



# MONTHLY ECONOMIC REVIEW

**FEBRUARY 2024**

Prepared by: Research Department

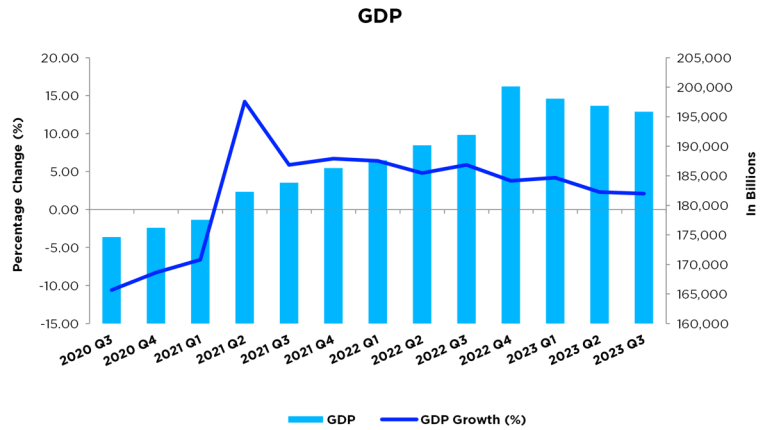
# LOCAL ECONOMY

## GROSS DOMESTIC PRODUCT

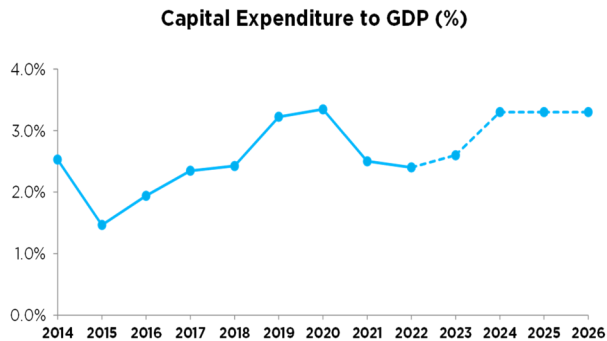
According to the Statistical Institute of Jamaica (STATIN), Jamaica's economy expanded by 2.1% in Q3 2023.

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



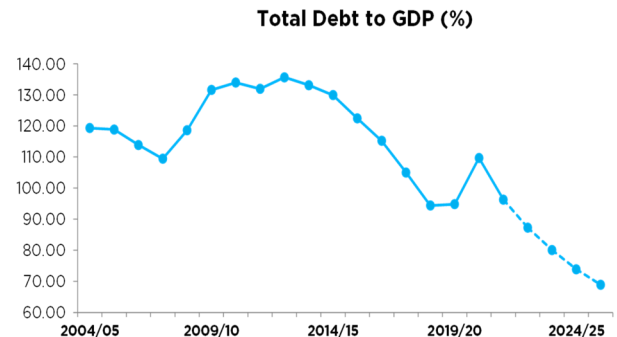
Total Expenditure for the period April to January 2024 amounted to \$754.28 billion, \$6.06 billion less than the budgeted amount of \$760.34 billion.

Recurrent Expenditure, which totalled \$709.56 billion, accounted for 94% of overall expenditures. All categories under Recurrent Expenditure for the review period were below the Government's projections: 'Programmes' totalled \$235.38 billion (-\$4.77 billion), 'Compensation of Employees' totalled \$335.62 billion (-\$926.10 million) and 'Interest' totalled \$138.55 billion (-\$336.47 million).

Capital Expenditure amounted to \$44.72 billion, which was \$30.83 billion below the budgeted amount.

The 'Fiscal Deficit' was \$31.37 billion, relative to a 'Projected Deficit' of \$46.06 billion. Additionally, the 'Primary Surplus Balance' for the period amounted to \$107.18 billion, relative to the 'Budgeted Primary Surplus Balance' of \$92.82 billion.

### 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, with real GDP projected to expand by 1.8% in FY2024/25 and within the range of 1.5% to 2.0% in the outer years. Over the medium term, the debt management strategy will continue to focus on realigning the debt portfolio in favour of local currency and consequently, further mitigate foreign exchange risk. For end-FY 2024/25, a debt-to-GDP ratio of 67.3% is projected and is expected to continue on a downward trajectory throughout the medium term. 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 January 2024, decreases in output prices were realized for both industries: Mining and Quarrying (0.4%) and Manufacturing (0.1%), according to the Statistical Institute of Jamaica (STATIN).

The downward movement in the index for Mining and Quarrying was primarily due to the 'Bauxite Mining & Alumina Processing' major group, which registered a 0.4% decrease in its index. The index for the 'Other Mining & Quarrying' major group declined by 0.1%.

The main contributor to the decline in the Manufacturing index was a 1.2% 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.

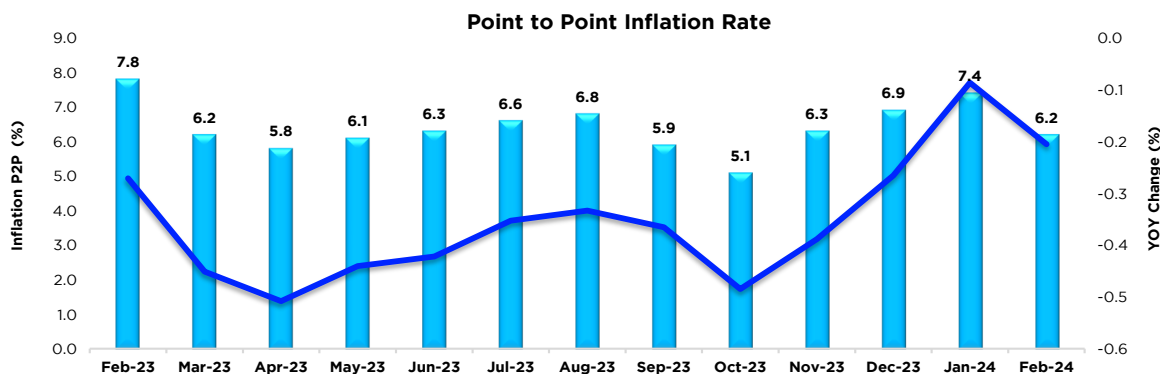
The Mining & Quarrying index declined by 7.2% from January 2023 to January 2024, owing largely to a decline in the index for the 'Bauxite Mining & Alumina Processing' major group (7.7%). The Manufacturing index rose by 2.0% over the same period resulting from increases in the major groups: 'Food, Beverages & Tobacco' (1.7%), and 'Refined Petroleum Products' (4.2%).

### Consumer Price Index:

The Statistical Institute of Jamaica (STATIN) reported that for February 2024, the point-to-point inflation rate was +6.2%; 1.2 percentage points lower than the prior point-to-point inflation rate. However, for the month of February 2024, the inflation rate was -0.6%.

The main drivers of the monthly decrease (0.6%) were a 1.1% decline in the index for the 'Food and Non-Alcoholic Beverages' division and a 1.6% drop in the index for the 'Housing, Water, Electricity, Gas and Other Fuels' division. The downward movement in the 'Food and Non-Alcoholic Beverages' division was largely attributed to a 6.3% fall in the index for the 'Vegetables, tubers, plantains, cooking bananas and pulses' class following lower prices for some agricultural produce, while the decline in the 'Housing, Water, Electricity, Gas and Other Fuels' division was due to a 4.7% downturn in the index for the 'Electricity Gas and Other Fuels' group, following lower electricity rates. The monthly decrease was tempered by a 0.3% rise in the index for the 'Transport' division owing primarily to higher petrol prices.

The upward movement in All Items (6.2%) between February 2023 and February 2024 was mostly related to increases in the divisions: 'Food and Non-Alcoholic Beverages' (7.7%), 'Transport' (9.6%) and 'Restaurants and Accommodation Services' (8.2%).

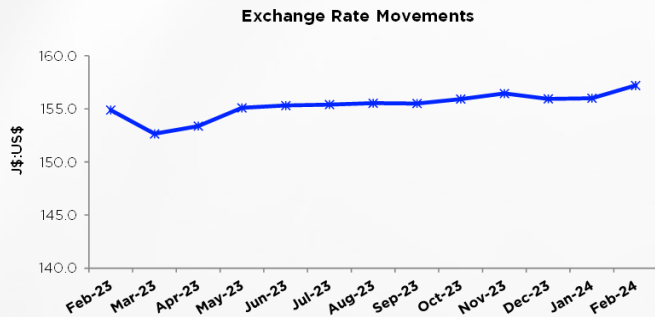




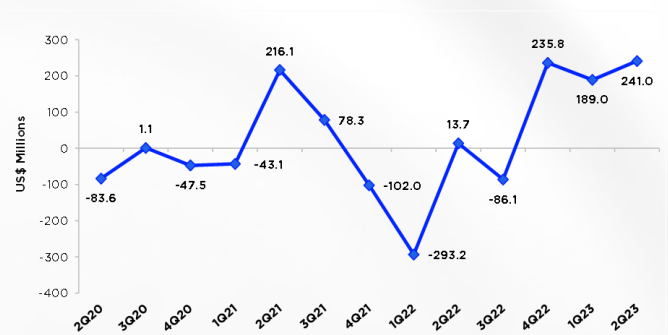
# FOREIGN EXCHANGE MARKET

## LOCAL FOREX

The Jamaican dollar (JMD) depreciated against the USD for the month of February 2024. The JMD depreciated by \$1.21 to close the month at an average of \$157.21 relative to the \$156.00 recorded in January 2024. Year over year, the JMD has depreciated by approximately 1.50%.



## 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 **\$1.2653** for the month of February 2024. According to FX Empire, "GBP/USD received support near 1.2685 and is trying to rebound ahead of the Fed decision. The technical picture remains bearish. However, technical factors will take a back seat when Powell starts to deliver his comments. Thus, traders should be prepared for volatility."

**EUR/USD:** For February 2024, the EUR/USD pair closed at **\$1.08389**. According to FX Empire, "EUR/USD settled near 1.0850 as traders reacted to the Euro Area Consumer Confidence report. The report indicated that Euro Area Consumer Confidence improved from -15.5 in February to -14.9 in March, compared to analyst consensus of -15. If EUR/USD manages to stay above the 1.0850 level, it will head towards the nearest resistance, which is located in the 1.0900 - 1.0920 range."

February 1 - 29, 2024

| Currency Pair  | Open     | High     | Low      | Close    |
|----------------|----------|----------|----------|----------|
| <b>GBP/USD</b> | \$1.27   | \$1.28   | \$1.25   | \$1.27   |
| <b>USD/CAD</b> | \$1.34   | \$1.36   | \$1.34   | \$1.36   |
| <b>EUR/USD</b> | \$1.09   | \$1.09   | \$1.07   | \$1.08   |
| <b>USD/JPY</b> | \$146.45 | \$150.93 | \$146.17 | \$150.13 |

The CAD depreciated against the USD during the month of February 2024 by 1.31% to close at \$1.36. Similarly, the JPY depreciated against the USD during the month of February by 2.51% to close at \$150.13.

## MONEY SUPPLY

| Components of Money Supply (M2*) | Percentage Change (%) |        |        |
|----------------------------------|-----------------------|--------|--------|
|                                  | 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.

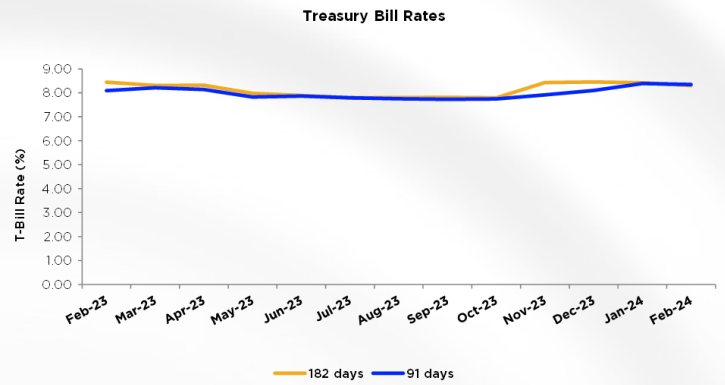
Additionally, M2J is expected to grow at an average annual rate of 11.7% during the next eight quarters, exceeding the 9.3% previously projected. Over the short term, it is projected that the rate of broad money growth will partially be driven by a slower-than-anticipated decline in remittance inflows 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 February 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\$5.89 billion; J\$1.46 billion for the 91-day T-Bill, J\$1.80 billion for the 182-day T-Bill, and J\$2.64 billion for the 273-day T-Bill. The 91-day T-Bill auction resulted in the average yield of 8.35%, down 4.10 basis points compared to January 2024. The 182-day T-Bill auction resulted in the average yield of 8.30%, down 12.17 basis points relative to the prior month. The average yield on the 91-day T-Bill rose by 25.88 basis points compared to the auctions in 2023 for the comparable period. The 182-day T-Bill went down by 14.04 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/<br>Maturity Date |
|------------|---------|------------------|----------------|-----------|------------------------------------|
| 2-Feb-24   | 28 Days | 7.50%            | N/A            | Fixed     | 1-Mar-24                           |
| 9-Feb-24   | 28 Days | 7.50%            | N/A            | Fixed     | 8-Mar-24                           |
| 15-Feb-24  | 2 Years | 8.50%            | N/A            | Fixed     | 2-Mar-26                           |
| 16-Feb-24  | 28 Days | 7.50%            | N/A            | Fixed     | 15-Mar-24                          |
| 23-Feb-24  | 28 Days | 7.50%            | N/A            | Fixed     | 22-Mar-24                          |

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



# 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.



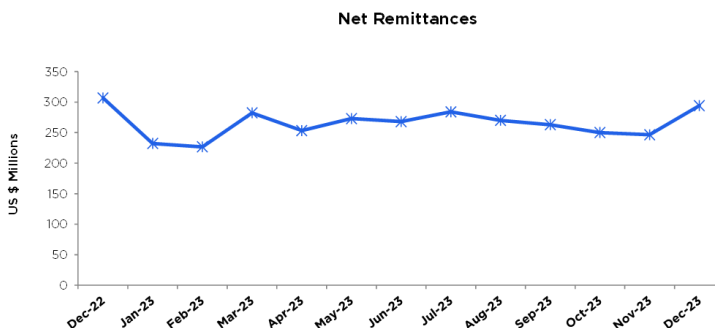
# REMITTANCE

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 February 29, 2024 stood at US\$4,698.90 million, reflecting an increase of US\$19.81 million when compared to the US\$4,679.09 million reported at the end of January 2024.

Foreign Assets totalled US\$4,808.15 million, US\$19.62 million more than the US\$4,788.52 million reported in January 2024.

'Currency & Deposits' held by the BOJ as at February 29, 2024 totalled US\$3,119.10 million, reflecting an increase of US\$35.25 million compared to the US\$3,083.85 million reported in January 2024.

'Securities' were valued at US\$1,591.13 million; US\$2.35 million more than the US\$1,588.79 million reported at the end of January 2024. The country's Special Drawing Rights fell to US\$61.60 million relative to the US\$79.51 million recorded a month prior.

'IMF Reserve Position' fell to US\$36.31 million from the US\$36.37 million reported last month. Liabilities to the IMF fell US\$0.19 million to US\$109.24 million against the US\$109.43 million reported at the end of January 2024.

Presently, the country's foreign exchange reserves are US\$767.27 million, or 20% more than the US\$3,931.63 million held by the BOJ at the end of February 2023. The current NIR supports approximately 36.21 weeks of goods imports and 24.26 weeks of goods and services imports.

