

June 20, 2023



# MONTHLY ECONOMIC REVIEW

Prepared by: Research Department

# LOCAL ECONOMY

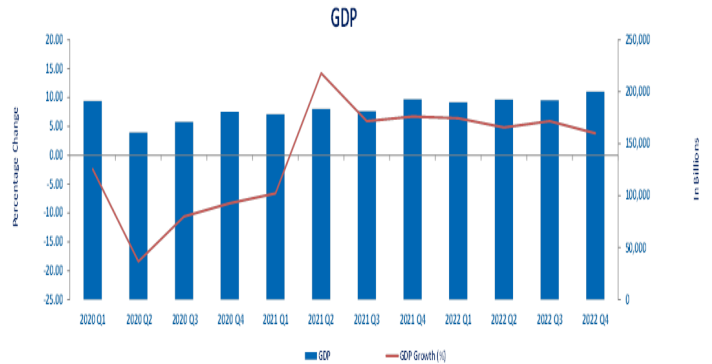
## GROSS DOMESTIC PRODUCT

According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded 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.

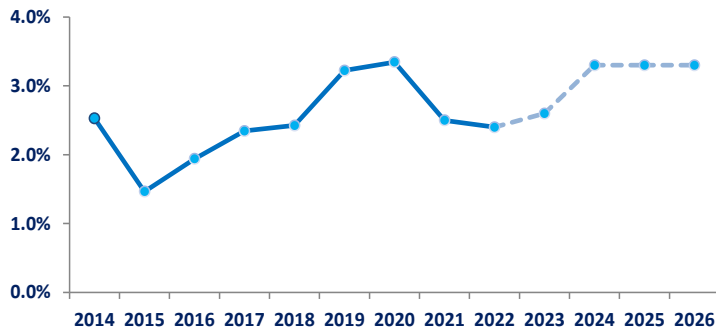
Hotels & Restaurants (21.6%), Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment (1.3%), Transport, Storage & Communication (5.9%), Other Services (10.4%), Finance & Insurance Services (1.4%), Real Estate, Renting & Business Activities (0.6%) and Electricity & Water Supply (1.7%) 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 (%)



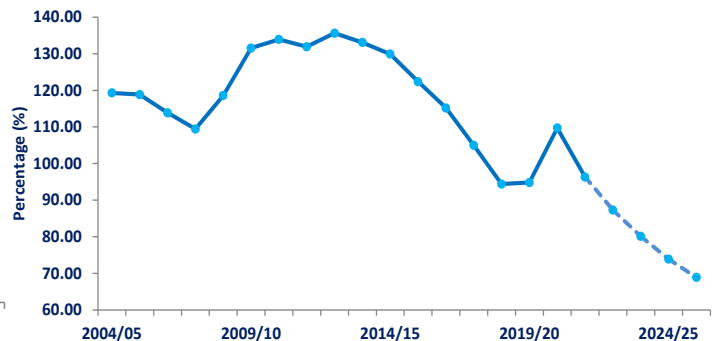
Total Expenditure for the period April 2023 amounted to \$78.42 billion, \$4.41 billion less than the budgeted amount of \$82.82 billion. Recurrent expenditure, which totalled \$71.85 billion, accounted for 92% of overall expenditures.

Under the recurrent expenditure categories for the review period, all categories were below the budgeted amount. 'Interest' totalled \$13.77 billion, \$250.7 million below the budgeted amount. 'Programmes' amounted to \$20.98 billion, \$3.38 billion below the budgeted amount. 'Compensation of Employees' totalled \$37.10 billion, \$297.5 million below the budgeted amount of \$37.40 billion. 'Wages & Salaries' totalled \$33.88 billion, \$163.4 million below the budgeted amount of \$34.04 billion. 'Employee Contribution' totalled \$3.23 billion, which was \$134.1 million below the budgeted amount of \$3.36 billion.

The 'Fiscal Deficit' was \$18.15 billion, relative to a 'Projected Deficit' of \$25.89 billion. Additionally, the 'Primary Deficit Balance' for the period amounted to \$4.38 billion, relative to the 'Budgeted Primary Deficit Balance' of \$11.88 billion.

## DEBT TO GDP

### Total Debt to GDP (%)



At the end of March 2023, Jamaica's Public Debt stock stood at \$2.12 trillion. This decline reflected reductions in both Central Government and public bodies' debt over the period.

The GOJ remains steadfast in its commitment to fiscal discipline and continued economic growth. Economic improvements have been forecasted for FY 2023/24 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 by 1.4% in April 2023, while Manufacturing prices rose 0.3%.

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

A rise in the group 'Refined Petroleum Products' contributed 1.8% to the increase in the Manufacturing index.

Mining & Quarrying index fell by 5.2% from April 2022 to April 2023. 'Bauxite Mining & Alumina Processing' group (-5.5%) led to the decline in the Mining & Quarrying industry. Manufacturing's index rose 2.8% over the same period. 'Food, Beverages & Tobacco' group (8.1%) drove the Manufacturing industry.

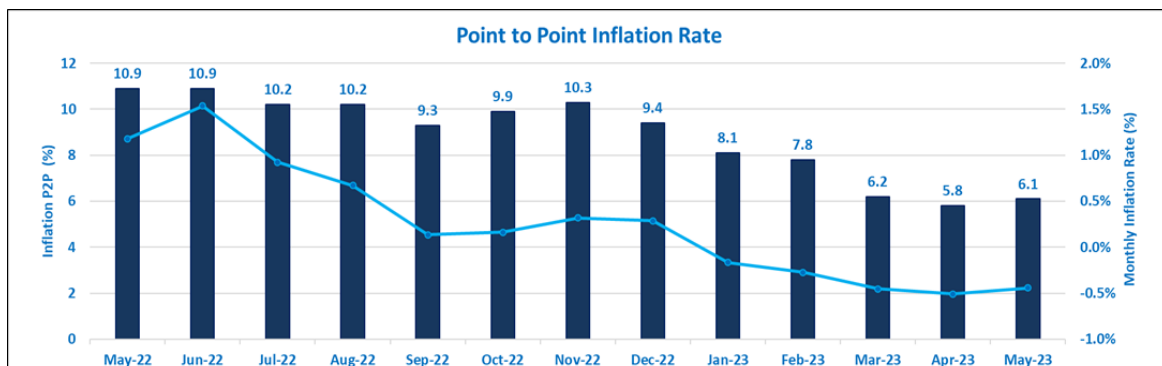
### Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that the All-Jamaica Consumer Price Index (CPI) increased by 6.1% for May 2023 compared to May 2022. However, for the month of May 2023, the inflation rate was +0.6%.

The main driver of the increase was a 1.8% rise in the index for the division 'Housing, Water, Electricity, Gas and Other Fuels'. The increase in the division was due primarily to higher electricity rates, resulting in a 6.3% increase in the index 'Electricity, Gas and Other Fuels'. However, the overall rate of inflation was tempered by a 0.3% decline in the index for the 'Transport' division due to lower petrol prices.

All Items saw an increase between May 2022 and May 2023 of 6.1%. The upward movement was mostly related to increases in the index for the divisions 'Food and Non-Alcoholic Beverages' (10.7%) and 'Restaurants and Accommodation Services' (8.6%). The 'Food' group was largely responsible for the increase in the 'Food and Non-Alcoholic Beverages' index. An increase was recorded for items in the class 'Vegetables, tubers, plantains, cooking bananas and pulses' (19.7%). The index for 'Food and Beverages Serving Services' rose by 8.6% and was the main factor impacting the index for the division 'Restaurants and Accommodation Services'. This increase was due to higher costs for meals consumed away from home.

The point-to-point inflation rate was 6.1%.

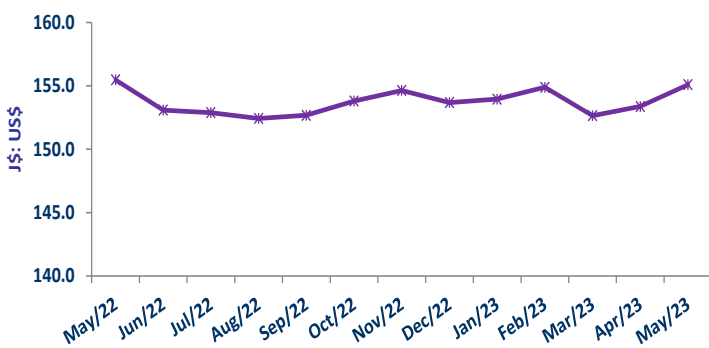


# FOREIGN EXCHANGE MARKET

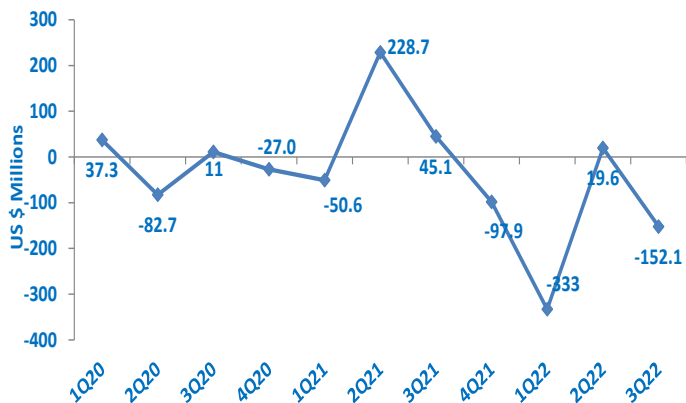
## LOCAL FOREX

The Jamaica dollar (JMD) depreciated against the USD for the month of May 2023. The JMD depreciated by \$1.72 in May, to close the month at an average of \$155.10 relative to the \$153.38 recorded in April 2023. Year over year, the JMD has appreciated by approximately 0.24%.

Exchange Rate Movements



## CURRENT ACCOUNT BALANCE



The March 2023 current account surplus is expected to be 0.0% to 1.0% of GDP which according to BOJ is better than the March 2022 quarter.

The current account deficit of the balance of payments is projected to be sustainable over the medium term, better than the previous projection but worse than the surplus for FY2022/23. The current account deficit is predicted to deteriorate averaging 0.5% to 1.5% of GDP in FY2023/24 to FY2024/25.

The improvement in the CA is mainly due to an upward revision to travel and remittance inflows partially offset by climate-related projects.



## FOREIGN EXCHANGE MARKET

## MONEY SUPPLY

## INTERNATIONAL FOREX

**GBP/USD:** The pair closed at **\$1.2525** for the month of May 2023. According to FX Empire, "The British pound has shown itself to be a little bit hesitant during the trading session on Monday (June 19, 2023). Ultimately, the market has broken out and now it's going to more likely than not try to pull back and find support. Ultimately, this is a market that I think continues to see a lot of volatility and upward momentum, but given enough time I do think that we will have to have a bit of a pullback in order to bring in more buyers. It's worth noting that the United States is closed for the Juneteenth holiday, so this is not a normal trading session."

**EUR/USD:** For May 2023, the EUR/USD pair closed at **\$1.07609**. According to FX empire, "The euro has pulled back just a bit during the trading session on Monday (June 19, 2023). The market had shot straight up in the air after the Federal Reserve and the European Central Bank meetings. Ultimately, the ECB raised interest rates, while the Federal Reserve did not. The market is likely to continue being very noisy, a lot of this will come down to risk appetite and whether or not people believe that the Federal Reserve is going to tighten monetary policy going forward. The fact that they took a little bit of a pause when it comes to interest rate hikes does suggest that perhaps people are betting that the Federal Reserve will have to do a lot less in the future, and that it's likely that we will see the US dollar continued to lose some strength due to that."

May 1 - 31, 2023

Currency Pair	Open	High	Low	Close
GBP/USD	\$1.25	\$1.27	\$1.23	\$1.25
USD/CAD	\$1.35	\$1.37	\$1.33	\$1.35
EUR/USD	\$1.10	\$1.11	\$1.06	\$1.08
USD/JPY	\$137.48	\$140.94	\$133.50	\$138.83

The JPY depreciated against the USD during the month of May by 0.98% to close at \$138.83.

## Components of Money Supply (M2\*)

Percentage Change (%)	Feb-22	Dec-22	Feb-23
Total Money Supply (M2*)	14.70	7.30	6.90
Total Money Supply (m2*) without new entrant			
Money Supply (M2J)	12.70	6.70	8.40
Money Supply (M2J) without new entrant			
Money Supply (M1J)	14.50	5.70	8.10
Currency with the public	17.60	1.90	7.10
Demand Deposits	12.20	8.90	8.90
Quasi Money	11.10	7.60	8.50
Savings Deposits	13.70	7.40	7.40
Time Deposits	0.80	8.80	13.70
Foreign Currency Deposits	18.00	8.50	4.60

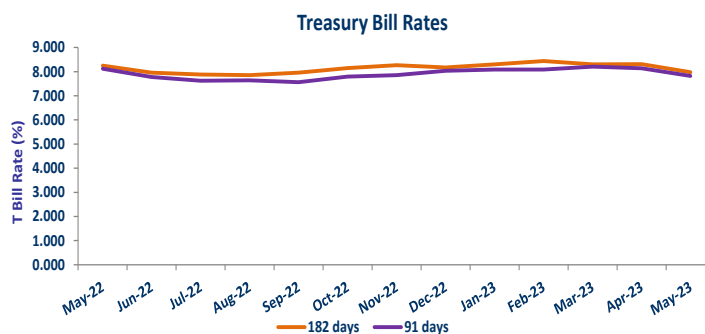
According to the latest data available from the Bank of Jamaica's quarterly report, M2J expanded 8.4% in February 2023, driven by 8.7% growth in local currency deposits. This represents an increase from end-December 2022's 8.1%. Time deposits grew by 13.7% relative to 8.8% in December 2022. Demand and savings deposits climbed by 8.9%, and 7.4%, respectively, which was in line with the growth rates in December 2022.

Additionally, M2J is expected to grow 9.6% annually during the next eight quarters, above the 9.3% previously projected. The pace of broad money growth is anticipated to reflect expansions primarily in local currency deposits over the near term. The increase in the growth projection for broad money reflects the impact of stronger than anticipated local currency deposit growth.



## Treasury Bills:

For the month of May 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\$8.89 billion; J\$2.45 billion for the 91-day T-Bill, J\$3.09 billion for the 182-day T-Bill and \$3.35 billion for the 270-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 7.82%, down 31.33 basis points compared to April 2023. The 182-day T-Bill auction resulted in the average yield of 7.97%, down 34.06 basis points relative to the prior month. The average yields on the 91-day T-Bill decreased by 30.01 basis points compared to the auctions in 2022 for the comparable period. The 182-day T-Bill went down 27.47 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
5-May-23	28 Days	7.50%	N/A	Fixed	2-Jun-23
10-May-23	1.08 Years	8.00%	N/A	Fixed	10-Jun-24
12-May-23	28 Days	7.50%	N/A	Fixed	9-Jun-23
19-May-23	28 Days	7.50%	N/A	Fixed	16-Jun-23
26-May-23	28 Days	7.50%	N/A	Fixed	23-Jun-23
30-May-23	4.83 Years	10.00%	N/A	Fixed	21-Mar-28
30-May-23	8.5 Years	9.625%	N/A	Fixed	21-Nov-31

The Bank of Jamaica issued four 28 Days Certificate of Deposit, one 1.08 Years Certificate of Deposit and two (4.83 Years and 8.50 Years) Fixed Rate Benchmark Investment Notes in the month of May.





## TOURISM

<b>Stopover Arrivals by Market Region</b>					
<b>Country</b>	<b>February 2023</b>	<b>Share %</b>	<b>February 2022</b>	<b>Share %</b>	<b>Change %</b>
U.S.A.	156,965	68.7%	120,629	74.1%	30.1%
Canada	42,232	18.5%	15,082	9.3%	180.0%
Europe	22,246	9.7%	21,782	13.4%	2.1%
Latin America	2,425	1.1%	1,829	1.1%	32.6%
Caribbean	3,924	1.7%	3,100	1.9%	26.6%
Asia	395	0.2%	293	0.2%	34.8%
Others	353	0.2%	167	0.1%	111.4%
<b>Total</b>	<b>228,540</b>	<b>100.0%</b>	<b>162,882</b>	<b>100.0%</b>	<b>40.3%</b>

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in February 2023 amounted to 228,540 a 40.3% increase when compared to the 162,882 recorded in February 2022.

Stopover arrivals from the U.S. market totalled 156,965 in February 2023, while there were 120,629 arrivals in February 2022.

The Canadian market arrivals amounted to 42,232 relative to the 15,082 a year prior.

The European market region recorded a total of 22,246 stopover arrivals in February 2023 when compared to the 21,782 in February 2022.

Arrivals from the Caribbean totalled 3,924 stopovers in comparison to the 3,100 in February 2022.

## REMITTANCE

Latest data from the Bank of Jamaica (BOJ), for April 2023, showed that total remittance inflows amounted to US\$272.0 million (2022: US\$288.9 million), while outflows totalled US\$18.8 million (2022: US\$17.3 million).

Net remittances were US\$253.2 million, a fall of US\$18.4 million (6.8%) relative to US\$271.6 million reported for the corresponding month of 2022.

Total remittance inflows from January to April 2023 amounted to US\$1,072.4 million. This outturn represented a decline of 0.9% relative to January to April 2022.

The largest source market of remittances to the island in April continued to be the USA with a share of 70.2% down from the 70.8% recorded for April 2022. The remaining remittances during the aforementioned month came from UK (10.2%) followed by Canada (9.4%) and the Cayman Islands (6.1%).

## NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica's Net International Reserves as at May 31, 2023 stood at US\$4,208.73 million, reflecting an increase of US\$36.89 million when compared to the US\$4,171.83 million reported at the end of April 2023.

Foreign Assets totalled US\$4,730.82 million, US\$25.86 million more than the US\$4,704.95 million reported in April 2023. 'Currency & Deposits' held by the BOJ as at May 31, 2023 totalled US\$3,027.50 million, reflecting an increase of US\$44.17 million compared to the US\$2,983.33 million reported in April 2023.

'Securities' were valued at US\$1,553.54 million; US\$2.08 million less than the US\$1,555.62 million reported at the end of April 2023. The country's 'Special Drawing Rights' declined to \$113.47 million relative to the \$129.16 million recorded a month prior. 'IMF Reserve Position' fell to US\$36.31 million from the US\$36.84 million reported last month. Liabilities to the IMF fell by US\$11.03 million to US\$522.09 million against the US\$533.12 million reported at the end of April 2023.

At its current value, the nation's international reserve is \$451.44 million, or 12% higher than the \$3,757.29 million held by the BOJ on May 31, 2022. The current NIR supports approximately 38.30 weeks of goods imports and 26.15 weeks of goods and services imports.

