

April 21, 2023



# MONTHLY ECONOMIC REVIEW

Prepared by: Research Department

# LOCAL ECONOMY

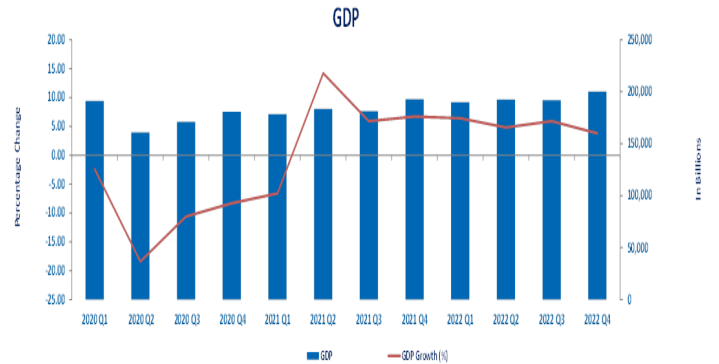
## GROSS DOMESTIC PRODUCT

According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded 3.8% in Q4 2022.

The Statistical Institute of Jamaica (STATIN) reported a 3.8% increase in Jamaica's total value added at constant prices in the fourth quarter of 2022 compared to the same quarter of 2021. Services and Goods Producing industries grew 3.6% and 4.7%, respectively. The economy's continued recovery from the adverse effects of the COVID-19 pandemic aided performance.

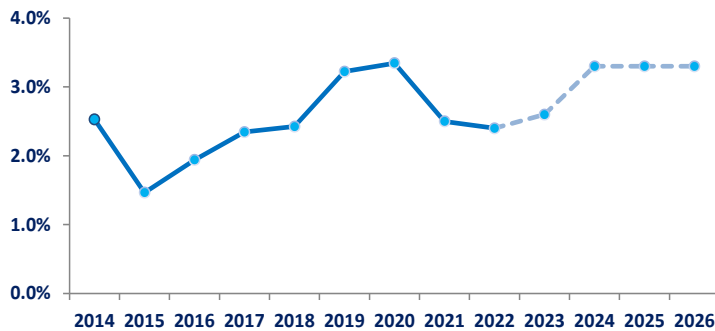
Hotels & Restaurants (21.6%), Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (1.3%), Transport, Storage & Communication (5.9%), Other Services (10.4%), Finance & Insurance Services (1.4%), Real Estate, Renting & Business Activities (0.6%) and Electricity & Water Supply (1.7%) all had higher activity levels. However, Producers of Government Services fell by 0.8%.

Higher output levels were recorded for Agriculture, Forestry & Fishing (5.9%) and Manufacturing (5.4%) and Mining & Quarrying (99.0%), Construction however declined by 4.8%.



## CAPITAL EXPENDITURE TO GDP

### Capital Expenditure to GDP (%)



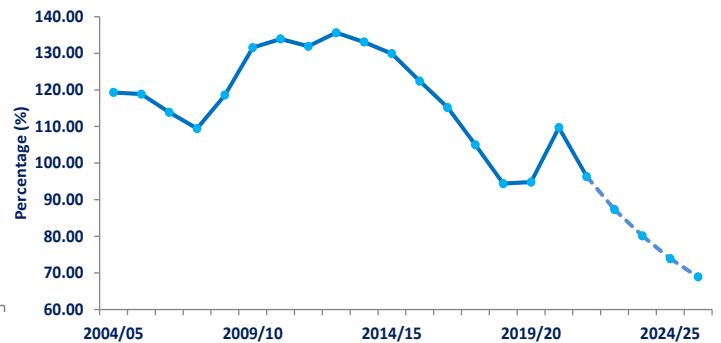
Total Expenditure for the period April to February 2023 amounted to \$689.10 billion, \$756.70 million more than the budgeted amount of \$688.34 billion. Recurrent expenditure which totalled \$645.91 billion, accounted for 94% of overall expenditures. Under the recurrent expenditure categories for the review period, the categories above the budgeted amount were 'Compensation of Employees' which amounted to \$272.04 billion, which was \$572.5 million more than the budgeted amount. 'Wages and Salaries' totalled \$254.71 billion, \$666.7 million above the budgeted amount. Additionally, 'Interest' totalled \$137.23 billion, \$1.54 billion above the budgeted amount.

The categories below the budgeted amount included 'Programmes' which was \$236.64 billion, \$528.9 million below the budgeted amount. 'Employee Contribution' totalled \$17.33 billion, which was \$94.1 million below the budgeted amount of \$17.42 billion.

The 'Fiscal Surplus' was \$10.43 billion, relative to a 'Projected Surplus' of \$9.54 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$147.66 billion, relative to the 'Budgeted Primary Surplus Balance' of \$145.23 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 negligibly in February 2023, while Manufacturing prices rose 0.4%.

The index for Mining and Quarrying decreased due to a fall in Bauxite Mining & Alumina Processing and Other Mining & Quarrying.

A rise in the group Food Beverages & Tobacco contributed 0.3% to the increase in the Manufacturing index. Other Manufacturing n.e.c., and Refined Petroleum Products also recorded increases of 9.9% and 0.3% respectively.

Mining & Quarrying index fell 14.7% from February 2022 to February 2023. Manufacturing's index rose 6.6% over the same period. Food, Beverages & Tobacco (9.7%) and Other Non-Metallic Mineral Products (10.3%) drove the Manufacturing industry.

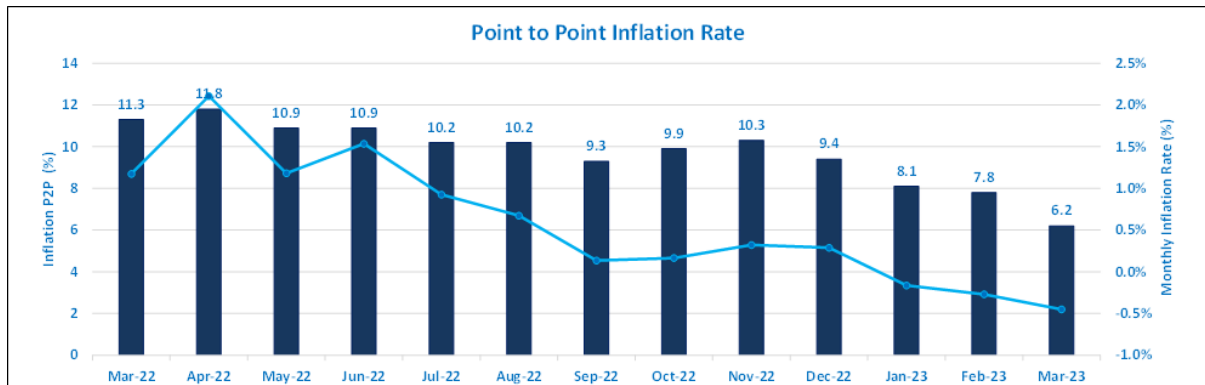
### Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that the All-Jamaica Consumer Price Index (CPI) increased by 6.2% for March 2023 compared to March 2022. Notably, this was the smallest point-to-point movement since the period ending August 2021. However, for the month of March 2023, the inflation rate was 0.1%.

The main driver of this increase was a 0.8% increase in the index for the division 'Food and Non-Alcoholic Beverages'. The rise in the division was due primarily to lower supplies for some agricultural produce due to dry weather conditions, resulting in a 2.5% increase in the index 'Vegetables, tubers, plantains, cooking bananas and pulses'. However, the overall rate of inflation was tempered by a 1.8% decline in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division and a 0.2% decline in that of the 'Transport' division. The movement in the former was due to lower electricity, water, and sewage rates, while the latter was impacted by lower petrol prices.

All Items saw an increase between March 2022 and March 2023 of 6.2%. The upward movement was mostly related to increases in the index for the divisions 'Food and Non-Alcoholic Beverages' (10.1%), 'Restaurants and Accommodation Services' (16.9%). These upward movements were however tempered by a 1.9% fall in the index for the group 'Housing, Water, Electricity, Gas and Other Fuels' (3.7%).

The point-to-point inflation rate was 6.2%, while that for the fiscal year-to-date was 6.3%.



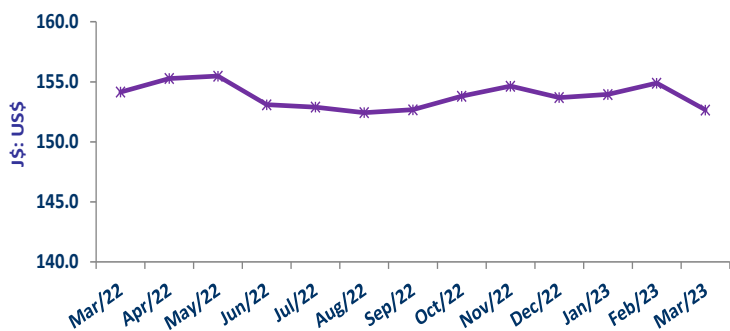


# FOREIGN EXCHANGE MARKET

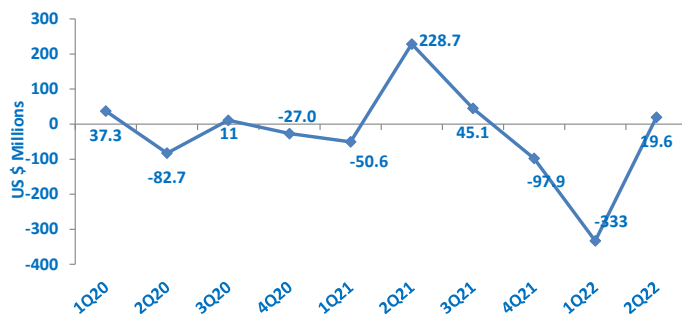
## LOCAL FOREX

The Jamaica dollar (JMD) appreciated against the USD for the month of March 2023. The JMD appreciated by \$2.24 in March, to close the month at an average of \$152.65 relative to the \$154.89 recorded in February 2023. Year over year, the JMD has appreciated by approximately 0.97%.

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 **\$1.2345** for the month of March 2023. According to FX Empire, “the hotter-than-expected inflation numbers and steady rise in wage growth will likely pressure the BoE to shift from its recently dovish policy outlook. However, more aggressive interest rate hikes leave the UK economy vulnerable to an H2 2023 recession. With no economic indicators to influence, investors should monitor the Bank of England commentary.”

**EUR/USD:** For March 2023, the EUR/USD pair closed at **\$1.08425** versus \$1.06691 at the start of the month. According to FX empire, “the Euro is probably going to continue to attract a certain amount of inflow, due to the fact that the European Central Bank is decidedly hawkish, and the Federal Reserve is getting closer to staying put. Nonetheless, money is going to be tight for some time, and that will obviously have a major influence on what we see next. If we do enter some type of global recession, that would probably favor the US dollar, but that might be more of a longer-term call.”

March 1 - 31, 2023

Currency Pair	Open	High	Low	Close
GBP/USD	\$1.20	\$1.24	\$1.18	\$1.23
USD/CAD	\$1.36	\$1.39	\$1.35	\$1.35
EUR/USD	\$1.07	\$1.09	\$1.05	\$1.08
USD/JPY	\$136.20	\$137.91	\$129.64	\$132.78

The JPY appreciated against the USD during the month of March by 2.52% to close at \$132.78.

## 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.

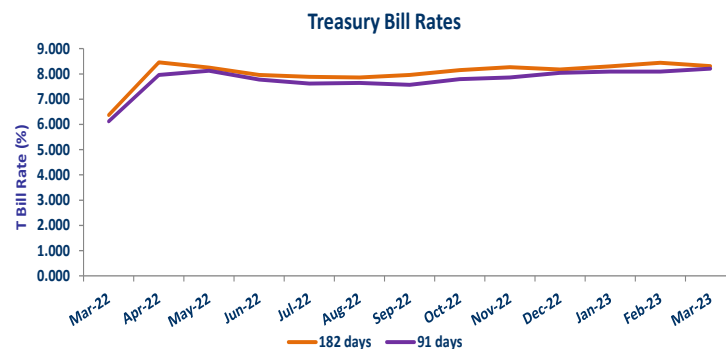
Additionally, M2J is expected to grow 8.8% annually during the next eight quarters, above the 8.3% previously projected. The pace of broad money growth is expected to mirror near-term increases in currency in circulation. The change in the growth projection reflects the impact of the projected acceleration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





## Treasury Bills:

For the month of March 2023, applications for treasury bills (T-Bills) exceeded demand, as the Bank of Jamaica (BOJ) issued a total of J\$1.4 billion in treasury bills, while applications totalled J\$4.34 billion; J\$1.89 billion for the 91-day T-Bill and J\$2.45 billion for the 182-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 8.21%, up 11.93 basis points compared to February 2023. The 182-day T-Bill auction resulted in the average yield of 8.31%, down 13.67 basis points relative to the prior month. The average yields on the 91-day T-Bill increased by 208.77 basis points compared to the auctions in 2022 for the comparable period. The 182-day T-Bill went up 193.60 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-Mar-23	28 Days	7.50%	N/A	Fixed	31-Mar-23
10-Mar-23	27 Days	7.50%	N/A	Fixed	6-Apr-23
17-Mar-23	28 Days	7.50%	N/A	Fixed	14-Apr-23
21-Mar-23	8.8 Years	9.63%	N/A	Fixed	21-Nov-31
21-Mar-23	5 Years	10.00%	N/A	Fixed	21-Mar-28
21-Mar-23	27.9 Years	12.25%	N/A	Fixed	14-Dec-50
24-Mar-23	28 Days	7.50%	N/A	Fixed	21-Apr-23

The Bank of Jamaica issued four 28 Days Certificate of Deposit and three (8.8 years, 5 years, 27.9 years) Fixed Rate Benchmark Investment Notes in the month of March.





<b>Stopover Arrivals by Market Region</b>					
<b>Country</b>	<b>December 2022</b>	<b>Share %</b>	<b>December 2021</b>	<b>Share %</b>	<b>Change %</b>
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%
<b>Total</b>	<b>271,458</b>	<b>131.0%</b>	<b>223,333</b>	<b>146.8%</b>	<b>21.5%</b>

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.

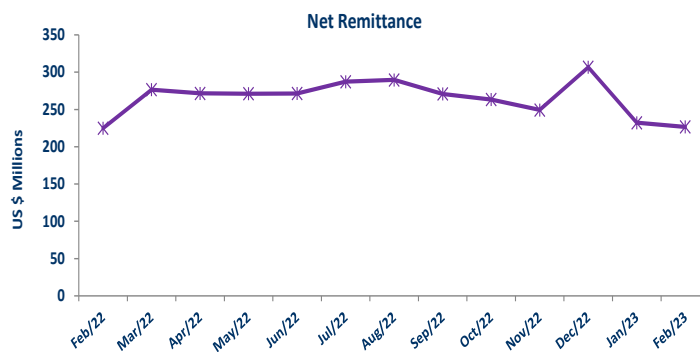
Arrivals from the Caribbean totalled 6,723 stopovers in comparison to the 5,216 in December 2021.

## REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for February 2023, showed that total remittance inflows amounted to US\$247.3 million (2022: US\$254.7 million), while outflows totalled US\$20.8 million (2022: US\$29.9 million).

Net remittances were US\$226.6 million, a rise of US\$1.8 million (0.8%) relative to US\$224.8 million reported for the corresponding month of 2022.

Total remittance inflows from April 2022 to February 2023 amounted to US\$2,941.3 million. The largest source market of remittances to the island in February continued to be the USA with a share of 71.7% (2022: 70.8%). The remaining remittances during the aforementioned month came from UK (10.6%) followed by Canada (7.3%) and the Cayman Islands (6.5%).



## NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica’s Net International Reserves as at March 31, 2023 stood at US\$4,152.36 million, reflecting an increase of US\$220.73 million when compared to the US\$3,931.63 million reported at the end of February 2023.

Foreign Assets totalled US\$4,684.57 million, US\$212.48 million more than the US\$4,472.09 million reported in February 2023. ‘Currency & Deposits’ held by the BOJ as at March 31, 2023 totalled US\$2,989.00 million, reflecting an increase of US\$230.21 million compared to the US\$2,758.80 million reported in February 2023.

‘Securities’ were valued at US\$1,529.69 million; US\$18.89 million less than the US\$1,548.58 million reported at the end of February 2023. The country’s ‘Special Drawing Rights & IMF Reserve Position’ rose to US\$165.87 million from the US\$164.71 million reported last month. Liabilities to the IMF decreased by US\$8.25 million to US\$532.21 million against the US\$540.46 million reported at the end of February 2023.

At its current value, the nation’s international reserve is \$476.51 million, or 13% higher than the \$3,675.85 million held by the BOJ on March 31, 2022. The current NIR supports approximately 38.84 weeks of goods imports and 26.13 weeks of goods and services imports.

