



# MONTHLY ECONOMIC REVIEW

**JANUARY 2024**

Prepared by: Research Department

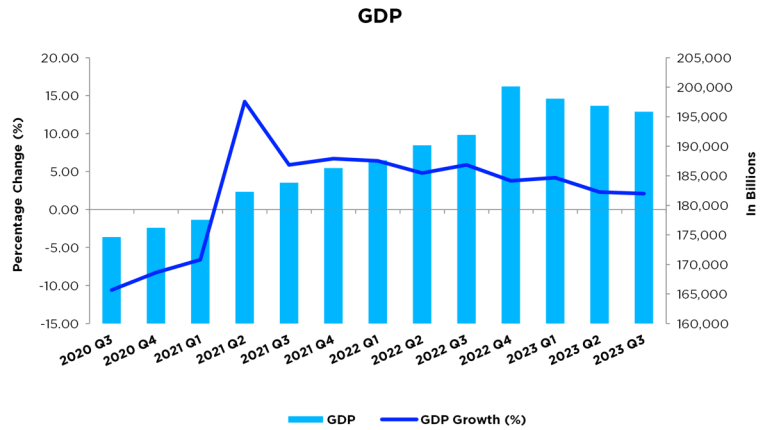
# LOCAL ECONOMY

## GROSS DOMESTIC PRODUCT

According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded by 2.1% in Q3 2023.

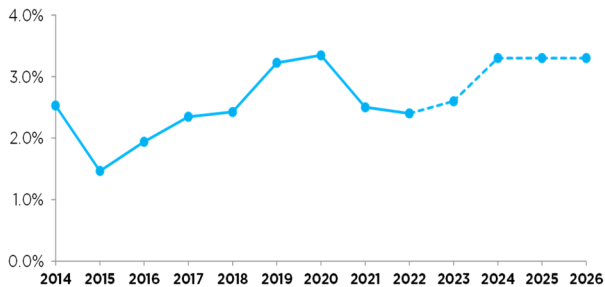
STATIN reported a 2.1% increase in Jamaica's total value added at constant prices in the third quarter of 2023 compared to the same quarter of 2022. Services and Goods Producing Industries each grew by 2.1%. Total value added, seasonally unadjusted, was \$195.86 billion.

The Services Industries experienced overall growth, except for Producers of Government Services, which declined by 0.9%. Sectors experiencing growth included Transport, Storage & Communication (6.0%), Hotels & Restaurants (6.7%), Other Services (4.5%), Finance & Insurance Services (1.5%), Electricity & Water Supply (6.7%), Real Estate, Renting & Business Activities (0.9%), and Wholesale & Retail Trade; Repairs: Installation of Machinery & Equipment (0.3%). Growth in the Goods Producing Industries was driven by increased output in Mining & Quarrying (103.1%), Manufacturing (2.1%), and Construction (0.7%). However, the Agriculture, Forestry & Fishing industry experienced a 9.3% decline in value added due to adverse effects of dry conditions.



### CAPITAL EXPENDITURE TO GDP

Capital Expenditure to GDP (%)



Total Expenditure for the period April to December 2023 amounted to \$673.60 billion, \$7.16 billion less than the budgeted amount of \$680.76 billion. Recurrent Expenditure, which totalled \$636.71 billion, accounted for 95% of overall expenditures. The category under Recurrent Expenditure for the review period that exceeded the budgeted amount was 'Interest', which totalled \$122.27 billion (+\$282.40 million).

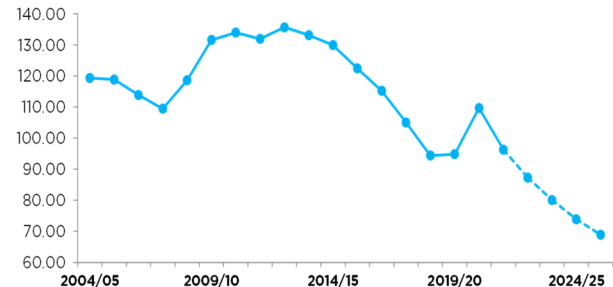
However, the 'Programmes' category, which totalled \$211.18 billion was below the budgeted amount by \$4.17 billion. The 'Compensation of Employees' category which totalled \$303.26 billion was also below the budgeted amount by \$1.25 billion.

Capital Expenditure amounted to \$36.89 billion, which was \$2.13 billion below the budgeted amount.

The 'Fiscal Deficit' was \$33.25 billion, relative to a 'Projected Deficit' of \$31.08 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$89.03 billion, relative to the 'Budgeted Primary Surplus Balance' of \$90.81 billion.

### DEBT TO GDP

Total Debt to GDP (%)



At the end of November 2023, Jamaica's Public Debt stock stood at \$2.22 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 FY2023/24 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-FY2027/28.



# 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	1,328,700
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	4.2	2023	na	1,373,800	1,377,300	1,377,600

The Statistical Institute of Jamaica (STATIN) reported that the unemployment rate was 4.2% in October 2023, 2.9 percentage points lower than in October of 2021. There were 1,320,400 employed persons, an increase of 85,600 persons compared to the similar quarter of 2021. There were 45,600 more employed females, representing 53.3% of the total increase in employment. More females were employed in the occupation group 'Service Workers and Shop and Market Sales Workers', which exhibited the highest increase overall in employment.

## PRODUCER PRICE INDEX & CONSUMER PRICE INDEX

### Producer Price Index:

For December 2023, an increase in output prices was realized for the Mining and Quarrying industry (0.3%), while output prices for the Manufacturing industry declined by 0.8%.

The upward movement in the index for Mining and Quarrying was primarily due to the 'Bauxite Mining & Alumina Processing' major group, which registered a 0.3% increase in its index.

The main contributor to the decline in the Manufacturing index was a 4.6% fall in the index for the 'Refined Petroleum Products' major group. However, this was tempered by a 0.2% rise in the index for the 'Food, Beverages and Tobacco' major group.

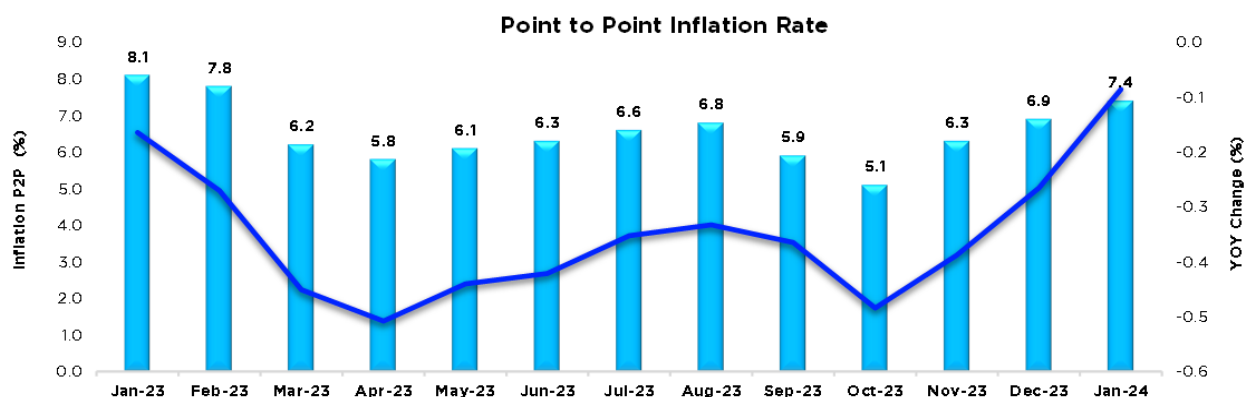
The Mining & Quarrying index rose by 4.4% from December 2022 to December 2023, owing largely to the 'Bauxite Mining & Alumina Processing' major group (4.3%). The Manufacturing index rose by 3.0% over the same period resulting from increases in the major groups: 'Refined Petroleum Products' (7.6%), 'Food, Beverages & Tobacco' (2.2%), and 'Chemicals and Chemical Products' (2.3%). This was tempered by a 4.4% decline in the index of the 'Fabricated Metal Products excl. Machinery & Equipment' major group over the same period.

### Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that for January 2024, the point-to-point inflation rate was +7.4%; 0.5 percentage points higher than the prior point-to-point inflation rate. However, for the month of January 2024, the inflation rate was -0.1%.

The main driver of the monthly decrease (0.1%) was a 0.7% decline in the index for the 'Food and Non-Alcoholic Beverages' division due mainly to lower prices for agricultural produce such as yam, cabbage, carrot, and tomato following increased supplies. Another contributor to the monthly decrease was an 1.1% drop in the index for the 'Transport' division owing to a 30% reduction in the adult bus fare charged by the Jamaica Urban Transit Company (JUTC) and lower petrol prices. The monthly decrease was tempered by a 0.8% rise in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division, following higher electricity, water and sewage rates. Notably, the index for the 'Recreation, Sport and Culture' division increased by 1.5% primarily because of higher admission fees for cinemas and stage shows.

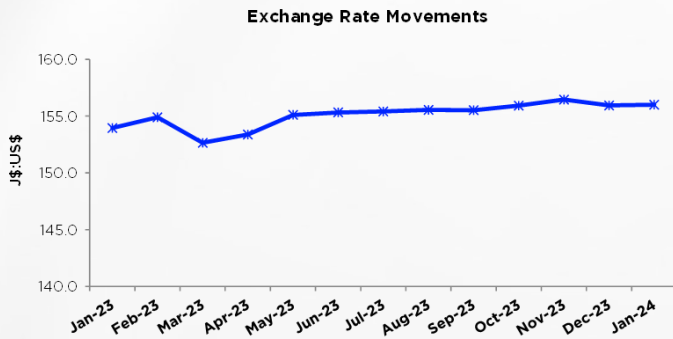
The upward movement in All Items (7.4%) between January 2023 and January 2024 was mostly related to increases in the divisions: 'Food and Non-Alcoholic Beverages' (8.9%), 'Transport' (9.5%) and 'Housing, Water, Electricity, Gas and Other Fuels' (4.6%).



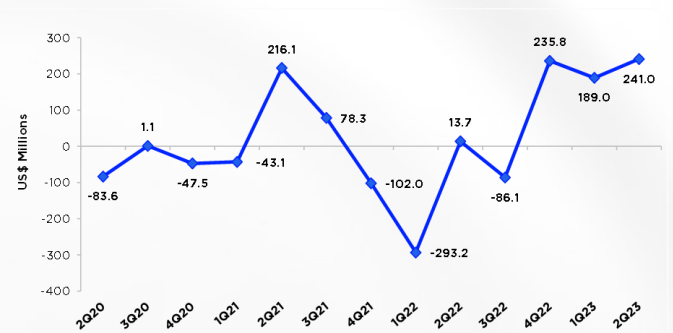
# FOREIGN EXCHANGE MARKET

## LOCAL FOREX

The Jamaican dollar (JMD) depreciated against the USD for the month of January 2024. The JMD depreciated by \$0.06 to close the month at an average of \$156.00 relative to the \$155.94 recorded in December 2023. Year over year, the JMD has depreciated by approximately 1.33%.



## CURRENT ACCOUNT BALANCE



The December 2023 current account surplus is expected to be 0.3% of GDP, which according to BOJ is worse than the surplus recorded for the December 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 improve to a surplus ranging between 0.5% to 1.5% of GDP in FY2023/24 to FY2024/25. For FY2026/27 to FY2028/29, the CA balance is expected to gradually improve, ranging between a surplus of 0.5% to 1.5% of GDP.

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



# FOREIGN EXCHANGE MARKET

## INTERNATIONAL FOREX

**GBP/USD:** The pair closed at **\$1.2743** for the month of January 2024. According to FX Empire, "GBP/USD continues its attempts to settle above the resistance at 1.2650 – 1.2685 as traders focus on general weakness of the American currency. A successful test of this level will open the way to the test of the next resistance at 1.2800 – 1.2825."

**EUR/USD:** For January 2024, the EUR/USD pair closed at **\$1.08718**. According to FX Empire, "EUR/USD gained some ground as traders reacted to U.S. economic reports. New Home Sales increased by 1.5% month-over-month in January, while Dallas Fed Manufacturing Index improved from -27.4 in January to -11.3 in February." Additionally, "During the early hours of Tuesday, we have seen the Euro grind a bit higher against the US dollar, showing signs of life, but still facing a lot of noise just above. The 1.09 level above is a significant barrier that we need to overcome to continue going to the 1.10 level."

January 1 - 31, 2024				
Currency Pair	Open	High	Low	Close
GBP/USD	\$1.27	\$1.28	\$1.26	\$1.27
USD/CAD	\$1.32	\$1.36	\$1.32	\$1.34
EUR/USD	\$1.10	\$1.11	\$1.08	\$1.09
USD/JPY	\$140.85	\$148.81	\$140.77	\$146.45

The CAD depreciated against the USD during the month of January 2024 by 1.10% to close at \$1.34. Similarly, the JPY depreciated against the USD during the month of January by 3.97% to close at \$146.45.

## MONEY SUPPLY

Percentage Change (%)	Components of Money Supply (M2*)		
	Nov-22	Sep-23	Nov-23
<b>Total Money Supply (M2*)</b>	7.40	10.20	10.50
<b>Money Supply (M2J)</b>	5.90	14.30	15.80
<b>Money Supply (M1J)</b>	5.10	15.40	15.60
Currency with the public	1.70	15.90	16.80
Demand Deposits	7.70	15.10	14.80
<b>Quasi Money</b>	6.60	13.30	16.00
Savings Deposits	5.60	14.80	14.70
Time Deposits	10.50	7.20	21.10
<b>Foreign Currency Deposits</b>	10.10	3.10	1.60

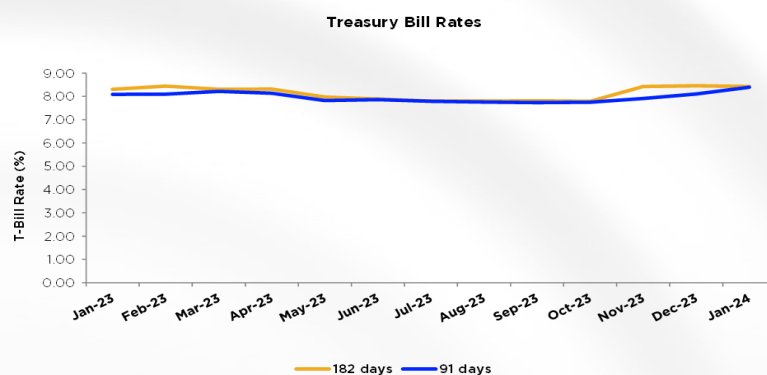
According to the latest data available from the Bank of Jamaica's quarterly report, M2J expanded 15.8% in November 2023, driven by increases in currency in circulation (16.8%) and local currency deposits (13.6%) relative to the respective growth rates of 15.9% and 14.1% in September 2023. The ongoing development in deposits was seen in the rise of savings, demand, and time deposits. Savings deposits grew by 14.7% relative to 14.8% in September 2023, while demand and time deposits climbed by 14.8%, and 21.1%, respectively, relative to the 15.1% and 7.2% growth rates in September 2023.

Additionally, M2J is expected to grow at an average annual rate of 11.7% during the next eight quarters, exceeding the 9.3% previously projected. Over the short term, it is projected that the rate of broad money growth will partially be driven by a slower-than-anticipated decline in remittance inflows and robust improvement in economic activity and will reflect increases in currency in circulation and deposits made in local currency. Increased deposits are also anticipated to be influenced by increasing interest rates.



## Treasury Bills:

For the month of January 2024, 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\$5.60 billion; J\$1.89 billion for the 91-day T-Bill, J\$1.97 billion for the 182-day T-Bill, and J\$1.74 billion for the 273-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 8.39%, up 29.13 basis points compared to December 2023. The 182-day T-Bill auction resulted in the average yield of 8.42%, down 3.26 basis points relative to the prior month. The average yield on the 91-day T-Bill rose by 30.29 basis points compared to the auctions in 2023 for the comparable period. The 182-day T-Bill went up by 12.17 basis points relative to the corresponding auctions in 2023. (Refer to the graph on the right).



## OPEN MARKET OPERATION

Issue Date	Tenor	Initial Coupon %	Reset Margin %	Benchmark	Interest Payment/ Maturity Date
5-Jan-24	28 Days	7.50%	N/A	Fixed	2-Feb-24
11-Jan-24	2 Years, 5 Months	6.00%	N/A	Fixed	29-May-26*
12-Jan-24	28 Days	7.50%	N/A	Fixed	9-Feb-24
19-Jan-24	28 Days	7.50%	N/A	Fixed	16-Feb-24
26-Jan-24	28 Days	7.50%	N/A	Fixed	23-Feb-24

The Bank of Jamaica issued four 28-day Certificates of Deposit (CDs) and one 2-year-and-5-month USD Indexed Note in the month of January.

*\* The first instalment of interest will be due on February 29, 2024, and will be calculated at the Initial Coupon. Thereafter, interest will be paid quarterly on May 29, August 29, November 29 and February 28. The final payment becomes due at Maturity.*



# TOURISM

Country	Stopover Arrivals by Market Region				
	October 2023	Share %	October 2022	Share %	Change %
U.S.A.	144,402	73.3%	133,112	73.2%	8.5%
Canada	22,111	11.2%	20,143	11.1%	9.8%
Europe	21,127	10.7%	22,190	12.2%	-4.8%
Latin America	2,573	1.3%	2,047	1.1%	25.7%
Caribbean	5,825	3.0%	3,873	2.1%	50.4%
Asia	617	0.3%	288	0.2%	114.2%
Others	342	0.2%	316	0.2%	8.2%
<b>Total</b>	<b>196,997</b>	<b>100.0%</b>	<b>181,969</b>	<b>100.0%</b>	<b>8.3%</b>

According to the latest data from the Jamaica Tourist Board, total stopover arrivals in October 2023 amounted to 196,997, an 8.3% increase when compared to the 181,969 recorded in October 2022.

Stopover arrivals from the U.S. market totalled 144,402 in October 2023, while there were 133,112 arrivals in October 2022.

The Canadian market arrivals amounted to 22,111 relative to the 20,143 a year prior.

The European market region recorded a total of 21,127 stopover arrivals in October 2023 when compared to the 22,190 in October 2022.

Arrivals from the Caribbean totalled 5,825 stopovers in comparison to the 3,873 in October 2022.



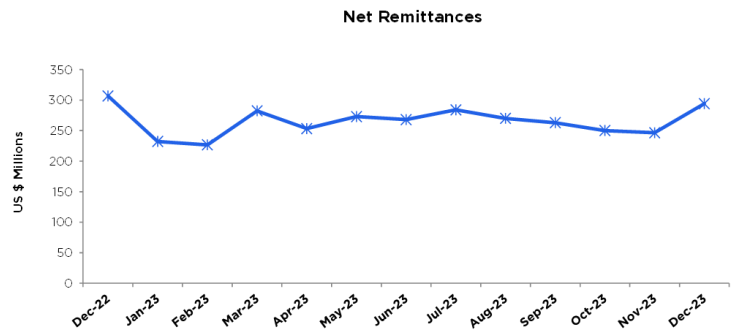
# REMITTANCE

The latest data from the Bank of Jamaica (BOJ), for December 2023, showed that total remittance inflows amounted to US\$314.0 million (2022: US\$325.9 million), while outflows totalled US\$19.9 million (2022: US\$19.2 million).

Net remittances were US\$294.1 million, a decrease of US\$12.6 million (4.1%) relative to US\$306.7 million reported for the corresponding month of 2022.

Total remittance inflows from April to December 2023 amounted to US\$2,569.5 million. This outturn represented a decline of 2.9% relative to April to December 2022.

The largest source market of remittances to the island in December continued to be the USA with a share of 67.5%, down from the 69.9% recorded for December 2022. The remaining remittances during the month came from UK (11.5%), followed by Canada (9.6%) and the Cayman Islands (7.1%).



# NET INTERNATIONAL RESERVES

BOJ has reported that Jamaica's Net International Reserves as at January 31, 2024 stood at US\$4,679.09 million, reflecting a decline of US\$79.15 million when compared to the US\$4,758.24 million reported at the end of December 2023.

Foreign Assets totalled US\$4,788.52 million, US\$80.12 million less than the US\$4,868.64 million reported in December 2023.

'Currency & Deposits' held by the BOJ as at January 31, 2024 totalled US\$3,083.85 million, reflecting a decline of US\$82.48 million compared to the US\$3,166.33 million reported in December 2023.

'Securities' were valued at US\$1,588.79 million; US\$3.38 million more than the US\$1,585.40 million reported at the end of December 2023. The country's Special Drawing Rights fell to US\$79.51 million relative to the US\$80.22 million recorded a month prior.

'IMF Reserve Position' fell to US\$36.37 million from the US\$36.69 million reported last month. Liabilities to the IMF fell US\$0.97 million to US\$109.43 million against the US\$110.41 million reported at the end of December 2023.

Presently, the country's foreign exchange reserves are US\$813.45 million, or 21% more than the US\$3,865.64 million held by the BOJ on January 31, 2023. The current NIR supports approximately 34.32 weeks of goods imports and 23.55 weeks of goods and services imports.

