

November 21, 2023



# MONTHLY ECONOMIC REVIEW

Prepared by: Research Department

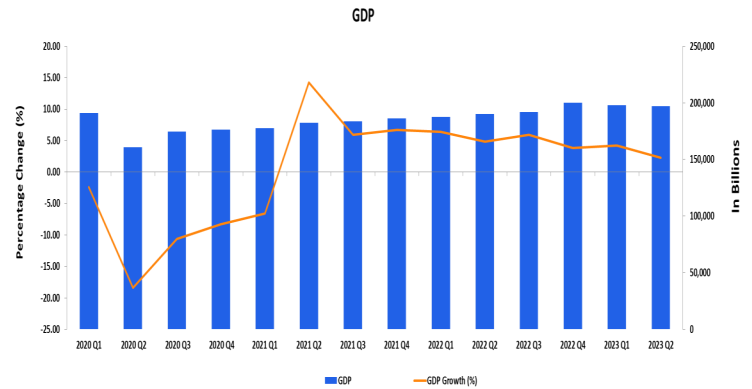
# LOCAL ECONOMY

## GROSS DOMESTIC PRODUCT

According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded by 2.3% in Q2 2023.

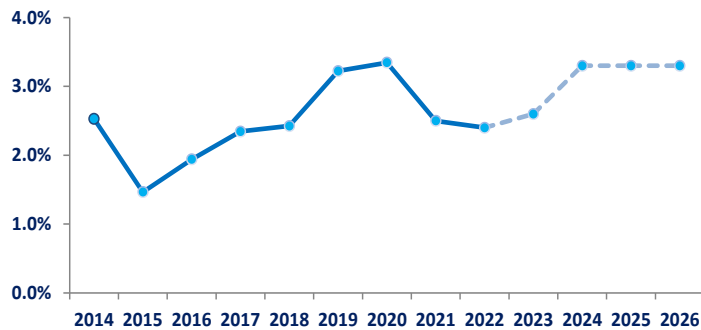
STATIN reported a 2.3% increase in Jamaica's total value added at constant prices in the second quarter of 2023 compared to the same quarter of 2022. Services and Goods Producing Industries grew 2.2% and 2.6%, respectively. The performance reflected the economy's sustained recovery from the adverse effects of the COVID-19 pandemic. Total value added, seasonally adjusted, was \$196.6 billion compared to \$190.7 billion in March 2020, the quarter prior to the outbreak of the pandemic.

Higher activity levels were registered for the industries: Transport, Storage & Communication (5.6%), Hotels & Restaurants (7.8%), Electricity & Water Supply (6.2%), Other Services (2.2%), Finance & Insurance Services (2.1%) and Real Estate, Renting & Business Activities (1.8%). However, Wholesale & Retail Trade; Repairs; Installation of Machinery & Equipment and Producers of Government Services both declined by 0.1%.



## CAPITAL EXPENDITURE TO GDP

### Capital Expenditure to GDP (%)



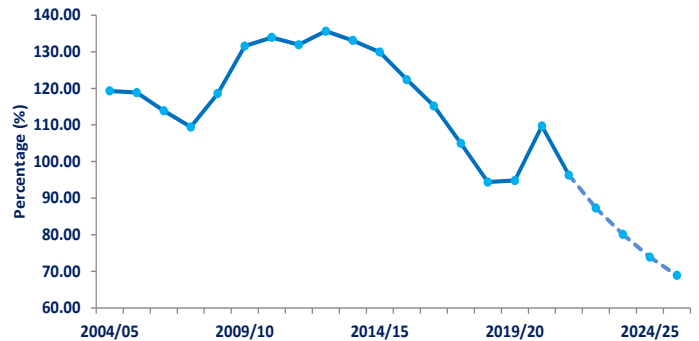
Total Expenditure for the period April to September 2023 amounted to \$454.8 billion, \$176.8 million less than the budgeted amount of \$454.9 billion. Recurrent Expenditure, which totalled \$432.4 billion, accounted for 95% of overall expenditures. The categories under Recurrent Expenditure for the review period that exceeded the budgeted amount were 'Compensation of Employees', which totalled \$207.9 billion (+\$2.2 billion) and 'Interest', which totalled \$83.9 billion (+\$4.0 billion). However, the 'Programmes' category, which totalled \$140.7 billion was below the budgeted amount by \$1.7 billion. 'Employers Contribution' under the 'Compensation of Employees' category was also below the budgeted amount, by \$668.1 million.

Capital Expenditure amounted to \$22.3 billion, which was \$4.6 billion below the budgeted amount.

The 'Fiscal Deficit' was \$27.7 billion, relative to a 'Projected Deficit' of \$36.2 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$56.2 billion, relative to the 'Budgeted Primary Surplus Balance' of \$43.7 billion.

## DEBT TO GDP

### Total Debt to GDP (%)



At the end of July 2023, Jamaica's Public Debt stock stood at \$2.15 trillion. This reflected a decline in Central Government debt, while public bodies' debt grew 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 Q1	April Q2	July Q3	October Q4	Labour Force	January Q1	April Q2	July Q3	October 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	na	2022	1,257,100	1,269,300	1,268,000	na
2023	na	4.5	4.5		2023	na	1,312,600	1,315,100	

The Statistical Institute of Jamaica (STATIN) reported that the unemployment rate was 4.5% in July 2023, 2.1 percentage points lower than in July of the previous year. There were 1,315,100 employed persons, an increase of 47,100 persons compared to the similar quarter of 2022. There were 25,700 more employed females, representing 54.6% of the total increase in employment. More females were employed in the occupation groups 'Service Workers and Shop and Market Sales Workers' and 'Clerks'.

## PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

### Producer Price Index:

For September 2023, increases in output prices were realized for both industries: Mining and Quarrying (0.1%) and Manufacturing (1.2%).

The upward movement in the index for Mining and Quarrying was due to the 'Bauxite Mining & Alumina Processing' major group, which registered a similar increase of 0.1% in its index.

The main contributor to the increase in the Manufacturing index was a 5.9% rise in the index for the 'Refined Petroleum Products' major group.

The Mining & Quarrying index rose by 6.5% from September 2022 to September 2023, owing primarily to the 'Bauxite Mining & Alumina Processing' major group (6.6%). The Manufacturing index rose by 1.9% over the same period resulting largely from a 2.7% increase in the index for the 'Food, Beverages & Tobacco' major group, followed by 10.1% increase in the 'Other Manufacturing n.e.c.' major group and a 1.2% rise in 'Refined Petroleum Products'. This was tempered by declines in the index of the major groups: 'Fabricated Metal Products excl Machinery & Equipment' (4.3%) and 'Chemicals and Chemical Products' (0.7%).

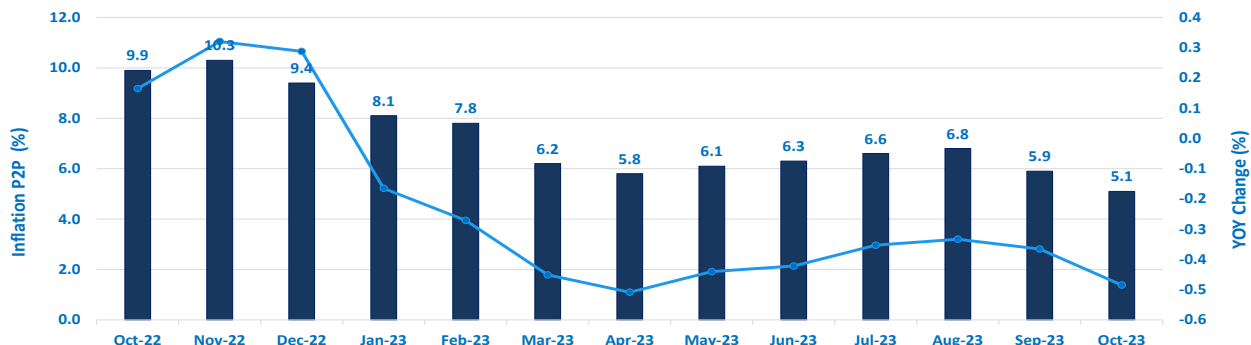
### Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that for October 2023, the point-to-point inflation rate was 5.1%; 0.8 percentage points lower than the prior point-to-point inflation rate. However, for the month of October 2023, the inflation rate was +0.8%.

The main driver of the monthly increase (0.8%) was a 1.7% rise in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division, which followed increases mainly in the groups: 'Electricity, Gas and Other Fuels' (4.1%) and 'Water Supply and Miscellaneous Services related to the Dwelling' (1.2%), owing to higher electricity, water, and sewage rates. Other contributors to the increase were the 0.7% rise in the index for the 'Food and Non-Alcoholic Beverages' division due mainly to the 'Food' group, which also saw a 0.7% increase in its index following the hike in some agricultural produce prices and the 2.1% increase in the index for the 'Restaurants and Accommodation Services' division owing mainly to a rise in the 'Food and Beverage Serving Services' group. However, the overall inflation rate for this period was tempered by a 0.1% decline in the index for the 'Transport' division due mainly to lower petrol costs.

The movement in All Items (5.1%) between October 2022 and October 2023 was mostly related to increases in the divisions: 'Food and Non-Alcoholic Beverages' (8.3%), 'Restaurants and Accommodation Services' (13.1%), and 'Furnishings, Household Equipment and Routine Household Maintenance' (10.8%). However, this was tempered by a 3.5% downturn in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division.

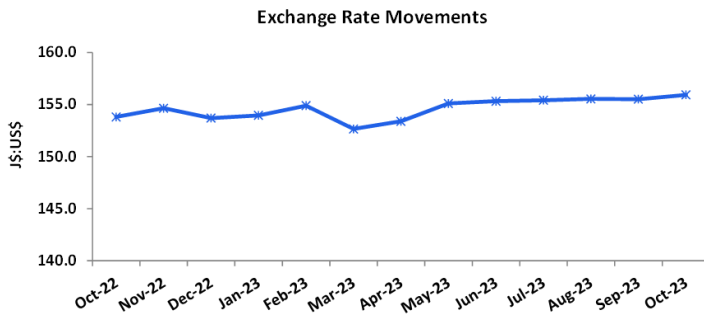
### Point to Point Inflation Rate



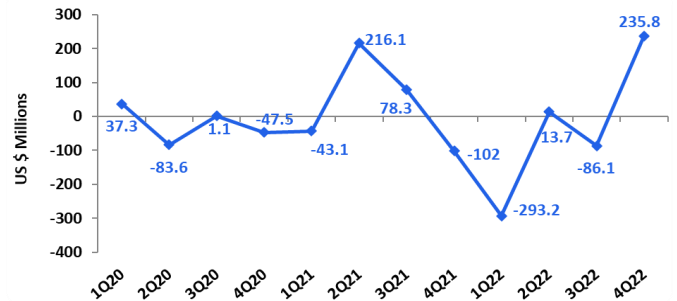
# FOREIGN EXCHANGE MARKET

## LOCAL FOREX

The Jamaica dollar (JMD) depreciated against the USD for the month of October 2023. The JMD depreciated by \$0.41 to close the month at an average of \$155.92 relative to the \$155.51 recorded in September 2023. Year over year, the JMD has depreciated by approximately 1.37%.



## CURRENT ACCOUNT BALANCE



The June 2023 current account surplus is expected to be 0.9% of GDP, which according to BOJ is better than the June 2022 quarter.

The current account (CA) 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 surplus is predicted to decline averaging between 0.0% to 1.0% of GDP in FY2023/24 to FY2024/25. For the FY2025/26 to FY2028/29, the CA balance is expected to worsen to a deficit, albeit a smaller one than previously forecast, averaging between 0.3% to 2.0% of GDP.

The improvement in the CA over prior prediction is largely due to a smaller trade deficit, increased travel inflows, and lower investment outflows.



## FOREIGN EXCHANGE MARKET

### INTERNATIONAL FOREX

**GBP/USD:** The pair closed at **\$1.21509** for the month of October 2023. According to FX Empire, "GBP/USD is also moving higher as traders focus on the general weakness of the American currency. Traders expect that Fed will start cutting rates in 2024, which is bearish for the U.S. dollar. A move above the 1.2500 level will provide GBP/USD with an opportunity to gain additional upside momentum and push it towards the next resistance at 1.2650 – 1.2685."

**EUR/USD:** For October 2023, the EUR/USD pair closed at **\$1.05682**. According to FX Empire, "EUR/USD gains ground as traders react to Germany's PPI report, which indicated that PPI declined by 0.1% month-over-month in October. In case EUR/USD manages to settle above the resistance at 1.0925 – 1.0950, it will move towards the next resistance level at 1.1070 – 1.1100."

October 1 - 31, 2023				
Currency Pair	Open	High	Low	Close
GBP/USD	\$1.22	\$1.23	\$1.20	\$1.22
USD/CAD	\$1.36	\$1.39	\$1.36	\$1.39
EUR/USD	\$1.06	\$1.07	\$1.04	\$1.06
USD/JPY	\$149.51	\$151.83	\$147.27	\$150.92

The CAD depreciated against the USD during the month of October by 2.07% to close at \$1.39. Conversely, the JPY depreciated against the USD during the month of October by 0.94% to close at \$150.92.

## MONEY SUPPLY

Components of Money Supply (M2*)			
Percentage Change (%)	May-22	Mar-23	May-23
<b>Total Money Supply (M2*)</b>	13.30	8.30	8.90
<b>Money Supply (M2J)</b>	9.60	8.30	12.70
<b>Money Supply (M1J)</b>	10.50	11.00	11.60
Currency with the public	11.00	9.00	10.10
Demand Deposits	10.10	12.50	12.70
<b>Quasi Money</b>	8.80	13.40	13.70
Savings Deposits	11.10	8.80	2.00
Time Deposits	-0.60	36.30	68.30
<b>Foreign Currency Deposits</b>	19.80	1.90	2.90

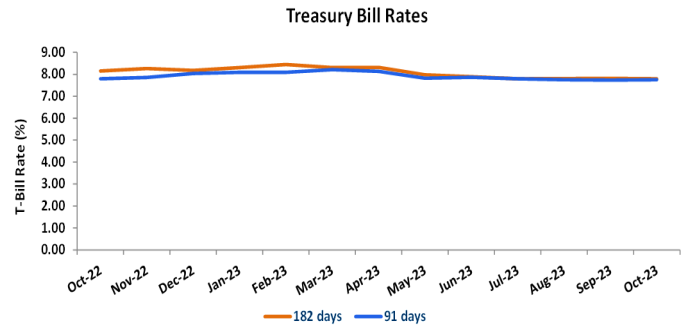
According to the latest data available from the Bank of Jamaica's quarterly report, M2J expanded 12.7% in May 2023, driven by a 13.3% growth in local currency deposits. This represents a decline in growth from end-March 2023's 13.3%. Time deposits grew by 68.3% relative to 36.3% in March 2023, while demand and savings deposits climbed by 12.7%, and 2.0%, respectively, relative to the 12.5% and 8.8% growth rates in March 2023.

Additionally, M2J is expected to grow at an average annual rate of 10.1% during the next eight quarters, above the 9.0% previously projected. Over the short term, it is projected that the rate of broad money growth will partially be driven by a slowing of economic activity and will reflect increases in currency in circulation and deposits made in local currency. Stronger than anticipated seasonal demand, which returns to normal in the December 2023 quarter, is predicted to cause currency in circulation to be greater than planned during the later half of the year.



**Treasury Bills:**

For the month of October 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\$3.42 billion; J\$1.74 billion for the 91-day T-Bill, and J\$1.68 billion for the 182-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 7.75%, up 1.67 basis points compared to September 2023. The 182-day T-Bill auction resulted in the average yield of 7.79%, down 2.05 basis points relative to the prior month. The average yield on the 91-day T-Bill fell by 4.72 basis points compared to the auctions in 2022 for the comparable period. The 182-day T-Bill went down 36.14 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 Payment/ Maturity Date
6-Oct-23	28 Days	7.50%	N/A	Fixed	3-Nov-23
12-Oct-23	2 Years	8.50%	N/A	Fixed	13-Oct-25
13-Oct-23	28 Days	7.50%	N/A	Fixed	10-Nov-23
20-Oct-23	28 Days	7.50%	N/A	Fixed	17-Nov-23
27-Oct-23	28 Days	7.50%	N/A	Fixed	24-Nov-23

The Bank of Jamaica issued four 28-day Certificates of Deposit (CDs) and one 2-year CD in the month of October.





## TOURISM

Stopover Arrivals by Market Region					
Country	June 2023	Share %	June 2022	Share %	Change %
U.S.A.	220,410	82.2%	187,730	80.5%	17.4%
Canada	18,042	6.7%	17,014	7.3%	6.0%
Europe	20,724	7.7%	22,016	9.4%	-5.9%
Latin America	2,646	1.0%	1,779	0.8%	48.7%
Caribbean	5,447	2.0%	4,101	1.8%	32.8%
Asia	455	0.2%	292	0.1%	55.8%
Others	463	0.2%	337	0.1%	37.4%
<b>Total</b>	<b>268,187</b>	<b>100.0%</b>	<b>233,269</b>	<b>100.0%</b>	<b>15.0%</b>

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in June 2023 amounted to 268,187, a 15.0% increase when compared to the 233,269 recorded in June 2022.

Stopover arrivals from the U.S. market totalled 220,410 in June 2023, while there were 187,730 arrivals in June 2022.

The Canadian market arrivals amounted to 18,042 relative to the 17,014 a year prior.

The European market region recorded a total of 20,724 stopover arrivals in June 2023 when compared to the 22,016 in June 2022.

Arrivals from the Caribbean totalled 5,447 stopovers in comparison to the 4,101 in June 2022.

## REMITTANCE

The latest data from the Bank of Jamaica (BOJ), for September 2023, showed that total remittance inflows amounted to US\$284.4 million (2022: US\$289.9 million), while outflows totalled US\$21.5 million (2022: US\$18.3 million).

Net remittances were US\$262.9 million, a decrease of US\$8.8 million (3.2%) relative to US\$271.6 million reported for the corresponding month of 2022.

Total remittance inflows from April to September 2023 amounted to US\$1,724.9 million. This outturn represented a decline of 2.2% relative to April to September 2022.

The largest source market of remittances to the island in September continued to be the USA with a share of 69.3%, down from the 70.9% recorded for September 2022. The remaining remittances during the month came from Canada (11.4%) followed by UK (9.7%) and the Cayman Islands (5.8%).

## NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica's Net International Reserves as at October 31, 2023 stood at US\$4,614.27 million, reflecting a decrease of US\$102.29 million when compared to the US\$4,716.57 million reported at the end of September 2023.

Foreign Assets totalled US\$4,742.04 million, US\$104.56 million less than the US\$4,846.60 million reported in September 2023. This was largely due to 'Currency & Deposits' held by the BOJ, which totalled US\$3,052.13 million as at October 31, 2023, a decrease of US\$98.32 million compared to the US\$3,150.45 million reported in September 2023.

'Securities' were valued at US\$1,558.17 million; US\$6.16 million less than the US\$1,564.33 million reported at the end of September 2023. The country's Special Drawing Rights decreased to US\$95.80 million relative to the US\$95.86 million recorded a month prior.

'IMF Reserve Position' decreased to US\$35.94 million from the US\$35.96 million reported last month. Liabilities to the IMF fell US\$2.27 million to US\$127.76 million against the US\$130.03 million reported at the end of September 2023.

At its current value, the nation's international reserve is US\$839.67 million or 22% higher than the US\$3,774.60 million held by the BOJ on October 30, 2022. The current NIR supports approximately 36.59 weeks of goods imports and 25.04 weeks of goods and services imports.

