

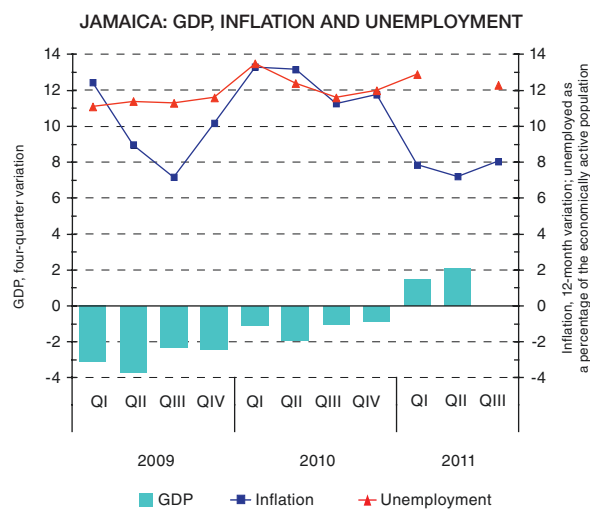
Jamaica

Growth in the Jamaican economy will be of the order of 1.3% in 2011 and is projected at 1% for 2012. Following the expiration of the \$1.27 billion International Monetary Fund (IMF) stand-by agreement in May 2012, some decline in GDP is likely, owing to uncertainty regarding economic policy. With general elections scheduled for late December 2011, the private sector may also adopt a wait-and-see attitude in early 2012. Moreover, demand in major export markets, remittances and foreign direct investment have rallied only slightly, thus no significant improvement in the negative current account balance is expected in 2011 and 2012.

A budget deficit equivalent to 6.5% of GDP had been forecast for 2010/2011 but the actual figure was 6.1%; for fiscal year 2011/2012 the deficit is projected to stand at 4.6% of GDP. Relative to the budget, in 2011/2012, expenditure increased by 3.7% and revenue by 4.7%. Most quantitative targets under the IMF agreement were met through September 2010, but it is not clear whether the government passed additional tests in March 2011. Several unplanned expenditures, in fiscal year 2010/2011, including wage increases, may have reduced the government's capacity to meet the IMF targets. Public debt continues to be very high at 128% of GDP in fiscal year 2010/2011 and is expected to decline to 112.8% in fiscal year 2011/2012. However Jamaica's debt problem will persist for some time given slow economic growth and limited expenditure reduction.

The Bank of Jamaica sought to reduce interest rates in order to stimulate investment by the private sector on the heels of the IMF agreement and the successful implementation of the Jamaica Debt Exchange (JDX). The JDX replaced high-yielding government securities with low-yielding securities. In September of fiscal year 2011/2012, the bank continued to reduce its 30-day certificate of deposits by 50 basis points to 6.25%. The interest rate spread remained constant, however. In 2011 the exchange rate has been basically stable but a slight depreciation is forecast for 2012.

In 2011, overall GDP growth will be 1.3%. This falls in line with quarterly growth figures, which showed that there was growth of 1.8% in the first semester and 0.6% in the third quarter. The goods sector will expand by 3.9% and the services sector by 0.3%. The performance of the goods-producing sector is premised on robust growth of 19.2% in mining and quarrying and 7.8% in agriculture,



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

forestry and fishing. Meanwhile, positive growth in the services sector is expected to be broad-based. In the crucial hotel and restaurant sector, growth of no more than 2.6% is expected, as arrivals from the United States and Europe, the country's two largest source markets, declined by 1.5% and 3.7%, respectively, between January and May 2011. Meanwhile, cruise passenger arrivals in Jamaica increased by 13.9% in the January to May period, compared with 2010, but this segment accounts for only a small share of the total tourism market. Growth in 2012 is projected at 1% given the uncertainty surrounding the future of the IMF agreement and the results of the December elections.

While the year-on-year inflation rate through October 2011 was 7.7%, the year-to-date inflation rate was only 5.1% with the sharpest price rises occurring in housing and related expenses (11.6%) and clothing and footwear (7.1%). The expected year-end inflation rate for 2011 is 8% and a similar rate is projected for 2012. Weak global demand, together with reduced public spending, has impacted employment in Jamaica. The overall unemployment rate in January and April 2011 was about 12% and will remain unchanged in 2012. Weak external and domestic demand helped to maintain this high unemployment rate. In keeping with historical patterns, in 2011, the unemployment rate for women (at 16.4%) far exceeded the rate for men (9.8%).

In 2011 the current account balance improved markedly due to the improvement in the goods subaccount, which reflected a falling import bill, together with increased exports. The overall impact was a current account deficit of US\$ 550 million in 2011, compared with US\$ 934 million in 2010. Given continuing difficulties in major

JAMAICA: MAIN ECONOMIC INDICATORS

	2009	2010	2011 ^a
Annual growth rates			
Gross domestic product	-3.0	-1.3	1.3
Per capita gross domestic product	-3.4	-1.6	0.9
Consumer prices	10.2	11.8	7.7 ^b
Money (M1)	7.2	5.8	16.0 ^b
Real effective exchange rate ^c	12.9	-13.3	-2.4 ^d
Annual average percentages			
Unemployment rate ^e	11.4	12.4	12.6 ^f
Central government overall balance / GDP ^g	-5.8	-6.3	-5.1
Nominal deposit rate ^h	5.8	3.5	2.3 ⁱ
Nominal lending rate ^j	22.6	20.3	18.3 ⁱ
Millions of dollars			
Exports of goods and services	4 038	4 004	3 950
Imports of goods and services	6 356	6 454	6 300
Current account balance	-1 128	-934	-550
Capital and financial balance ^k	1 084	586	405
Overall balance	-44	-348	-145

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official figures from the International Monetary Fund and national sources.

^a Preliminary estimates.

^b Twelve-month variation to October 2011.

^c A negative rate indicates an appreciation of the currency in real terms.

^d January to October average, year-on-year variation.

^e Includes hidden unemployment.

^f Average of the figures of January and July.

^g Fiscal year.

^h Interest rate for savings, average.

ⁱ January-October average.

^j Average interest rates on loans.

^k Includes errors and omissions.

export markets such as the United States and Europe, the current account balance is not likely to improve significantly in 2012. Net international reserves increased by 2% year-on-year through November 2011 to stand at US\$ 1.96 billion. This volume of reserves is sufficient to cover over 6 months of imports.