

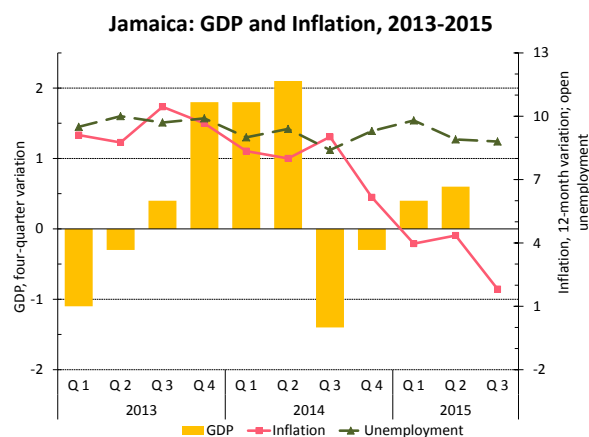
## Jamaica

The Jamaican economy posted year-on-year growth of 0.4% and 0.6% in the first two quarters of 2015, respectively. GDP growth of 1% is projected for 2015 and 1.5% for 2016, owing to an upturn in agriculture and manufacturing, and a steady increase in tourism receipts. Inflation is expected to reach 6.5% in 2015, providing that there is no significant depreciation in the exchange rate. Ongoing structural reforms are expected to boost investor confidence and a recent World Bank report suggests that Jamaica has significantly improved its ranking in the Doing Business Index. Nevertheless, the debt burden remains heavy and expenditure will continue to be compressed as part of the government's fiscal consolidation efforts.

The fiscal challenge is the government's primary concern as it seeks to control the public finances. In August 2015, the International Monetary Fund (IMF) concluded its ninth review under the Extended Fund Facility (EFF) arrangement and confirmed that the country had successfully met a number of quarterly quantitative targets and structural benchmarks. This triggered a US\$ 39.7 million disbursement in September 2015, giving a total amount of US\$ 670 million received to date to shore up the public finances and the balance of payments. As part of the fiscal adjustment, efforts have been made to curb expenditure. For the first half of the 2015/16 financial year, expenditure was 5.7% below budget and revenue was 0.2% over budget. Capital expenditure presented the largest reduction relative to budget at 33.7%. From April to September, the overall balance was -0.2% and the primary balance was 6% of GDP.

The main challenge facing Jamaica is the debt overhang, which is expected to stand at 130% of GDP at the end of fiscal year 2015/16 and at 128% of GDP at the end of 2016/17. In 2015/16 both domestic and external debt each accounted for some 60% of GDP and total debt servicing absorbed 18.4% of GDP. The government has been leveraging the low interest rates in the international markets to reduce its debt service costs, for example, it issued US\$ 2 billion in bonds in July 2015. The government used US\$ 1.5 billion of that issue to repurchase a portion of its PetroCaribe debt at a 54% discount, which helped to reduce the debt burden and lengthen the payback period. However, despite these and other measures, without some debt relief, the debt overhang will remain large in the medium term owing to low growth and constrained domestic demand.

At the end of June 2015, the monthly average exchange rate of the Jamaican dollar (J\$) against the United States dollar was J\$ 116.52 = US\$ 1, reflecting annual depreciation of 4.4%. Since then the Jamaican dollar has weakened more slowly, reaching an exchange rate of J\$ 119.52 = US\$ 1 in October, which is 3.6% lower than its January average. The pace of depreciation slowed progressively as demand pressures in the foreign exchange market were tempered by the policy decision to intervene in the market, with Bank of Jamaica net sales amounting to US\$ 84.9 million in the second quarter. A further small nominal depreciation is expected by year-end 2015, followed by a steady weakening to J\$ 122.8 = US\$ 1 by the end of 2016. While this may improve competitiveness to some extent, especially in the



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

light of falling oil prices, continued depreciation could pass through to inflation in the medium term and encourage a stronger demand for wage increases.

An accommodating monetary policy was adopted in 2015 and the Bank of Jamaica reduced its 30-day certificate of deposit to 5.5% in the second quarter. This stance was taken following the significant lowering of inflation expectations and the slowdown in price increases that resulted mainly from reduced international oil prices. Annual loans and advances to the private sector grew by 5% year-on-year in March 2015, up slightly on the year-earlier figure. In March 2015, the average lending rate was 14.99% and the deposit rate was 1.44%.

Gross reserves reached US\$ 2.9 billion in September 2015, up from US\$ 2.2 billion in January, as the Bank of Jamaica took advantage of the stronger Jamaican dollar and US\$ 500 million from its international bond issue in August to boost reserves. The target under the EFF arrangement is to extend import cover to 4.5 months by March 2017.

With respect to the external sector, the current account deficit narrowed to 8% of GDP in 2014, owing largely to import compression, and is expected to narrow further in 2015, bolstered by higher prices for alumina and bauxite (Jamaica's main export commodities) and tourism receipts. On the import side, domestic demand will remain sluggish, curbing growth in import spending. Further improvement is expected in 2016, owing primarily to lower global oil prices and rising workers' remittances. Remittances were up by 4% in the first half of 2015 as the United States and the United Kingdom—the main destination markets of Jamaican workers—posted stronger performances.

Year-on-year GDP growth stood at 0.4% and 0.6% in the first two quarters of 2015, respectively. With some improvement in manufacturing, agriculture and tourism, GDP growth of 1% is projected for the end for 2015 and 1.5% for 2016. The performance of manufacturing remained relatively flat in the first half of the year compared with the same period in 2014. However, the sector showed some signs of improvement in the second quarter, despite the decline in oil prices and depreciating exchange rate.

The inflation rate was 6.4% in 2014. Headline inflation was 4.4% at the end of June 2015, compared with 4.0% at the end of the preceding quarter. Drought hit the agriculture sector, driving up food prices and exacerbating inflationary pressures. In the light of constrained domestic demand and low oil prices, inflation is projected to end 2015 at 6.5%, providing that there is no significant depreciation in the exchange rate.

The government signed a new wage agreement with the Jamaica Confederation of Trade Unions (JCTU) and the Jamaica Teachers' Association for the 2015-2017 fiscal period. Discussions continue with other groups as the government strives to ensure that public sector wages contribute to the aim of

**Jamaica: main economic indicators,  
2013-2015**

	2013	2014	2015 <sup>a</sup>
	<b>Annual growth rate</b>		
Gross domestic product	0.5	0.7	1.0
Per capita gross domestic product	0.2	0.3	0.6
Consumer prices	9.7	6.2	3.5 <sup>b</sup>
Money (M1)	5.9	5.0	14.7 <sup>c</sup>
Real effective exchange rate <sup>d</sup>	4.6	3.6	-2.0 <sup>e</sup>
	<b>Annual average percentage</b>		
Open urban unemployment rate	10.3	9.4	9.6 <sup>f</sup>
Central government			
Overall balance / GDP	-0.6	-0.5	-0.3
Nominal deposit rate <sup>h</sup>	1.6	1.3	1.4 <sup>g</sup>
Nominal lending rate <sup>i</sup>	16.3	15.1	15.0 <sup>b</sup>
	<b>Millions of dollars</b>		
Exports of goods and services	4,247	4,279	...
Imports of goods and services	7,510	7,344	...
Current account balance	-1,320	-1,160	...
Capital and financial balance <sup>j</sup>	1,140	1,960	...
Overall balance	-179	800	...

**Source:** Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures.

a Estimates.

b Figures as of August.

c Figures as of September.

d A negative rate indicates an appreciation of the currency in real terms. Refers to the extraregional real effective exchange rate.

e Figures as of October.

f Figures as of July.

g Figures as of June.

h Average rate for saving deposits.

i Average lending rate.

j Includes errors and omissions.

reducing the wage bill to 9% of GDP in fiscal year 2016/17 and to maintain the public debt-to-GDP ratio on a downward path over the medium term.

The unemployment rate has fallen gradually from 14.2% in January 2015 to 13.1% in July. For men, the rate declined from 10.7% to 9.3% and for women from 18.5% to 17.7% over that period. Further declines can be expected if domestic activity picks up and external demand becomes more robust.