

December 20, 2023



MONTHLY

ECONOMIC REVIEW

Prepared by: Research Department

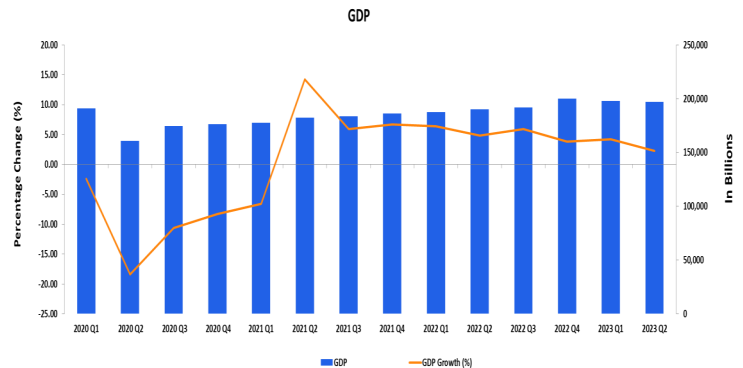
LOCAL ECONOMY

GROSS DOMESTIC PRODUCT

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

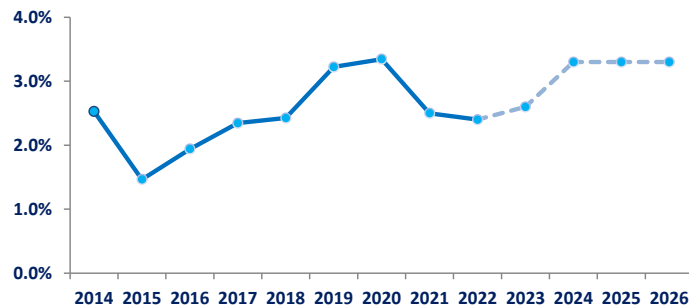
STATIN reported a 2.3% increase in Jamaica's total value added at constant prices in the second quarter of 2023 compared to the same quarter of 2022. Services and Goods Producing Industries grew 2.2% and 2.6%, respectively. The performance reflected the economy's sustained recovery from the adverse effects 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 (%)



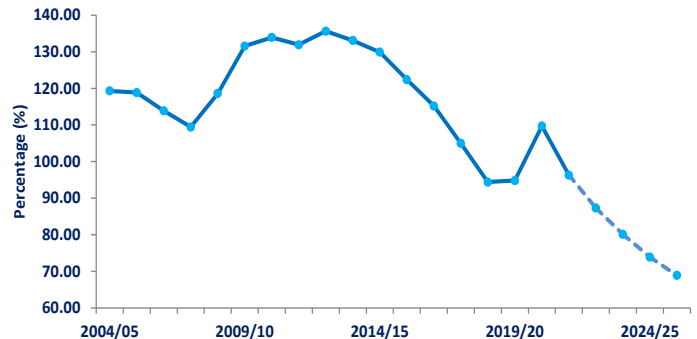
Total Expenditure for the period April to October 2023 amounted to \$529.99 billion, \$1.33 billion more than the budgeted amount of \$528.66 billion. Recurrent Expenditure, which totalled \$503.44 billion, accounted for 95% of overall expenditures. The categories under Recurrent Expenditure for the review period that exceeded the budgeted amount were 'Compensation of Employees', which totalled \$240.57 billion (+\$7.95 billion) and 'Interest', which totalled \$97.83 billion (+\$4.31 billion). However, the 'Programmes' category, which totalled \$165.03 billion was below the budgeted amount by \$3.39 billion. 'Employers Contribution' under the 'Compensation of Employees' category was also below the budgeted amount by \$669.90 million.

Capital Expenditure amounted to \$26.55 billion, which was \$7.54 billion below the budgeted amount.

The 'Fiscal Deficit' was \$35.52 billion, relative to a 'Projected Deficit' of \$48.27 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$62.32 billion, relative to the 'Budgeted Primary Surplus Balance' of \$45.25 billion.

DEBT TO GDP

Total Debt to GDP (%)



At the end of September 2023, Jamaica's Public Debt stock stood at \$2.23 trillion. This reflected decreases in both Central Government debt 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 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	1,305,100	1,311,100	1,304,000	1,310,200
2015	14.2	13.2	13.1	13.5	2015	1,320,200	1,300,400	1,320,700	1,325,400
2016	13.3	13.7	12.9	12.9	2016	1,342,000	1,353,900	1,363,200	1,354,100
2017	12.7	11.3	11.3	10.4	2017	1,356,300	1,369,100	1,371,200	1,346,000
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	1,351,700	1,360,800	1,345,100
2020	7.3	na	12.6	10.7	2020	1,369,500	na	1,283,300	1,297,700
2021	8.9	9.0	8.5	7.1	2021	1,315,800	1,325,400	1,327,500	1,329,100
2022	6.2	6.0	6.6	na	2022	1,340,600	1,350,300	1,357,700	na
2023	na	4.5	4.5		2023	na	1,373,800	1,377,300	

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 October 2023, an increase in output prices was realized for the Mining and Quarrying industry (0.1%), while output prices for the Manufacturing industry declined by 0.3%.

The upward movement in the index for Mining and Quarrying was due to the 'Other Mining & Quarrying' major group, which registered a 3.1% increase in its index tempered by a negligible decline in the index for the 'Bauxite Mining & Alumina Processing' major group.

The main contributor to the decline in the Manufacturing index was a 2.5% fall in the index for the 'Refined Petroleum Products' major group.

The Mining & Quarrying index rose by 5.1% from October 2022 to October 2023, owing primarily to an increase in the index for the 'Bauxite Mining & Alumina Processing' major group (5.0%). The Manufacturing index rose by 2.6% over the same period resulting largely from a 2.3% increase in the index for the 'Food, Beverages & Tobacco' major group, followed by a 5.3% rise in 'Refined Petroleum Products'. This was tempered by a 4.3% decline in the index of the major group: 'Fabricated Metal Products excl. Machinery & Equipment'.

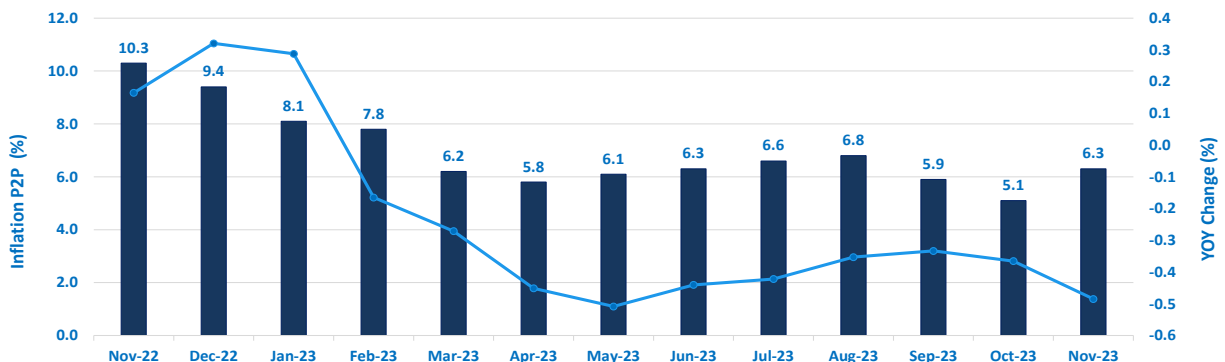
Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that for November 2023, the point-to-point inflation rate was +6.3%; 1.2 percentage points higher than the prior point-to-point inflation rate. However, for the month of November 2023, the inflation rate was +1.6%, the highest for the calendar year to date.

The main driver of the monthly increase (1.6%) was a 9.9% rise in the index for the 'Transport' division, owing to an increase of 19.0% in route taxi and hackney carriage fares. Other contributors to the increase were a 1.0% rise in the index for the 'Food and Non-Alcoholic Beverages' division due mainly to increased prices for bread, chicken, and agricultural produce such as tomato, carrot and green banana and a 0.5% increase in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division, owing to higher electricity, water, and sewage rates.

The upward movement in All Items (6.3%) between November 2022 and November 2023 was mostly related to increases in the divisions: 'Food and Non-Alcoholic Beverages' (7.3%), 'Transport' (10.1%), and 'Restaurants and Accommodation Services' (13.1%). However, this was tempered by a 0.6% downturn in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division, due to the 'Electricity, Gas and Other Fuels' group, which declined by 3.4%.

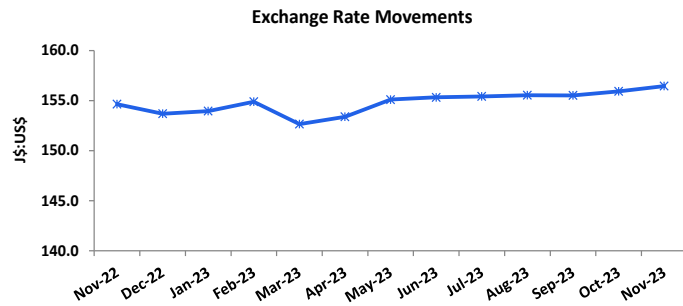
Point to Point Inflation Rate



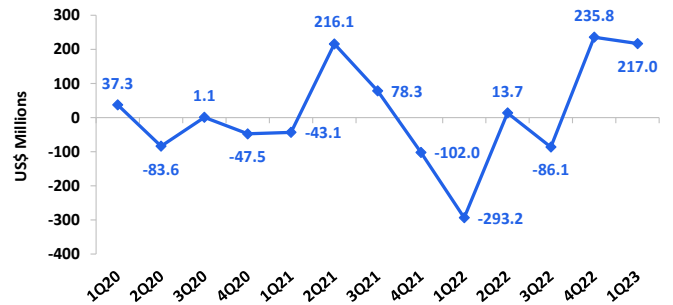
FOREIGN EXCHANGE MARKET

LOCAL FOREX

The Jamaica dollar (JMD) depreciated against the USD for the month of November 2023. The JMD depreciated by \$0.53 to close the month at an average of \$156.45 relative to the \$155.92 recorded in October 2023. Year over year, the JMD has depreciated by approximately 1.17%.



CURRENT ACCOUNT BALANCE



The September 2023 current account surplus is expected to be 0.6% of GDP, which according to BOJ is better than the deficit recorded for the September 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 CA is predicted to worsen to a deficit, averaging between 0.5% to 1.0% of GDP in FY2023/24 to FY2024/25. For the FY2025/26 to FY2028/29, the CA balance is expected to gradually improve, ranging between a deficit of 0.8% to a surplus of 0.4% of GDP.

The improvement in the CA over prior prediction is largely due to increased travel inflows, higher net remittance inflows and lower investment outflows.



FOREIGN EXCHANGE MARKET

INTERNATIONAL FOREX

GBP/USD: The pair closed at **\$1.27105** for the month of November 2023. According to FX Empire, "GBP/USD remains under pressure as traders focus on the rebound in Treasury yields. If GBP/USD settles below the support at 1.2650 – 1.2685, it will get to the test of the 50 MA at 1.2610."

EUR/USD: For November 2023, the EUR/USD pair closed at **\$1.08833**. According to FX Empire, "Eurozone inflation figures for November could influence market bets on an ECB rate cut. Downward revisions would impact the EUR/USD."

November 1 - 30, 2023				
Currency Pair	Open	High	Low	Close
GBP/USD	\$1.22	\$1.27	\$1.22	\$1.27
USD/CAD	\$1.39	\$1.39	\$1.35	\$1.35
EUR/USD	\$1.06	\$1.10	\$1.06	\$1.09
USD/JPY	\$150.92	\$151.91	\$146.66	\$146.81

The CAD appreciated against the USD during the month of November by 2.57% to close at \$1.35. Similarly, the JPY appreciated against the USD during the month of November by 2.72% to close at \$146.81.

MONEY SUPPLY

Components of Money Supply (M2*)			
Percentage Change (%)	Aug-22	Jun-23	Aug-23
Total Money Supply (M2*)	8.80	10.50	11.20
Money Supply (M2J)	7.70	15.50	14.80
Money Supply (M1J)	7.80	14.90	15.10
Currency with the public	5.80	18.50	16.50
Demand Deposits	9.20	12.30	14.20
Quasi Money	7.70	16.10	14.60
Savings Deposits	7.30	5.20	14.80
Time Deposits	9.60	66.90	13.50
Foreign Currency Deposits	10.80	2.30	5.20

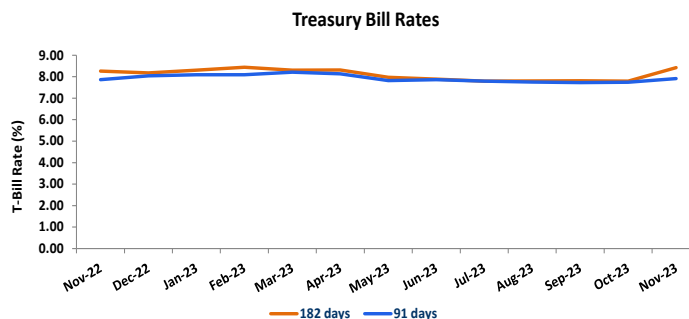
According to the latest data available from the Bank of Jamaica's quarterly report, M2J expanded 14.8% in August 2023, driven by increases in currency in circulation (16.5%) and local currency deposits (14.4%) relative to the respective growth rates of 18.5% and 14.7% in June 2023. The ongoing development in deposits was seen in the rise of savings, demand, and time deposits. Savings deposits grew by 14.8% relative to 5.2% in June 2023, while demand and time deposits climbed by 14.2%, and 13.5%, respectively, relative to the 12.3% and 66.9% growth rates in June 2023.

Additionally, M2J is expected to grow at an average annual rate of 9.8% during the next eight quarters, in line with the 9.5% 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 currency redemption, which returns to normal in the December 2023 quarter, is predicted to cause currency in circulation to be slightly lower than planned during the later half of the year.



Treasury Bills:

For the month of November 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\$4.75 billion; J\$1.65 billion for the 91-day T-Bill, J\$1.26 billion for the 182-day T-Bill, and J\$1.84 billion for the 270-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 7.91%, up 16.35 basis points compared to October 2023. The 182-day T-Bill auction resulted in the average yield of 8.42%, up 63.42 basis points relative to the prior month. The average yield on the 91-day T-Bill rose by 5.16 basis points compared to the auctions in 2022 for the comparable period. The 182-day T-Bill went up 15.87 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
3-Nov-23	28 Days	7.50%	N/A	Fixed	1-Dec-23
10-Nov-23	28 Days	7.50%	N/A	Fixed	8-Dec-23
17-Nov-23	28 Days	7.50%	N/A	Fixed	15-Dec-23
24-Nov-23	28 Days	7.50%	N/A	Fixed	22-Dec-23
29-Nov-23	2 Years, 6 Months	6.00%	N/A	Fixed	29-May-26

The Bank of Jamaica issued four 28-day Certificates of Deposit (CDs) and one 2½-year USD Indexed Note in the month of November.





TOURISM

Stopover Arrivals by Market Region					
Country	July 2023	Share %	July 2022	Share %	Change %
U.S.A.	232,878	79.9%	202,376	77.9%	15.1%
Canada	24,133	8.3%	21,283	8.2%	13.4%
Europe	22,910	7.9%	26,917	10.4%	-14.9%
Latin America	2,527	0.9%	1,881	0.7%	34.3%
Caribbean	7,864	2.7%	6,573	2.5%	19.6%
Asia	626	0.2%	360	0.1%	73.9%
Others	671	0.2%	518	0.2%	29.5%
Total	291,609	100.0%	259,908	100.0%	12.2%

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in July 2023 amounted to 291,609, a 12.2% increase when compared to the 259,908 recorded in July 2022.

Stopover arrivals from the U.S. market totalled 232,878 in July 2023, while there were 202,376 arrivals in July 2022.

The Canadian market arrivals amounted to 24,133 relative to the 21,283 a year prior.

The European market region recorded a total of 22,910 stopover arrivals in July 2023 when compared to the 26,917 in July 2022.

Arrivals from the Caribbean totalled 7,864 stopovers in comparison to the 6,573 in July 2022.

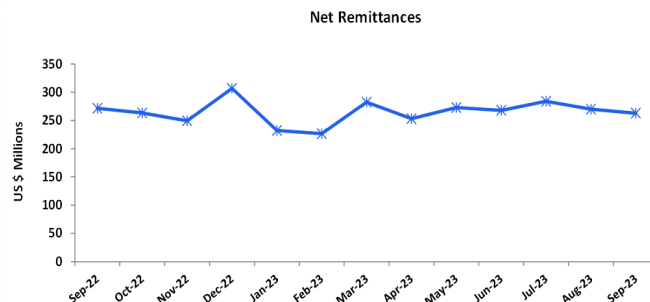
REMITTANCE

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 November 30, 2023 stood at US\$4,597.58 million, reflecting a decrease of US\$16.69 million when compared to the US\$4,614.27 million reported at the end of October 2023.

Foreign Assets totalled US\$4,727.21 million, US\$14.83 million less than the US\$4,742.04 million reported in October 2023. This was largely due to 'Currency & Deposits' held by the BOJ, which totalled US\$3,041.73 million as at November 30, 2023, a decrease of US\$10.40 million compared to the US\$3,052.13 million reported in October 2023.

'Securities' were valued at US\$1,569.30 million; US\$11.13 million more than the US\$1,558.17 million reported at the end of October 2023. The country's Special Drawing Rights decreased to US\$79.71 million relative to the US\$95.80 million recorded a month prior.

'IMF Reserve Position' rose to US\$36.46 million from the US\$35.94 million reported last month. Liabilities to the IMF rose US\$1.86 million to US\$129.63 million against the US\$127.76 million reported at the end of October 2023.

At its current value, the nation's international reserve is US\$747.68 million or 19% higher than the US\$3,849.90 million held by the BOJ on November 30, 2022. The current NIR supports approximately 33.88 weeks of goods imports and 23.25 weeks of goods and services imports.

