

# Economic Programme Oversight Committee (EPOC) Communiqué #11

The EPOC met on Wednesday, April 9, 2014 and received information on the performance of key economic indicators for the month of February 2014 and the commitments under the Extended Fund Facility (EFF) through March 2014.

While there is no intra-quarter Quantitative Performance Criteria (QPC) in the IMF supported programme, the Primary Balance of \$78.9B for the end of February 2014 fell 6.0% short of the Government of Jamaica (GOJ) budgeted number of \$84.0B. This is the second month that the Government has underperformed on this critical budgeted number. The Net International Reserves (NIR) stood at US\$1,309.8M at the end of March, US\$250.9M more than the target of US\$1,058.9M.

Selected Fiscal and Monetary Indicators		
	Actual	Budget
Primary Balance of Central Government – February	\$78.9B	\$84.0B
Tax Revenues – February	\$298.8B	\$314.7B
Fiscal Balance of Central Government – February	-\$24.6B	-\$27.5B
Net International Reserves – March	US\$1,309.8M	US\$1,058.9M

Tax revenues have consistently underperformed budget since August 2013 caused primarily by shortfalls from International Trade taxes (\$6.6B) as a result of lower imports; PAYE (\$3.4B), Tax on Interest (\$1.5B) and Stamp Duty (\$1.5B).

In a determined effort to meet the primary surplus target, the adverse revenue performance was partially offset by restraint on recurrent (excluding interest costs) and capital expenditure, both being lower than budget by \$4.5B and \$8.4B respectively.

Sale of an additional telecoms license, which was budgeted for the fiscal year 2013-14, did not happen. However, the revenues benefitted in March from partial payments for license renewals by the two telecoms as well as the sale of one of three 700MHz spectrum, all totaling \$6.9B.

The fiscal balance which includes interest payments is \$2.9B better than budget because of lower than anticipated interest payments.

**The March structural benchmarks were achieved.** The Banking Services Bill (earlier known as The Omnibus Banking Bill) was tabled in Parliament and is scheduled to be debated and passed by end-May 2014. Amendments to the Financial Administration and Audit (FAA) Act and the Public Bodies Management and Accountability (PBMA) Act, (commonly referred to as the Fiscal Rule legislation) were also passed by Parliament in March.

**In response to persistent calls, EPOC notes and welcomes the reduction of a large part of the backlog of property development applications in February at the KSAC.** We look forward to the implementation of a permanent system of approvals that will avoid any further backlog in the future.

**Other economic data recently released point to positive developments in the Jamaican economy.** STATIN indicates that GDP grew by 1.8% in the October – December 2013 quarter. Agriculture, mining and quarrying were the main contributors reflecting the recovery of those industries from the effects of Hurricane Sandy in 2012 as well as higher global demand for alumina and bauxite. It is likely we will complete the fiscal year (March 2014) with real GDP growth in excess of the programmed 0.8%.

STATIN also announced inflation of 0.1% for February 2014. This brings the fiscal year to date outturn to 7.2%. Inflation for the fiscal year (2013/14) is likely to come in at, or below, the bottom of the target range of 8.5% to 10.5%, in spite of the depreciation in the exchange rate and the increases in bus fares, the minimum wage and utility rates earlier in the fiscal year. The combination of lower inflation and exchange rate depreciation has improved Jamaica's price competitiveness and has assisted in a significant reduction in the estimated current account deficit on the balance of payments to about 10.0 % of GDP for 2013/14 from 12.5% of GDP for 2012/13. The current account deficit of the balance of payments is projected to fall below 8.0 per cent of GDP in 2014/15.

## Our Outlook

The Minister of Finance and Planning has publicly announced that based on data to which he has access, Jamaica has met the fourth quarter primary surplus target and he expects a positive programme review for the end of March. EPOC has no sight of that information and therefore cannot confirm that statement. However, on the presumption that the Minister's information is accurate this is a tremendous development for the country for which so many have sacrificed to secure success.

There is no doubt the Jamaican economy is in a better place today compared to one year ago. This first year's success brings sharply into focus two critical challenges for this year. First, to achieve a Primary Balance target that is \$10B higher than last year's. EPOC feels strongly that the Government will do everything in its power to achieve this target. The second more difficult challenge is how to attain meaningful economic growth. Whilst market forces will naturally encourage some investment, it is clear that the Government and the private sector need to work shoulder to shoulder to identify, encourage and facilitate investment opportunities, whether large or small, foreign or domestic.

**The next meeting of the EPOC is scheduled for May 7, 2014.**

Issued by the non-public sector members of EPOC  
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