

February 24, 2023



MONTHLY ECONOMIC REVIEW

Prepared by: Research Department

LOCAL ECONOMY

GROSS DOMESTIC PRODUCT

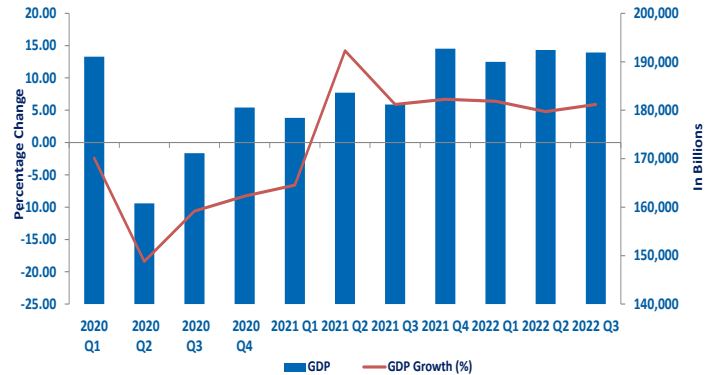
According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded 5.9% in Q3 2022.

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.

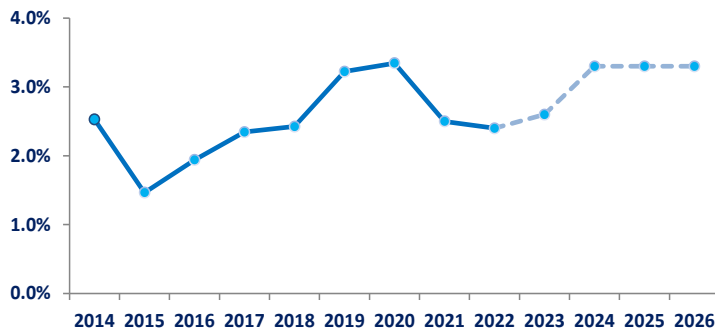
Agriculture, Forestry & Fishing (17.0%) and Manufacturing (9.5%) also contributed largely to the growth. Mining & Quarrying and Construction however contracted by 27.6% and 3.1%, respectively.

GDP



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



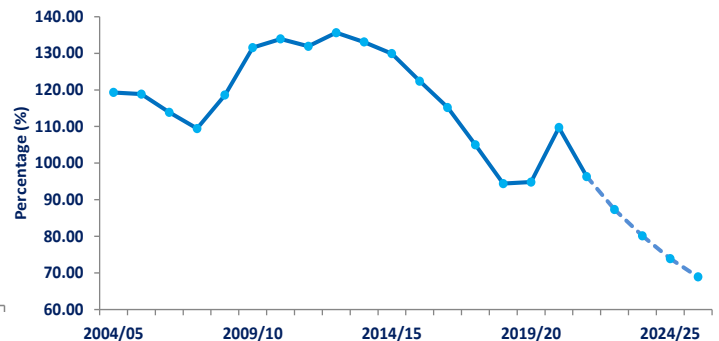
Total Expenditure for the period April to December 2022 amounted to \$552.65 billion, \$7.62 billion less than the budgeted amount of \$560.27 billion. Recurrent expenditure which totalled \$515.46 billion, accounted for 93% of overall expenditures. Under the recurrent expenditure categories for the review period, the category above the budgeted amount was 'Interest'. Interest totalled \$104.31 billion, \$299.40 million above the budgeted amount.

The categories below the budgeted amount included 'Programmes' which was \$193.35 billion, \$3.07 billion below the budgeted amount. 'Compensation of Employees' which amounted to \$217.80 billion which was \$2.18 billion or 1.0% less than budgeted. Similarly, 'Employee Contribution' totalled \$14.13 billion, which was \$1.30 billion below the budgeted amount of \$15.43 billion. Lastly 'Wages and Salaries' totalled \$203.66 billion, 0.4% below the budgeted amount of \$204.55 billion.

The 'Fiscal Surplus' was \$14.96 billion, relative to a 'Projected Deficit' of \$397.40 million. Additionally, the 'Primary Surplus Balance' for the period amounted to \$119.27 billion, relative to the 'Budgeted Primary Surplus Balance' of \$103.61 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 December 2022, Jamaica's Public Debt stock stood at \$2.18 trillion, a reduction of 0.1% over end-March 2022. This decline reflected reductions in both Central Government and public bodies' debt over the period.

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, the Government will remain vigilant to stay 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	April	July	October
	Q1	Q2	Q3	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 fell 0.5% in January 2023, while manufacturing prices rose 0.6%.

The index for Mining and Quarrying decreased 0.5% due to a 0.5% fall in Bauxite Mining & Alumina Processing, reflecting the appreciation of the Jamaican dollar against its United States counterpart.

A rise in the group Refined Petroleum Products contributed 2.0% to the increase in the Manufacturing index. Chemicals and Chemical Products, and Food, Beverage & Tobacco also recorded increases of 2.0% and 0.1% respectively.

Mining & Quarrying index fell 26.9% from January 2022 to January 2023. Manufacturing's index rose 9.5% over the same period. Refined Petroleum Products (5.6%), Food, Beverages & Tobacco (11.3%), Other Non-Metallic Mineral Products (18.5%) drove the Manufacturing industry.

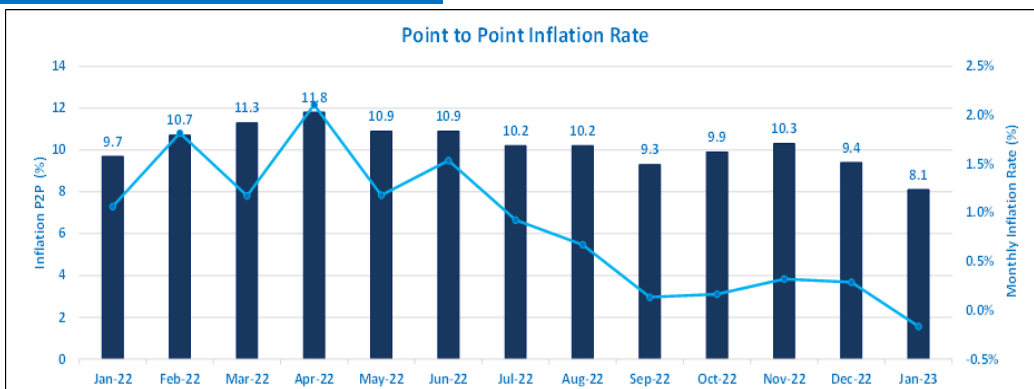
Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that the All-Jamaica Consumer Price Index (CPI) increased by 8.1% for January 2023 compared to January 2022. Consequently, the inflation rate for January 2023 was 0.6%. The main drivers of this decline were a 0.9% fall in the index for the division 'Food and Non-Alcoholic Beverages' and a 2.4% fall in the index for 'Housing, Water, Electricity, Gas and Other Fuels' division.

The decline in the 'Food and Non-Alcoholic Beverages' division was primarily driven by a 5.8% decline in the group 'Vegetables, tubers, plants, cooking bananas and pulses' while the decline in the 'Housing, Water, Electricity, Gas and Other Fuels' division had a fall in its index due primarily to lower electricity rates. The downward movements were tempered by the 1.3% increase in the 'Restaurants and Accommodation Services' division attributed to increased prices for meals consumed away from home. The 'Education' division rose by 1.4%, primarily due to higher tuition fees for primary level private schools for the Easter term.

All Items saw an increase between January 2022 and January 2023 of 8.1%. This was mostly related to increases in the index for the divisions 'Food and Non-Alcoholic Beverages' (12.7%), 'Personal Care, Social Protection and Miscellaneous Goods and Services' (7.7%), and 'Restaurants and Accommodation Services' (15.8%).

The point-to-point inflation rate was 8.1%, while that for the fiscal year-to-date was 5.6%.

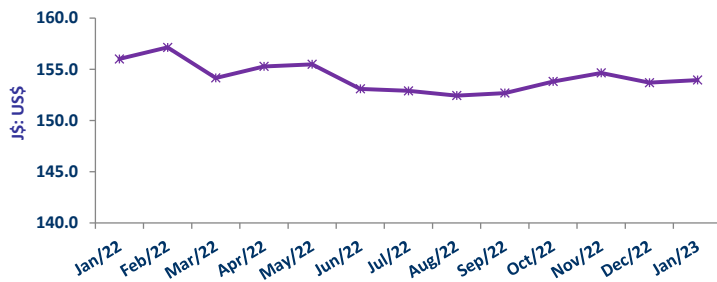


FOREIGN EXCHANGE MARKET

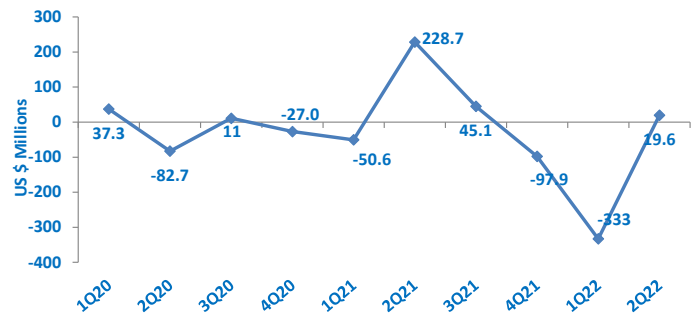
LOCAL FOREX

The Jamaica dollar (JMD) depreciated against the USD for the month of January 2023. The JMD depreciated by \$0.26 in January, to close the month at an average of \$153.95 relative to the \$153.69 recorded in December 2022. Year over year, the JMD has appreciated by approximately 1.32%.

Exchange Rate Movements



CURRENT ACCOUNT BALANCE



The December 2022 current account surplus is expected to be US\$151.6 million (0.9% of GDP) according to BOJ, US\$249.5 million better than the December 2021 quarter.

The current account deficit of the balance of payments (BOP) is predicted to improve to 0.5% to 1.0% of GDP in FY2022/23, worse than the previous projection but better than the deficit for FY2021/22. The CAD is predicted to deteriorate averaging 1.0% to 2.0% of GDP in FY2024/25 and FY2027/28. The deterioration in the CA is mainly due to an upward revision to freight charges.



FOREIGN EXCHANGE MARKET

INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.20726** for the month of January 2023. According to FX Empire, “Sticky inflation numbers and a pickup in private-sector wage growth will remain a concern for the Bank of England amidst a weakening macroeconomic environment. January’s unexpected rise in retail sales may support a more positive outlook. However, the increase may not be enough to push the BoE into a more aggressive interest rate path. BOE could slow the pace of rate hikes while needing to remain vigilant on inflation.”

EUR/USD: For January 2023, the EUR/USD pair closed at **\$1.09885** versus \$1.0702 at the start of the month. According to FX empire, “Euro area inflation softened in January to 8.6%, supporting a 50-basis point rate hike in March. Whereas, the U.S. dollar gained modestly against its peers as recent strong economic data eased recession fears but reinforced concerns that the Federal Reserve’s inflation-fighting interest rate hikes may stick around for longer.”

January 1 - 31, 2023				
Currency Pair	Open	High	Low	Close
GBP/USD	\$1.21	\$1.25	\$1.18	\$1.21
USD/CAD	\$1.36	\$1.37	\$1.32	\$1.33
EUR/USD	\$1.07	\$1.10	\$1.05	\$1.10
USD/JPY	\$130.95	\$134.78	\$127.22	\$128.95

The JPY appreciated against the USD during the month of January by 1.53% to close at \$128.95.

MONEY SUPPLY

Components of Money Supply (M2*)			
Percentage Change (%)	Nov-21	Sep-22	Nov-22
Total Money Supply (M2*)	14.50	11.60	-21.40
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	14.90	10.10	5.80
Money Supply (M2J) without new entrant			
Money Supply (M1J)	15.90	9.50	5.10
Currency with the public	19.50	7.30	1.70
Demand Deposits	13.40	11.10	7.60
Quasi Money	14.00	10.60	6.60
Savings Deposits	16.00	8.90	5.60
Time Deposits	6.20	18.10	10.50
Foreign Currency Deposits	13.80	14.40	-68.40

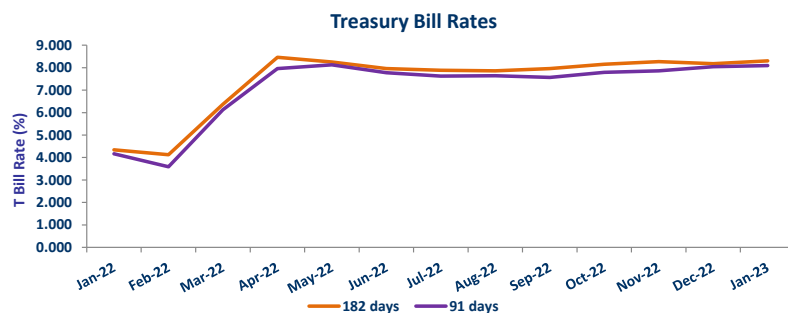
According to the latest data available from the Bank of Jamaica’s quarterly report, “M2J expanded 5.1% in November 2022, driven by 6.9% growth in local currency deposits. This represents decrease from end-September 2022’s 10.8%. Time, demand, and savings deposits climbed by 10.5%, 7.6%, and 5.6%, respectively, compared to a growth of 18.1%, 11.1% and 8.9% in September 2022.

Additionally, M2J is expected to grow 8.8% annually during the next eight quarters, above the 8.3% previously projected. The pace of broad money growth is expected to mirror near-term increases in currency in circulation. The change in the growth projection reflects the impact of the projected acceleration in economic growth over the forecast period.



Treasury Bills:

For the month of January 2023, 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\$2.99 billion; J\$1.61 billion for the 91-day T-Bill and J\$1.38 billion for the 182-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 8.08%, up 4.84 basis points compared to December 2022. The 182-day T-Bill auction resulted in the average yield of 8.30%, up 12.62 basis points relative to the prior month. The average yields on the 91-day T-Bill increased by 392.08 basis points compared to the auctions in 2021 for the comparable period. The 182-day T-Bill went up 396.00 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
6-Jan-23	28 Days	7.50%	N/A	Fixed	3-Feb-23
13-Jan-23	28 Days	7.50%	N/A	Fixed	10-Feb-23
20-Jan-23	28 Days	7.50%	N/A	Fixed	17-Feb-23
27-Jan-23	28 Days	7.50%	N/A	Fixed	24-Feb-23

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





TOURISM

Stopover Arrivals by Market Region					
Country	November 2022	Share %	November 2021	Share %	Change %
U.S.A.	144,242	69.6%	116,952	76.9%	23.3%
Canada	33,003	15.9%	13,970	9.2%	136.2%
Europe	23,483	11.3%	17,684	11.6%	32.8%
Latin America	1,822	0.9%	974	0.6%	87.1%
Caribbean	3,834	1.9%	2,152	1.4%	78.2%
Asia	367	0.2%	193	0.1%	90.2%
Others	417	0.2%	172	0.1%	142.4%
Total	207,168	100.0%	152,097	100.0%	36.2%

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in November 2022 amounted to 207,168, a 36.2% change when compared to the 152,097 recorded in November 2021. Notably arrivals were bolstered by Covid-19 restrictions being relaxed.

Stopover arrivals from the U.S. market totalled 144,242 in November 2022, while there were 116,952 arrivals in November 2021 (see Tourist Arrivals table above).

The Canadian market arrivals amounted to 33,003 relative to the 13,970 a year prior.

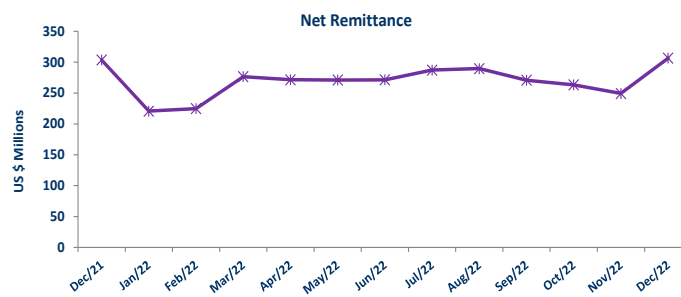
The European market region recorded a total of 23,483 stopover arrivals in November 2022 when compared to the 17,684 in November 2021.

REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for December 2022, showed that total remittance inflows amounted to US\$325.9 million (2021: US\$321.6 million), while outflows totalled US\$19.2 million (2021: US\$18.0 million).

Net remittances were US\$306.7 million, a rise of US\$3.1 million (1.0%) relative to US\$303.6 million reported for the corresponding month of 2021.

Total remittance inflows from April 2022 to December 2022 amounted to US\$2,692.8 million. The largest source market of remittances to the island in October continued to be the USA with a share of 69.9% (2021: 69.4%). The remaining remittances during the aforementioned month came from UK (11.5%) followed by Canada (7.9%) and the Cayman Islands (6.9%).



NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica’s Net International Reserves as at January 31, 2023 stood at US\$3,865.64 million, reflecting a decline of US\$110.61 million when compared to the US\$3,976.25 million reported at the end of December 2022.

Foreign Assets totalled US\$4,416.47 million, US\$101.32 million less than the US\$4,517.79 million reported in December 2022. ‘Currency & Deposits’ held by the BOJ as at January 31, 2023 totalled US\$2,698.60 million, reflecting a decline of US\$117.72 million compared to the US\$2,816.32 million reported in December 2022.

‘Securities’ were valued at US\$1,538.27 million; US\$13.10 million more than the US\$1,525.16 million reported at the end of December 2022. The country’s ‘Special Drawing Rights & IMF Reserve Position’ rose to US\$179.60 million from the US\$176.31 million reported last month. Liabilities to the IMF increased by US\$9.28 million to US\$550.83 million against the US\$541.54 million reported at the end of December 2022.

At its current value, the nation’s international reserve is \$357.98 million, or 10% higher than the \$3,507.66 million held by the BOJ on January 31, 2022. The current NIR supports approximately 36.61 weeks of goods imports and 24.63 weeks of goods and services imports.

