

January 20, 2023



MONTHLY

ECONOMIC REVIEW

Prepared by: Research Department

LOCAL ECONOMY

GROSS DOMESTIC PRODUCT

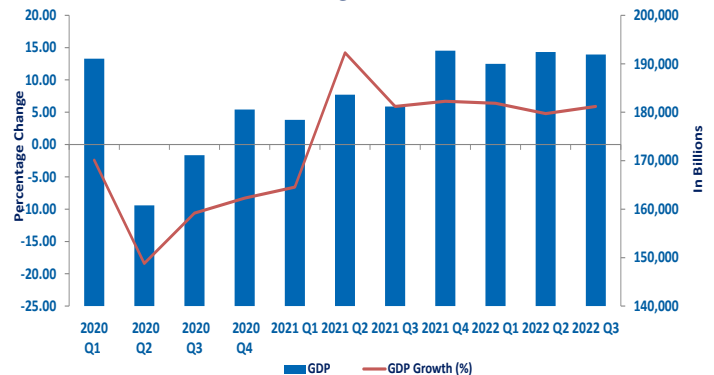
According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded 5.9% in Q3 2022.

Jamaica's GDP rose 5.9% in Q3 2022 compared to Q3 2021, as the Services Industries added 6.0% more value at constant pricing relative to Q3 2021's outturn. The Goods Producing Industries' value added grew 5.6%. The economy's continued recovery from the COVID-19 pandemic aided the improvement in performance.

Hotels & Restaurants (35.3%), Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (5.3%), Transport, Storage & Communication (5.9%), Other Services (13.1%), Finance & Insurance Services (1.0%), Real Estate, Renting & Business Activities (3.3%), Producers of Government Services (0.1%) and Electricity & Water Supply (3.9%) all had higher activity levels.

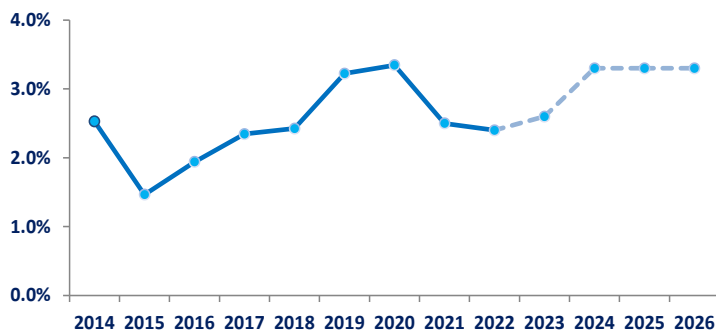
Agriculture, Forestry & Fishing (17.0%) and Manufacturing (9.5%) also contributed largely to the growth. Mining & Quarrying and Construction however contracted by 27.6% and 3.1%, respectively.

GDP



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



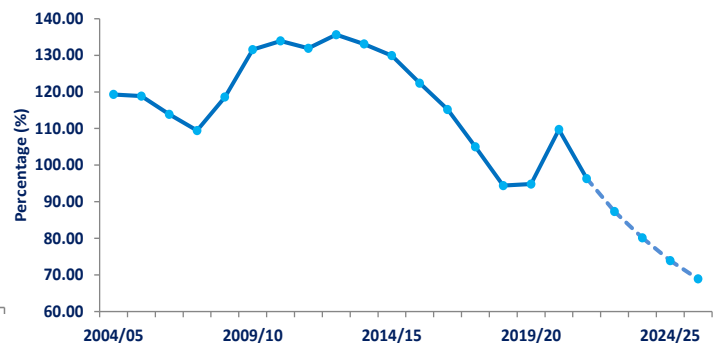
Total Expenditure for the period April to November 2022 amounted to \$471.80 billion, \$17.56 billion less than the budgeted amount of \$489.36 billion. Recurrent expenditure which totalled \$439.09 billion, accounted for 93% of overall expenditures. Under the recurrent expenditure categories for the review period, the category above the budgeted amount was 'Interest. Interest totalled \$94.53 billion, \$4.77 billion above the budgeted amount.

The categories below the budgeted amount included 'Programmes' which was \$167.54 billion, \$1.45 billion below the budgeted amount. 'Compensation of Employees' which amounted to \$177.01 billion which was \$16.29 billion or 8.4% less than budgeted. Similarly, 'Employee Contribution' totalled \$11.99 billion, which was \$2.27 billion below the budgeted amount of \$14.27 billion. Lastly 'Wages and Salaries' totalled \$165.02 billion, 7.8% below the budgeted amount of \$179.03 billion.

The 'Fiscal Surplus' was \$19.51 billion, relative to a 'Projected Deficit' of \$50.56 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$114.04 billion, relative to the 'Budgeted Primary Surplus Balance' of \$39.2 billion.

DEBT TO GDP

Total Debt to GDP (%)



As at November 2022, Jamaica's total debt stood at \$2.21 trillion.

At the end of the first quarter of FY 2022/23, Jamaica's Public Debt stock stood at \$2.17 trillion, a reduction of 1.0% over end -March 2022. This decline is mainly attributed to the reduction in Central Government External Debt which resulted from valuation changes associated with the appreciation of the Jamaica dollar.

Economic improvements have been forecasted for FY 2022/23 and the medium term, and the public debt-to-GDP ratio is solidly back on a downward trajectory. Notwithstanding, it is imperative that the Government maintains its steadfast commitment to the principles of sound fiscal governance in order to remain on target to achieve the principal objective of a debt-to-GDP ratio of 60.0%, or less, by end-FY 2027/28.



LABOUR FORCE

Unemployment Rate (%)	January	April	July	October	Labour force	January Q1	April Q2	July Q3	October Q4
	Q1	Q2	Q3	Q4					
2014	13.4	13.6	13.8	14.2	2014	1,305,500	1,311,100	1,303,700	1,310,200
2015	14.2	13.2	13.1	13.5	2015	1,320,800	1,300,400	1,320,500	1,325,200
2016	13.3	13.7	12.9	12.9	2016	1,342,000	1,353,500	1,363,300	1,355,500
2017	12.7	11.3	11.3	10.4	2017	1,358,300	1,371,600	1,371,200	1,346,800
2018	9.6	9.8	8.4	8.7	2018	1,331,800	1,345,900	1,334,700	1,334,900
2019	8.0	7.8	7.8	7.2	2019	1,340,200	1,349,900	1,360,800	1,345,100
2020	7.3	na	12.6	10.7	2020	1,369,500	na	1,279,600	1,293,600
2021	8.9	9.0	8.5	7.1	2021	1,310,900	1,206,000	1,215,000	1,329,100
2022	6.2	6.0	6.6		2022	1,257,100	1,269,300	1,268,000	

The Statistical Institute of Jamaica (STATIN) reported that the unemployment rate was 6.6% in July 2022, 1.9 percentage points lower than in July of the previous year. There were 1,268,000 employed persons, an increase of 53,000 persons compared to the similar quarter of 2021. There were 42,000 more employed females, representing 79.2% of the total increase in employment. More females were employed in the occupation group 'Service Workers and Shop and Market Sales Workers' and the industry group 'Real Estate and Other Business Services'.

PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

Producer Price Index:

Mining and quarrying output prices rose 0.7% in November 2022, while manufacturing prices were down 0.3%.

The index for Mining and Quarrying rose 0.7% due to a 0.8% increase in Bauxite Mining & Alumina Processing, reflecting the depreciation of the Jamaican dollar against its United States counterpart.

Refined Petroleum Products contributed 1.4% to the drop in the Manufacturing index. Food, Beverage & Tobacco recorded a decline by 0.1%.

Mining & Quarrying index fell 20.4% from November 2021 to November 2022. Manufacturing's index rose 13.1% over the same period. Refined Petroleum Products (21.0%), Food, Beverages & Tobacco (12.5%), drove the Manufacturing industry.

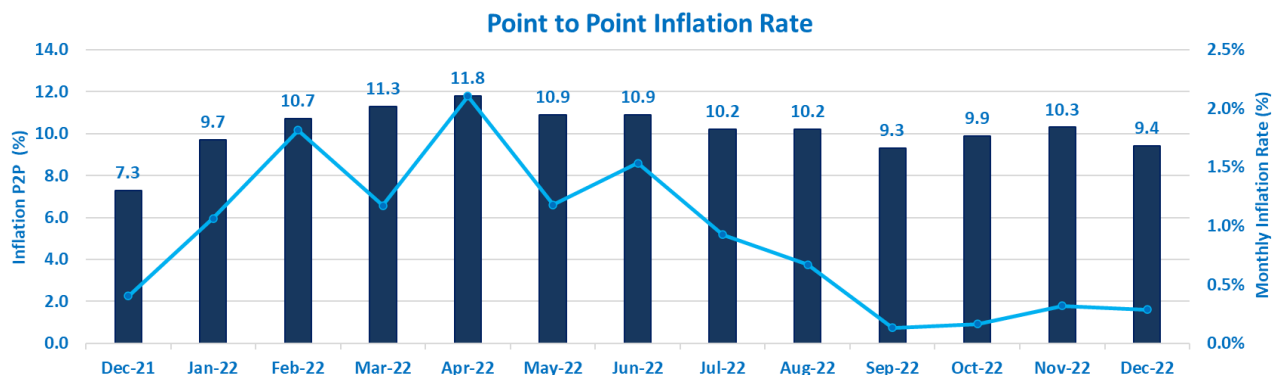
Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that the All-Jamaica Consumer Price Index (CPI) increased by 9.4% for December 2022 compared to December 2021. Consequently, the inflation rate for December 2022 was 0.0%. The main driver of this decline was a 1.0% fall in the index for the division 'Food and Non-Alcoholic Beverages', which was primarily driven by a 6.3% decline in the group 'Vegetables, tubers, plantains, cooking bananas and pulses'.

For the review period, the other contributor to the fall in the inflation rate was the 'Transport' division which had a 0.9% fall in its index due to lower costs for petrol. The downward movements were tempered by the 3.4% increase in the 'Restaurants and Accommodation Services' division attributed to increased prices for meals consumed away from home. The 'Housing, Water, Electricity, Gas and Other Fuels' division rose by 0.7%, primarily due to increases in the rates for electricity, water, and sewage.

All Items saw an increase between December 2021 and December 2022 of 9.4%. This was mostly related to increases in the index for the divisions 'Food and Non-Alcoholic Beverages' (13.8%), 'Alcoholic Beverages, Tobacco and Narcotics' (9.9%), and 'Restaurants and Accommodation Services' (23.9%).

The point-to-point inflation rate was 9.4%, while that for the fiscal year -to-date was 6.2%.

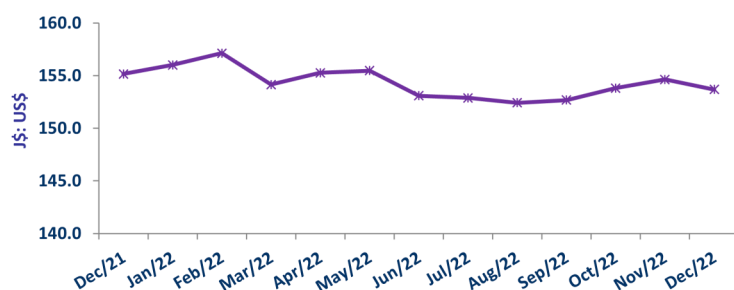


FOREIGN EXCHANGE MARKET

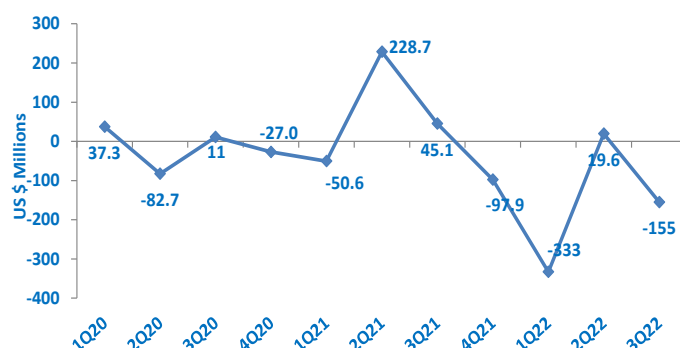
LOCAL FOREX

The Jamaica dollar (JMD) depreciated against the USD for the month of December 2022. The JMD appreciated by \$0.95 in December, to close the month at an average of \$153.69 relative to the \$154.64 recorded in November 2022. Year over year, the JMD has appreciated by approximately 0.94% and appreciated 1.49% year to date.

Exchange Rate Movements



CURRENT ACCOUNT BALANCE



The September 2022 current account deficit is expected to be US\$144.0 million (0.8% of GDP) according to BOJ, US\$189.0 million worse than the September 2021 quarter.

The current account deficit of the balance of payments (BOP) is predicted to improve to 0.1% to 0.5% of GDP in FY2022/23. The CAD is predicted to average 0.8% to 1.3% of GDP in FY2024/25 and FY2027/28. The improvement in the CA is mainly due to a downward revision to import prices.



FOREIGN EXCHANGE MARKET

INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.20980** for the month of December 2022. According to FX Empire, "the Bank of England has warned the UK economy faces its lengthiest recession on record. Weak numbers would affirm the Bank's outlook and weigh on appetite for the Pound. Economists forecast a fall in manufacturing and industrial production and an economic contraction."

EUR/USD: For December 2022, the EUR/USD pair closed at **\$1.06987** versus \$1.05205 at the start of the month. According to FX empire, "The economic slowdown over the winter half-year will, be milder and shorter than expected, Economy Minister said in the ministry's monthly report. Chief economist at VP Bank, said the economy had outperformed low expectations, adding: "It is possible that the recession will be postponed. On the other hand, we think it is unlikely that the recession will not materialize at all."

Currency Pair	Open	High	Low	Close
GBP/USD	\$1.23	\$1.25	\$1.20	\$1.21
USD/CAD	\$1.34	\$1.38	\$1.34	\$1.36
EUR/USD	\$1.05	\$1.07	\$1.04	\$1.07
USD/JPY	\$135.34	\$138.29	\$130.56	\$130.95

The JPY appreciated against the USD during the month of December by 3.24% to close at \$130.95.

MONEY SUPPLY

Components of Money Supply (M2*)			
Percentage Change (%)	Aug-21	Jun-22	Aug-22
Total Money Supply (M2*)	12.60	12.00	8.80
Money Supply (M2J)	13.10	9.50	7.70
Money Supply (M1J)	11.90	10.60	7.80
Currency with the public	18.10	11.20	5.80
Demand Deposits	7.60	10.10	9.20
Quasi Money	14.30	8.60	7.70
Savings Deposits	17.40	10.80	7.30
Time Deposits	2.20	-0.70	9.60
Foreign Currency Deposits	11.70	16.20	10.80

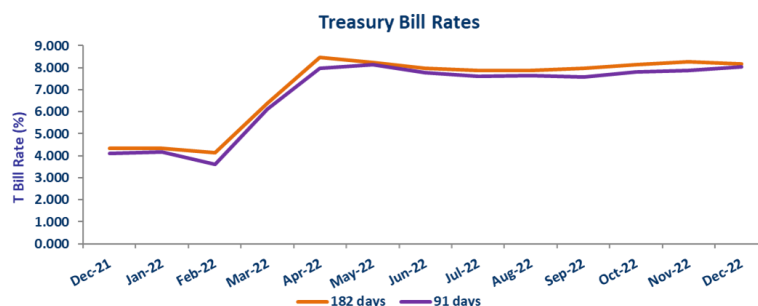
According to the latest data available from the Bank of Jamaica's quarterly report, "M2J grew 7.7% in August 2022, driven by 8.2% growth in local currency deposits. This represents growth from end-June 2022's 9.5%. Time, demand, and savings deposits climbed by 9.6% (Jun. 2022: , 9.2%, and 7.3%, respectively, compared to a decline of 0.7% and growth of 10.1% and 10.8% in June 2022. M2J grew due to an 8.2% increase in local currency deposits, compared to 9.1% in June 2022.

Additionally, M2J is expected to grow 7.7% annually during the next eight quarters, the same as before. The pace of broad money growth is expected to mirror near-term increases in currency in circulation, as remittances continue stronger than expected.



Treasury Bills:

For the month of December, applications for treasury bills (T-Bills) exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$1.40 billion in treasury bills, while applications totalled J\$4.44 billion; J\$1.85 billion for the 91-day T-Bill and J\$2.58 billion for the 182-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 8.04%, up 18.18 basis points compared to November 2022. The 182-day T-Bill auction resulted in the average yield of 8.18%, down 9.05 basis points relative to the prior month. The average yields on the 91-day T-Bill increased by 394.83 basis points compared to the auctions in 2021 for the comparable period. The 182-day T-Bill went up 384.30 basis points relative to the corresponding auctions in 2021. (Refer to the graph on the right).



OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/ Maturity Date Payment
2-Dec-22	28 Days	7.50%	N/A	Fixed	30-Dec-22
9-Dec-22	28 Days	7.00%	N/A	Fixed	6-Jan-23
16-Dec-22	28 Days	7.00%	N/A	Fixed	13-Jan-23
23-Dec-22	28 Days	7.50%	N/A	Fixed	20-Jan-23

The Bank of Jamaica issued four 28 Days Certificate of Deposit in the month of December.





TOURISM

Stopover Arrivals by Market Region					
Country	September 2022	Share %	September 2021	Share %	Change %
U.S.A.	125,399	74.4%	88,383	87.8%	41.9%
Canada	15,934	9.5%	5,053	5.0%	215.3%
Europe	20,943	12.4%	4,820	4.8%	334.5%
Latin America	2,090	1.2%	519	0.5%	302.7%
Caribbean	3,677	2.2%	1,663	1.7%	121.1%
Asia	220	0.1%	105	0.1%	109.5%
Others	275	0.2%	111	0.1%	147.7%
Total	168,538	100.0%	100,654	100.0%	67.4%

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in September 2022 amounted to 168,538, a 67.4% change when compared to the 100,654 recorded in September 2021. Notably arrivals were bolstered by Covid-19 restrictions being relaxed.

Stopover arrivals from the U.S. market totalled 125,399 in September 2022, while there were 88,383 arrivals in September 2021 (see Tourist Arrivals table above).

The Canadian market arrivals amounted to 15,934 relative to the 5,053 a year prior.

The European market region recorded a total of 20,943 stopover arrivals in September 2022 when compared to the 4,820 in September 2021.

Arrivals from the Caribbean totalled 3,677 stopovers in comparison to the 1,663 in September 2021.

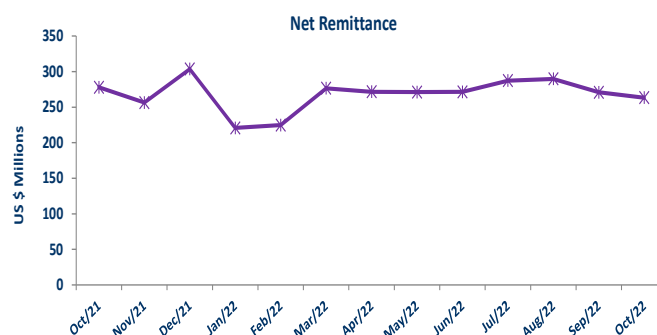


REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for October 2022, showed that total remittance inflows amounted to US\$280.3 million (2021: US\$295.9 million), while outflows totalled US\$17 million (2021: US\$18 million).

Net remittances were US\$263.3 million, a decline of US\$14.6 million (5.3%) relative to US\$277.9 million reported for the corresponding month of 2021.

Total remittance inflows from April 2022 to October 2022 amounted to US\$2,043.7 million. The largest source market of remittances to the island in October continued to be the USA with a share of 70.8% (2021: 69.8%). The remaining remittances during the aforementioned month came from Canada (10.9%) followed by UK (8.6%) and the Cayman Islands (5.9%).



NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica's Net International Reserves as at December 31, 2022 stood at US\$3,978.00 million, reflecting an increase of US\$128.10 million when compared to the US\$3,849.90 million reported at the end of November 2022.

Foreign Assets totalled US\$4,519.54 million, US\$116.90 million more than the US\$4,402.65 million reported in November 2022. 'Currency & Deposits' held by the BOJ as at December 31, 2022 totalled US\$2,818.07 million, reflecting an increase of US\$70.94 million compared to the US\$2,747.13 million reported in November 2022.

'Securities' were valued at US\$1,525.16 million; US\$44.76 million more than the US\$1,480.40 million reported at the end of November 2022. The country's 'Special Drawing Rights & IMF Reserve Position' rose to US\$176.31 million from the US\$175.12 million reported last month. Liabilities to the IMF decreased by US\$11.21 million to US\$541.54 million against the US\$552.75 million reported at the end of November 2022.

At its current value, the nation's international reserve is \$21.74 million, or 1% lower than the \$3,999.74 million held by the BOJ on December 31, 2021. The current NIR supports approximately 37.47 weeks of goods imports and 25.21 weeks of goods and services imports.

