

**The Planning Institute of Jamaica’s Review of Economic Performance,**

**July - September 2019**

##### **Media Brief**

##### **November 19, 2019**

Good morning ladies and gentlemen, today November 19, 2019 is being celebrated as International Men’s Day. In Jamaica, the theme is ***“Building Strong Men through Health and Wellness – Balance Di Ting”***. The ribbons we are wearing signify our support for this important Day. I take this opportunity to wish the men of Jamaica, Happy International Men’s Day.

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 early information available from the major data providers.

This release of the preliminary estimate is consistent with developments 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 quarter, 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, to inform critical planning and policy-related decisions.

STATIN’s data on GDP represents the official data on economic performance, and all preliminary estimates are updated to reflect the data provided by STATIN. So for example, for the preliminary estimate presented today, the actual data will be released by STATIN at the end of December 2019, at which time all previous estimates for this review period will be updated.

Today, we are reporting that our estimate for real GDP growth for the July–September 2019 quarter is **0.3 per cent**, relative to the corresponding quarter of 2018. The projected out-turn for the July–September 2019 quarter largely reflected the positive impact of:

* Increased domestic demand, pushed by record levels of employment.
* Increased consumer and business confidence levels, which spurred investment and consumer demand.
* Continued stability in the macroeconomic environment, which augured well for the business environment.

However further growth was tempered by:

* Drought conditions which negatively impacted the performance of some industries, particularly Agriculture, Forestry & Fishing and Electricity & Water.
* The operational closure of the Alpart Alumina Refinery during the period, which resulted in a sharp contraction in the Mining & Quarrying industry.
* The impact of the trade war between the USA and China which has resulted in the slowing of economic growth in some of the more advanced economies and has had a negative impact on external demand for Jamaica’s goods and services, particularly for the Mining & Quarrying and Hotels & Restaurants industries. and
* The delayed start-up of some of the major infrastructure projects which are scheduled to commence during this fiscal year. The main challenges in implementation include procurement delays and slow mobilisation. This has resulted in a slowing in growth, particularly for the Construction industry, in which several projects that were initiated in 2018 or earlier have ended or are in the process of winding-down.
1. **Real Sector Developments**

**Developments in the Goods-Producing Industry**

The Goods-Producing Industry was projected to have contracted by 2.1%, reflecting a downturn in performance in three of the four sub-industries. Manufacturing was the only Goods Producing industry estimated to have recorded growth.

**Agriculture**

Real GDP for the Agriculture, Forestry & Fishing industry, was estimated to have recorded a marginal decline in real value added of 0.2%.

The performance during the quarter reflected the combined effect of:

* *Traditional Export Crops* which declined by 5.7% due to a contraction in output for Sugar cane, down 57.3%, largely reflecting the relatively early ending of the sugar cane harvesting period with only one of the four factories being in operation for only 1 week during the quarter. Banana production also declined with an estimated fall of 3.4%.
* *Other Agricultural Crops* up 1.0%, due to increased output in one of the nine domestic crop groups, namely Yams, which increased by 27.0%. Of the eight crop groups which declined, the most significant contractions were recorded for Fruits down 17.1%; Legumes, down 15.0%; Potatoes, down 11.8%; Cereals, down 10.9%; and Condiments, down 8.9%. This performance is against the background of declines in the hectares reaped, by 3.3%. Eight parishes recorded decreases in hectares reaped, ranging from 27.4% in St. Thomas to 3.1% in Westmoreland.
* *Animal Farming* up 1.4% due to an increase in broiler meat production (up 3.1%). However, Egg production contracted by 12.3% due to a cut-back, in response to a glut of this commodity on the market.

**Mining & Quarrying**

Real Value Added for the Mining & Quarrying industry decreased by an estimated **18.5%,** reflecting declines in both the output of alumina and crude bauxite production. *Alumina production* decreased by 19.8% to 553.0 kilo tonnes. This was largely the result of lower levels of output by Alpart, due to the operational closure of the refinery during the quarter. The refinery will be closed for a period of 18 to 24 months, to facilitate the execution of upgrade and expansion works. The capacity utilization rate at alumina refineries decreased to 59.3%, down 14.0 percentage points.

*Crude bauxite production* contracted by 6.4% to 764.5 kilo tonnes. This reflected the impact of lower demand from overseas purchasers. The average bauxite capacity utilization rate declined by 3.8 percentage points to 56.7%.

**Manufacturing**

Real Value Added for the Manufacturing industry was estimated to have grown by 1.6%**,** reflecting expansions in both the Food, Beverages & Tobacco and the Other Manufacturing sub-industries.

The increase in the Food, Beverages & Tobacco sub-industry reflected the impact of higher production for Poultry Meat (up 3.1%); Bakery Products (up 2.9%); Condensed Milk (up 37.1%); Beer & Stout (up 19.5%); and Carbonated Beverages (up 12.4%).

With respect to Other Manufacturing, the higher production was influenced by increased output of Petroleum products.

Specifically:

* Gasoline (up 76.0%);
* LPG (up 152.4%)
* Automotive Diesel Oil (ADO) {up 152.6%} and
* Fuel Oil (up 53.3%).

The performance of the Petroleum sector reflected an increase of 34.7 percentage points to 100.0% in the refinery service factor, indicating full operation of the Petrojam refinery during the quarter relative to its closure for 32 days in the corresponding period of 2018.

**Construction**

Real Value Added for the Construction industry is estimated to have contracted by 1.5%, reflecting a decline in the *Other Construction* component which outweighed growth in *Building Construction.*

The estimated contraction in the Other Construction component largely reflected declines in capital expenditure on civil engineering activities due to the following:

* the National Works Agency (NWA), which disbursed $2.7 billion during the quarter relative to $7.1 billion during July-September 2018. This fall in disbursement largely reflected the winding-down of several major infrastructure projects, as well as delays in the start-up of new projects scheduled to commence during this fiscal year.
* the National Water Commission (NWC), which disbursed a total of $1.1 billion, representing a decline of 10.9%. The main projects included the rehabilitation of potable water in the KMA; and the installation of water meters.
* the Port Authority of Jamaica which disbursed $764.2 million, down 22.3%. Funds were used for infrastructural development as well as the construction and refurbishment of commercial property.

Underscoring the lower out-turn of the Other Construction component was a real decline of 2.1% in the sale of construction inputs. Cement supply to the local market also contracted, recording a downturn of 17.6%.

The growth in the *Building Construction* component was supported by increased activities in both the residential and *non-residential categories*.

With respect to Residential Construction, Housing Starts by the National Housing Trust (NHT) increased by 43.2% to 875 units, relative to the corresponding quarter of 2018. The total value of mortgages by the NHT increased by 50.3% to $8.0 billion while the number of mortgages disbursed increased by 15.6%. Residential Construction continued to be boosted by the relatively high levels of work-in-progress by the NHT, associated with the strong increase in housing starts in previous quarters, particularly the 4,337 new starts recorded during January–March 2019 and 999 units started during April–June 2019.

The Non-residential component benefited from new and ongoing construction, expansion and renovation works at several resort properties. Additionally, the construction of several commercial properties is ongoing.

**Developments in the Services Industry**

The Services Industry was estimated to have grown by 1.2 per cent, relative to the corresponding quarter of the previous year, reflecting higher Real Value Added in all Industries.

**Electricity & Water Supply**

The Electricity & Water Supply industry is estimated to have recorded growth in real value added of 0.7%. The growth during the review quarter reflected an increase in electricity consumption which outweighed an estimated contraction in water consumption.

Electricity Consumption increased by 1.7% reflecting higher sales to:

* Residential (Rate 10), up 4.8%
* General Service (Small businesses using less than 25 kilovolt ampere (kVa), up 3.5%
* Power Service {Businesses using more than 25 kVa but less than 500 kVa}, up 0.2%;
* Large Power (Businesses using more than 500 kVa), up 0.7%.

However, consumption by customers in the Largest Power category {Locations with a minimum peak demand of 2,000 kVa}, was down 2.0%. Also declining was the category Street Lighting & Other, down 12.1%, due partly to the continued implementation of the Smart Streetlight Programme, which utilizes the more efficient LED bulbs.

Water Consumption for the review quarter fell by 3.1%, due largely to drought conditions which impacted the island during the quarter. The downturn was influenced by a fall in consumption in the Eastern Division by 1.3%, as well as in the Western Division by 6.4%.

**Transport, Storage & Communication**

Real Value Added for Transport, Storage & Communication grew by an estimated 1.0% due to estimated growth in the Transport & Storage component of the industry. The improved performance was driven by the performance of the air transport segment, reflecting a 3.2% increase in total air passenger movement. Increased air passenger movement was consistent with the higher levels of stopover arrivals recorded during the quarter. Additionally, maritime cargo handled at the island’s seaports was estimated to have increased.

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

Real Value Added in the (WRTRIM) industry grew by an estimated 1.0%. Increased output in the industry was supported by:

* Growth in real value by 17.8% in ABM & Point of Sale Transactions;
* Increased levels of employment by 31 500 persons; and
* An increase in the net flows of Loans & Advances at commercial banks to both consumers and distributors.

Increased gross sales were recorded for six of the eight categories, which combined, accounted for 60.1% of total sales. Among these were:

* Motor Vehicles, Auto Repairs & Accessories, up 8.0%
* Wholesale & Repair of Household Goods & Office Equipment, up 9.2%,
* Pharmaceuticals, Medical Goods & Cosmetics, up 7.5%; and
* Textiles, Clothing, Shoes & Jewellery, up 6.7%.

**Finance & Insurance Services**

Real value added for the Finance & Insurance Services industry was estimated to have grown by 3.0% during the quarter, largely reflecting increases in:

* Net interest income on the stock of loans and advances at deposit-taking institutions, as well as
* Fees and commission income.

**Hotels & Restaurants**

Real Value Added for the Hotels & Restaurants industry grew by an estimated 2.3%, reflecting an increase in Foreign National arrivals which increased by 4.9%.

Total Stopover Arrivals grew by 5.3% and reflected stronger performance from:

* USA, up 9.4% to 449 829 persons;
* Caribbean, up 8.9% to 21 107 persons; and
* Latin America, up 8.0% to 9 227 persons.

Stopover Arrivals from Europe and Canada contracted by 6.8% and 5.1%, respectively.

Cruise passenger arrivals declined by 25.6% to 218 962 persons, largely reflecting decreased arrivals to all major ports:

* Ocho Rios, down 21.7% to 76 812 passengers,
* Montego Bay, down 47.1% to 48 294 passengers, and
* Falmouth, down 10.5% to 93 856 passengers.

Visitor Expenditure was estimated to have increased by 5.7% to **US$838.6 million**.

**GDP Performance: January – September 2019**

For the first nine months of 2019, real GDP is estimated to have increased by **1.2%.** This reflected higher real value added for the Goods Producing Industry, of **0.1%** and the Services Industry, of **1.6%.** The industries which recorded the largest increases during this nine month period were Manufacturing (up 1.2%); Finance & Insurance (up 3.3%); and Hotels & Restaurants (up 5.3%).

**Employment Update….**

Regarding the Employment Update, our sister agency STATIN has commenced briefings 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 2019:

* The unemployment rate was **7.8%.** This was 0.6 percentage point lower than the rate recorded in July 2018.
* The employed labour force increased by **31 500 persons** to **1 254 100 persons** relative to July 2018. This represents the highest level of employment ever recorded during a single month.
* The employed labour force by industry group as at July 2019 revealed 11 of the 16 industry groups recorded higher employment levels. Among these were:
	+ Construction, up 7 500 persons
	+ Public Administration & Defence; Compulsory Social Security, up 6 900 persons; and
	+ Real Estate, Renting & Business Activities, up 6 200 persons.
1. **Demographic Dividend - A Pathway To Development**

Over the last two decades, Jamaica has experienced significant changes in its population. Changes in the number of births, deaths and migration have resulted in a decline in the population over the last two years. Official statistics, reveal that:

* persons are living longer, with a life expectancy of approximately 75 years;
* women are having fewer children, which has resulted in a reduction in the share of the child population (0-14 years), which declined by 11.2 percent between 2001 (census year) and 2018;

Jamaica is at the point where the country has its largest working age population in modern history with 69.7 per cent of the total population being in age group, 15-64 years. This creates a “window of opportunity” often referred to as the “demographic dividend”.

The demographic dividend is the economic growth potential that can result from shifts in a population’s age structure, mainly when the share of the working-age population is disproportionately larger than the dependent population (persons 14 years and younger, as well as those 65 and older). However, it is projected that the country will not be in this position for much longer as the elderly population is projected to grow at a faster rate than the child population. As a result, the dependency rates will begin to increase again, thereby introducing a gradual phase towards the elimination of this demographic dividend.

**Some implications are:**

The increase in the share of the working age population relative to dependents (children and elderly) provides Jamaica with a tremendous opportunity to boost economic growth. These benefits are, however, not automatic, but will require specific and deliberate policy and programmatic interventions for the benefits to be harnessed. The demographic dividend is expected to impact growth mainly through:

1. **An increase in the Labour Supply**, lower dependence ratios may facilitate an increase in labour force participation and employment, especially for groups that are typically under-represented, such as Youth, Women, Elderly, persons with disabilities and others.
2. **Savings**, as the dependency ratio falls, more resources can be allocated towards savings instead of consumption, which will facilitate investment and growth.
3. **Human Capital** – fewer dependents imply that society can increase resources towards strengthening education and health outcomes, which will contribute to the increased productivity of the labour force.

To leverage the benefits associated with the demographic dividend it will be necessary to:

1. **Reduce unemployment and informality** to foster increased productivity, greater financial inclusion and participation of under-represented groups within the labour force namely youth, women, elderly, and persons with disabilities. In particular:
	1. **Implement appropriate policies for the provision of dependent care services** (care of children and relatives) to reconcile work and family responsibilities thereby allowing caregivers to participate more actively in the labour force, and
	2. **Promote programmes to improve the employability of unattached youths,** to build capacity in technical skills and soft skills.
2. **Embrace the concept of active ageing,** as life expectancy continues to increase. This requires age-friendly employment policies and practices that seek to reduce discrimination against older workers while also ensuring greater employment opportunities for the youth population.
3. **Refocus social protection and social service delivery** to cater to emerging requirements of the elderly population such as health care, housing, lifelong learning and re-employment opportunities.
4. **Promote circular migration programmes** (which refer to the temporary movement of migrant workers, such as farm workers) to broaden the scope of opportunities for Jamaicans, guided by the National Policy on International Migration and Development.
5. **Place, greater focus on**:
	* **financial literacy** especially among the youth, and
	* **financial inclusion** across all age groups in the areas of investment, savings and retirement planning.
6. **Encourage Social Enterprise and livelihood projects** and programmes to improve well-being and community development, **and**
7. **Place greater focus on balanced development** within and between rural and urban areas in order to create an optimal distribution of the population.
8. **Short Term Economic Outlook: October – December 2019**

We will now turn to the short-term prospects for the Jamaican economy. Generally, the prospects are positive, albeit subdued, based on:

* **Expected rebound in the Agriculture Industry** following the contraction in the review quarter, as a result of drought conditions. The Meteorological Service has indicated that for October to December 2019 we are likely to experience rainfall levels that are near-normal to above normal.
* **Continued increase in Finance, electricity consumption and tourism-related activities**. The Finance & Insurance industry is expected to benefit from increased net interest income as well as higher fees and commissions income associated with continued expansion in the stock of outstanding loans and advances. Relating to tourism, preliminary data for October 2019 indicate that airport arrivals grew by 7.4%. For Electricity; consumption for the month of October increased by 4.5%.
* **Anticipated intensification of major infrastructural works** with the start-up of key residential and road construction projects anticipated.
* **Continued stability in the macroeconomic environment**, evidenced by:
	+ Relatively low inflation and interest rates, which continue to drive increased investment and a general expansion in credit. Inflation for October 2019 was 0.6%.
	+ Increased investor and business confidence levels based on consumer and business perception of short term economic prospects
	+ Improvements in the fiscal out-turn as key targets are continuously being met or surpassed.

However, the extended closure of the Alpart/JISCo alumina refinery will temper the growth momentum as the plant was in operation during the corresponding quarter of 2018. Data for October 2019 indicate that Alumina production fell by 58.7% and Crude Bauxite production fell by 6.3%.

The primary risks identified are: slower than anticipated global economic growth associated with possible heightened trade tensions; plant downtime associated with relatively aged plants and equipment; as well as, weather related shocks.

In light of the above-mentioned factors, **we expect real GDP** for the **October to December 2019 quarter** to grow **within the range of 0.0% to 1.0%** resulting in a calendar year 2019 projection within a range **of 0.5%–1.5%.** For fiscal year 2019/20, the economy is projected to grow within the range of **0.0%–1.0%.**

1. **Conclusion**

In summary, **the Jamaican economy is estimated to have grown by 0.3% for the July to September quarter of 2019** based on early indicators. This out-turn was supported by several positive macroeconomic developments including:

* the attainment of the lowest ever unemployment rate coupled with the highest level of employment which continued to drive domestic demand
* An uptick in both business and consumer confidence levels, and
* Continued stability in the macroeconomic environment, evidenced by relatively low inflation, declining interest rates and an improved fiscal out-turn.

The **demographic dividend** presents several opportunities for Jamaica’s development. The recognition of this is key to effectively developing appropriate policy measures to capitalize on these opportunities. To continue the conversation on this critical national development issue, we invite you to join us at our ongoing **Dialogue for Development Series**, under this year’s theme “***Ageing: Exploding Myths, Exploring Opportunities”*** We commenced the dialogue in Mandeville on October 17, 2019 and will continue the conversation on December 5, 2019 in St. Ann commencing at 10:00 a.m. at the St. John’s Anglican Church. We will next go to St. James in February 2020. The series will culminate in Kingston at a date to be announced.

Jamaica continues to record development gains based on the economic out-turn reported. Although there continue to be challenges, strategies have been developed and are being implemented to address them. It is therefore imperative that we remain focused and disciplined as a country as we intensify our efforts to realize greater levels of economic growth and sustained improvements in the well-being of our people.

In closing, let me take this opportunity to thank all the hardworking and dedicated team here at the PIOJ. I encourage us all, stakeholders in Jamaica, to maintain the dialogue and continue the collaboration, as we sustain our commitment to make Jamaica the place of choice to live, work, raise families and do business.