

March 27, 2023



MONTHLY

ECONOMIC REVIEW

Prepared by: Research Department

LOCAL ECONOMY

GROSS DOMESTIC PRODUCT

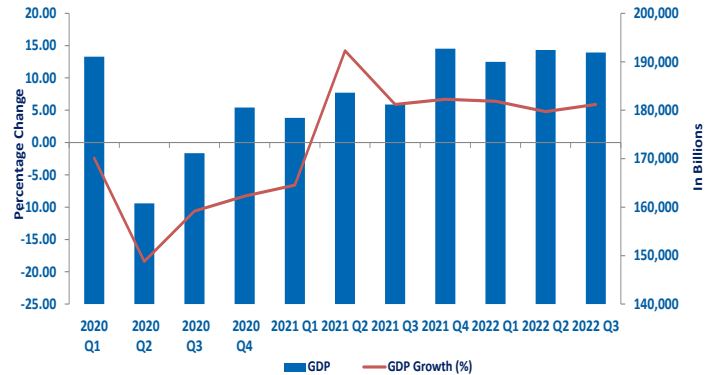
According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded 5.9% in Q3 2022.

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.

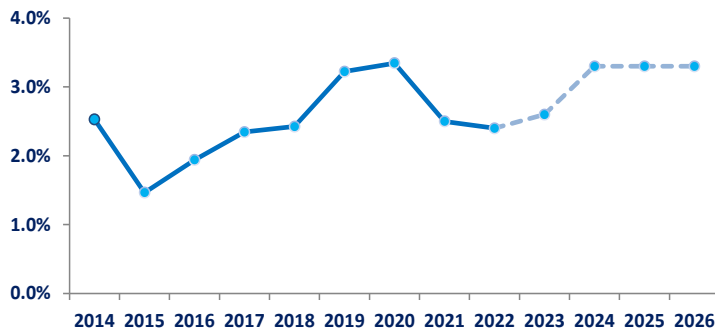
Agriculture, Forestry & Fishing (17.0%) and Manufacturing (9.5%) also contributed largely to the growth. Mining & Quarrying and Construction however contracted by 27.6% and 3.1%, respectively.

GDP



CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



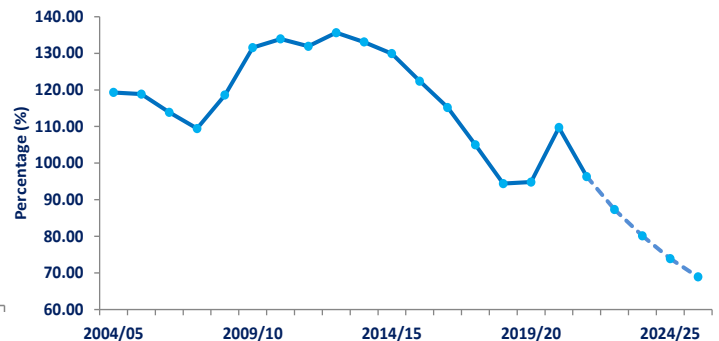
Total Expenditure for the period April to January 2023 amounted to \$626.56 billion, \$2.32 billion less than the budgeted amount of \$628.88 billion. Recurrent expenditure which totalled \$584.87 billion, accounted for 93% of overall expenditures. Under the recurrent expenditure categories for the review period, the category above the budgeted amount was 'Interest. Interest totalled \$121.97 billion, \$71.70 million above the budgeted amount.

The categories below the budgeted amount included 'Programmes' which was \$217.72 billion, \$2.05 billion below the budgeted amount. 'Compensation of Employees' which amounted to \$245.18 billion which was \$419.80 million or 0.2% less than budgeted. Similarly, 'Employee Contribution' totalled \$15.72 billion, which was \$79.5 million below the budgeted amount of \$15.80 billion. Lastly 'Wages and Salaries' totalled \$229.46 billion, 0.1% below the budgeted amount of \$229.80 billion.

The 'Fiscal Surplus' was \$8.77 billion, relative to a 'Projected Surplus' of \$2.89 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$130.74 billion, relative to the 'Budgeted Primary Surplus Balance' of \$124.79 billion.

DEBT TO GDP

Total Debt to GDP (%)



As at December 2022, Jamaica's total debt stood at \$2.18 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
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.

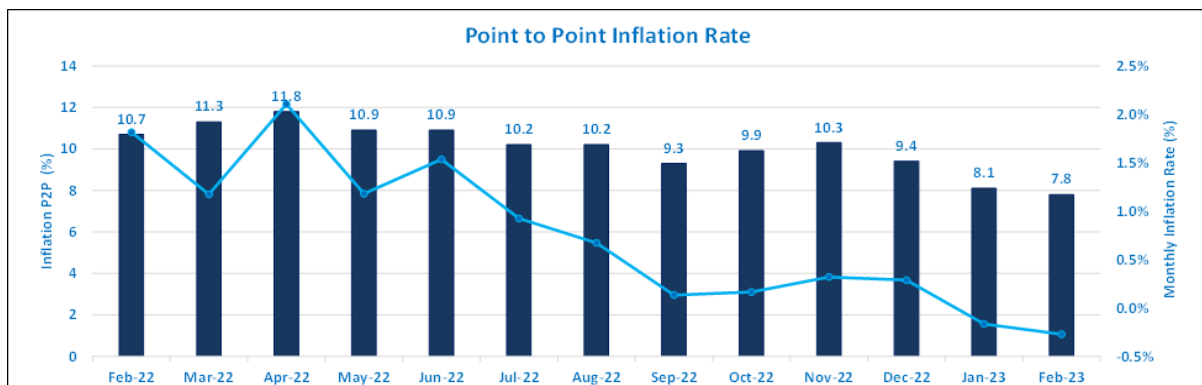
Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that the All-Jamaica Consumer Price Index (CPI) increased by 7.8% for February 2023 compared to February 2022. Notably, this was the smallest point-to-point increase since the period ending December 2021. However, for the month of February 2023, the inflation rate was 0.5%.

The main driver of this increase was a 2.7% increase in the index for the division 'Housing, Water, Electricity, Gas and Other Fuels'. The rise in the division was due primarily to higher electricity rates resulting in a 7.4% increase in the index 'Electricity, Gas and Other Fuels'. Additionally, there was a negligible decline of 2.4% in the 'Food and Non-Alcoholic Beverages' division due to continued fall in the prices of the 'Vegetables, tubers, plantains, cooking bananas and pulses' class.

All Items saw an increase between February 2022 and February 2023 of 7.8%. Notably, this was the smallest point-to-point increase since the period ending December 2021. The upward movement was mostly related to increases in the index for the divisions 'Food and Non-Alcoholic Beverages' (11.3%), 'Restaurants and Accommodation Services' (15.6%) and 'Housing, Water, Electricity, Gas and Other Fuels' (3.7%).

The point-to-point inflation rate was 7.8%, while that for the fiscal year-to-date was 6.1%.

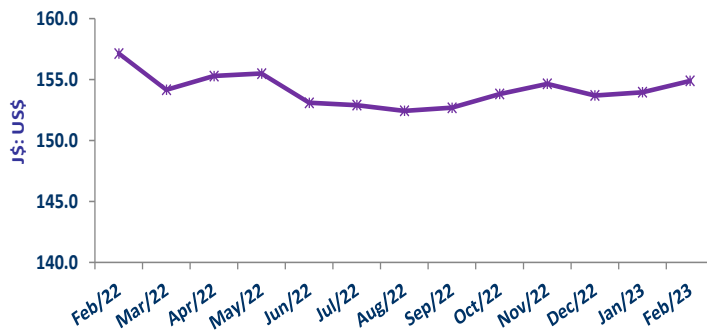


FOREIGN EXCHANGE MARKET

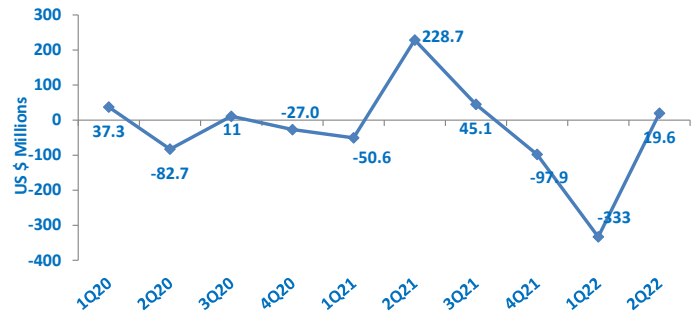
LOCAL FOREX

The Jamaica dollar (JMD) depreciated against the USD for the month of February 2023. The JMD depreciated by \$0.94 in February, to close the month at an average of \$154.89 relative to the \$153.95 recorded in January 2023. Year over year, the JMD has appreciated by approximately 1.43%.

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 **\$1.2026** for the month of February 2023. According to FX Empire, “traders focused on the inflation data from the UK. Inflation Rate increased from 10.1% in January to 10.4% in February, compared to analyst consensus of 9.9%. Core Inflation Rate grew from 5.8% to 6.2%. The surprising reports provided support to the British pound, although traders were not ready for big moves ahead of the Fed decision. “

EUR/USD: For February 2023, the EUR/USD pair closed at **\$1.06691** versus \$1.09905 at the start of the month. According to FX empire, “The euro was trading higher against the U.S. Dollar before the Fed announcements, following comments from the European Central Bank President Christine Lagarde that inflation is “still high.” Lagarde noted that a “robust strategy” is essential to bringing inflation back to 2% over the medium term.”

February 1 - 28, 2023				
Currency Pair	Open	High	Low	Close
GBP/USD	\$1.24	\$1.24	\$1.19	\$1.20
USD/CAD	\$1.33	\$1.37	\$1.33	\$1.36
EUR/USD	\$1.10	\$1.10	\$1.05	\$1.07
USD/JPY	\$128.95	\$136.92	\$128.08	\$136.20

The JPY depreciated against the USD during the month of February by 5.62% to close at \$136.20.

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

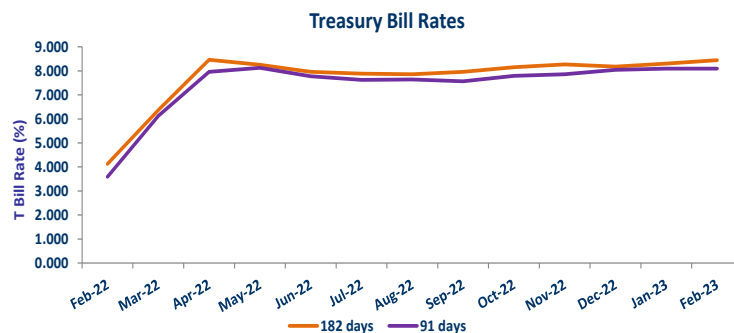
According to the latest data available from the Bank of Jamaica's quarterly report, “M2J expanded 5.1% in November 2022, driven by 6.9% growth in local currency deposits. This represents decrease from end-September 2022's 10.8%. Time, demand, and savings deposits climbed by 10.5%, 7.6%, and 5.6%, respectively, 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 February 2023, applications for treasury bills (T-Bills) exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$2.20 billion in treasury bills, while applications totalled J\$5.54 billion; J\$1.86 billion for the 91-day T-Bill, J\$1.88 billion for the 182-day T-Bill and J\$1.81 billion for the 270-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 8.09%, up 0.21 basis points compared to January 2023. The 182-day T-Bill auction resulted in the average yield of 8.44%, up 14.05 basis points relative to the prior month. The average yields on the 91-day T-Bill increased by 449.99 basis points compared to the auctions in 2022 for the comparable period. The 182-day T-Bill went up 431.95 basis points relative to the corresponding auctions in 2022. (Refer to the graph on the right).



OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest/ Maturity Date Payment
3-Feb-23	28 Days	7.50%	N/A	Fixed	3-Mar-23
10-Feb-23	28 Days	7.50%	N/A	Fixed	10-Mar-23
17-Feb-23	28 Days	7.50%	N/A	Fixed	17-Mar-23
24-Feb-23	28 Days	7.50%	N/A	Fixed	24-Mar-23

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





Stopover Arrivals by Market Region					
Country	December 2022	Share %	December 2021	Share %	Change %
U.S.A.	193,710	93.5%	170,192	111.9%	13.8%
Canada	42,563	20.5%	23,848	15.7%	78.5%
Europe	25,706	12.4%	22,149	14.6%	16.1%
Latin America	1,873	0.9%	1,395	0.9%	34.3%
Caribbean	6,723	3.2%	5,216	3.4%	28.9%
Asia	366	0.2%	313	0.2%	16.9%
Others	517	0.2%	220	0.1%	135.0%
Total	271,458	131.0%	223,333	146.8%	21.5%

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in December 2022 amounted to 271,458 a 21.5% change when compared to the 223,333 recorded in December 2021.

Stopover arrivals from the U.S. market totalled 193,710 in December 2022, while there were 170,192 arrivals in December 2021 (see Tourist Arrivals table above).

The Canadian market arrivals amounted to 42,563 relative to the 23,848 a year prior.

The European market region recorded a total of 25,706 stopover arrivals in December 2022 when compared to the 22,149 in December 2021.

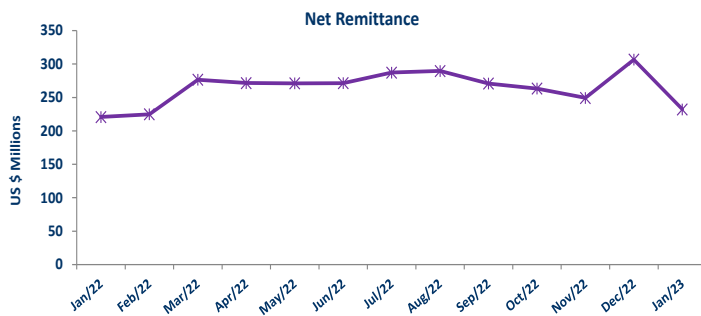
Arrivals from the Caribbean totalled 6,723 stopovers in comparison to the 5,216 in December 2021.

REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for January 2023, showed that total remittance inflows amounted to US\$248.6 million (2022: US\$243.7 million), while outflows totalled US\$16.5 million (2022: US\$22.9 million).

Net remittances were US\$232.2 million, a rise of US\$11.4 million (5.1%) relative to US\$220.8 million reported for the corresponding month of 2022.

Total remittance inflows from April 2022 to January 2023 amounted to US\$2,936.5 million. The largest source market of remittances to the island in January continued to be the USA with a share of 70.9% (2022: 69.4%). The remaining remittances during the aforementioned month came from UK (11.2%) followed by Canada (7.6%) and the Cayman Islands (6.3%).



NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica’s Net International Reserves as at February 28, 2023 stood at US\$3,931.63 million, reflecting an increase of US\$65.99 million when compared to the US\$3,865.64 million reported at the end of January 2023.

Foreign Assets totalled US\$4,472.09 million, US\$55.62 million more than the US\$4,416.47 million reported in January 2023. ‘Currency & Deposits’ held by the BOJ as at February 28, 2023 totalled US\$2,758.80 million, reflecting an increase of US\$60.19 million compared to the US\$2,698.60 million reported in January 2023.

‘Securities’ were valued at US\$1,548.58 million; US\$10.32 million more than the US\$1,538.27 million reported at the end of January 2023. The country’s ‘Special Drawing Rights & IMF Reserve Position’ fell to US\$164.71 million from the US\$179.60 million reported last month. Liabilities to the IMF decreased by US\$10.37 million to US\$540.46 million against the US\$550.83 million reported at the end of January 2023.

At its current value, the nation’s international reserve is \$342.33 million, or 10% higher than the \$3,589.30 million held by the BOJ on February 28, 2022. The current NIR supports approximately 37.08 weeks of goods imports and 24.94 weeks of goods and services imports.

