased by **4.0%**
- ▶ Cruise passenger arrivals declined by **12.0%**
- ▶ Total Visitor Expenditure increased by **11.6%** to US\$840.4 million



Quarterly Real Value Added Growth (%) 2012-2018

GDP Chart



GDP Calendar Year 2018

- ▶ Real GDP is projected to have grown by **1.8%** relative to 2017. This compares with growth of **0.9%** recorded in 2017.
- ▶ The Goods Producing Industry grew **by 4.8%**, while Services grew by **0.8%**.

The Macroeconomic Environment

- ▶ The performance during the quarter took place against the background of:
 - ▶ Quarterly deflation rate of **0.3%**
 - ▶ Fiscal Surplus of **\$9.8 billion**
 - ▶ Real appreciation of the exchange rate

Inflation

- ▶ For October-December 2018, deflation of **0.3%** largely reflected the combined impact of:
 - ▶ Housing, Water, Electricity, Gas & Other Fuels (down 3.4%) and Transport (down 1.7%)
 - ▶ These contractions resulted from lower international crude oil prices due to increased production by OPEC and Russia.
 - ▶ Food & Non-Alcoholic Beverages (up 0.4%)
 - ▶ Largely reflecting higher prices for Starchy Foods, such as yam and potato. Meat prices also increased during the quarter.

Inflation Calendar Year 2018

- ▶ For the calendar year 2018, inflation of **2.4%** was recorded.
 - ▶ Food & Non-Alcoholic Beverages (**up 2.3%**), Housing, Water, Gas & Other Fuels (**up 4.7 %**) and Furnishings, Household Equipment & Routine Household Maintenance (**up 4.6%**).
- ▶ Inflationary impulses during the year largely emanated from the impact of:
 - ▶ Increased international crude oil prices
 - ▶ Increase in the national minimum wage (up by \$800/week to \$7,000/week).

Fiscal Accounts

- ▶ The fiscal surplus was **\$9.8 billion** for the quarter
 - ▶ This was **\$11.0 billion** better than budgeted due to:
 - ▶ **\$3.8 billion (2.5%)** higher than programmed revenue
 - ▶ **\$7.3 billion (4.8%)** less than programmed expenditure
- ▶ Revenue & Grants totalled **\$154.6 billion** in October-December 2018 while Expenditure totalled **\$144.8 billion**.

Exchange Rate

- ▶ The average nominal exchange rate at the end of December 2018 was \$127.72 per US\$1.00, representing a 5.1% nominal appreciation compared with end of September 2018.
 - ▶ This translates into a real exchange rate appreciation of 5.3% relative to the US dollar

External Trade

A trade deficit of **US\$4,082.9** million was recorded for January - November 2018, a deterioration of US\$286.7 million compared with the similar period of 2017.

- ▶ Imports for the period increased by 12.8% to US\$5,681.3 million, mainly reflecting:
 - ▶ Mineral Fuels, etcetera - US\$1,534.0m, up US\$300.1m
 - ▶ Machinery & Transport Equipment - US\$1,292.3m, up US\$138.5m
- ▶ Exports for the period grew by 28.7% to US\$1,598.4m, reflecting increases in six of ten categories. The largest increases were recorded for Crude Materials (excl fuels), up US\$330.7m; and Minerals Fuels, etcetera, up US\$45.1m.

Remittances

Remittance inflows for January-September 2018 amounted to US\$1,855.4 million, up US\$13.3 million relative to January-September 2017.

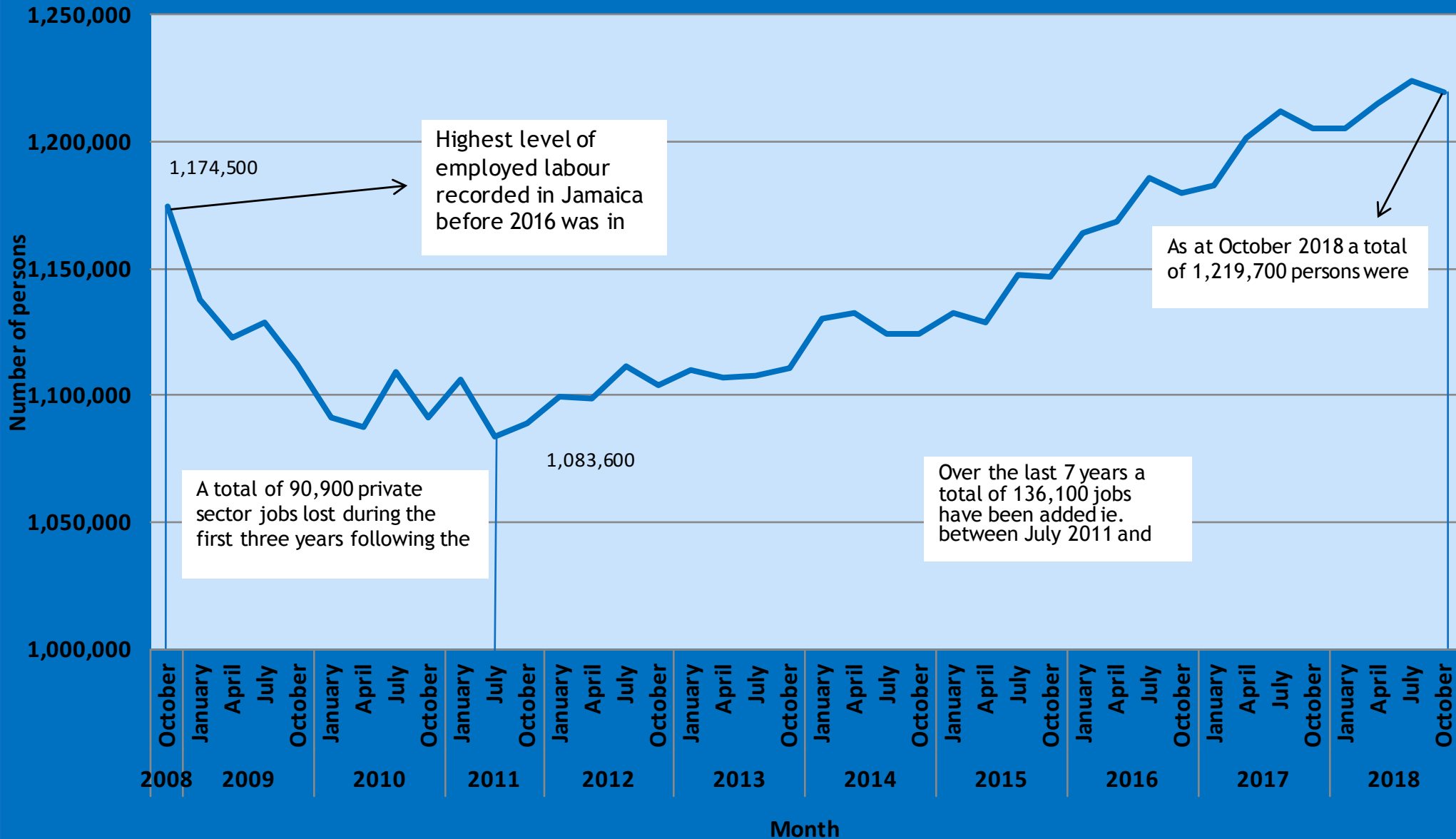
Employed Labour Force in Selected Industries

ITEM	2017				2018			
	January	April	July	October	January	April	July	October
	BOTH SEXES							
TOTAL POPULATION	2,729,000	2,729,000	2,728,900	2,728,900	2,728,900	2,728,800	2,728,700	2,729,000
Population 14 years and over	2,088,200	2,088,200	2,088,200	2,088,200	2,088,100	2,088,100	2,088,100	2,088,200
Labour Force	1,355,400	1,368,000	1,366,800	1,346,000	1,333,200	1,346,200	1,335,300	1,368,000
Employed Labour Force	1,183,100	1,201,600	1,212,300	1,205,300	1,205,000	1,215,200	1,219,700	1,201,600
Unemployed Labour Force	172,200	166,300	154,500	140,600	128,300	131,000	115,600	166,300
Outside The Labour Force	732,800	720,200	721,400	742,200	754,900	741,900	752,800	720,200
Unemployment Rate	12.7	12.2	11.3	10.5	9.6	9.7	8.7	12.2
Job Seeking Rate	8.1	7.8	7.0	6.4	5.5	6.2	4.8	7.8

Labour Market Indicators

- ▶ The **unemployment rate** for October 2018 was **8.7%** compared with a rate of 10.5% in October 2017.
- ▶ The **Total Labour Force** decreased by 10 700 persons to 1 335 300 relative to October 2017.
- ▶ The **Employed Labour Force** increased by 14 400 persons to 1 219 700 relative to October 2017.
- ▶ The number of **persons outside the Labour Force** increased by 10 600 persons relative to October 2017.
- ▶ The **unemployed labour force decreased** by 25 000 to 115 600 persons relative to October 2017.

Employed Labour Force ('000)



Short-Term Prospects & Developments, January-March 2019

- ▶ Prospects for the overall economy in the short-term are positive based on:
 - ▶ Continued strengthening in the Mining & Quarrying, Construction and Hotels & Restaurants Industries
 - ▶ Relative stability in the macroeconomic environment
- ▶ The main risk factors identified include the impact of adverse weather conditions and plant down-time.

Inflation January 2019

- ▶ Deflation of **0.2%** was recorded for January 2019 and largely reflected lower prices for:
 - ▶ Housing, Water, Electricity, Gas and other Fuels, down 0.1% due to lower rates for electricity as well as for water & sewerage
 - ▶ Food & Non-Alcoholic Beverages, up 0.5% a mainly reflecting lower prices for domestically produced vegetables and starchy foods
 - ▶ Transport, down 0.6% due to lower prices were also recorded for Petroleum Products.

- ▶ Inflation for the Fiscal Year (April 2018-January 2019) to date is 2.5%

Electricity January 2019

- ▶ Total electricity consumption increased by **3.2%** to **261.0 Million kilowatt hours**.
- ▶ Electricity sales increased by **3.5%** to **258.7 million Kilowatt hours**.

Mining & Quarrying

January 2019

- ▶ Total bauxite production increased by **29.5%** due to:
 - ▶ Alumina up **40.0%**; and
 - ▶ Crude Bauxite up **5.9%**.
- ▶ Alumina exports up **4.2%**, and Crude Bauxite exports up **17.2%**.

Hotels & Restaurants January 2019

- ▶ Provisional data indicated:
 - ▶ Airport arrivals increased by **9.0%**

GDP January-March 2019

Real GDP is projected to grow within the range of **1.5%** to **2.5%** during January-March 2019 vis-a-vis January-March 2018.