

## Economic Programme Oversight Committee (EPOC)

# COMMUNIQUE #32

The EPOC met on Friday, January 15, 2016 and reviewed the performance of key economic indicators for the month of November 2015.

There are no intra-quarter IMF Quantitative Performance Criteria (QPC's). However, measured against the Government of Jamaica's (GOJ) budget, the country produced a Primary Surplus of \$55.8B compared to a budget of \$50.5B for the fiscal year to November. At the end of December the NIR stood at US\$2.44B, comfortably in excess of the IMF target of US\$1.64B for end-December.

### SELECTED FISCAL AND MONETARY INDICATORS

	ACTUAL	BUDGET
<b>Primary Balance of Central Government</b> (November)	<b>\$55.8B</b>	<b>\$50.5B</b>
<b>Tax Revenues</b> (November)	<b>\$226.3B</b>	<b>\$250.1B</b>
<b>Fiscal Balance of Central Government</b> (November)	<b>-\$22.6B</b>	<b>-\$32.7B</b>
<b>Net International Reserves</b> (December)	<b>US\$2.44B</b>	<b>US\$1.64B</b>

**Tax Revenues for the first eight months of the fiscal year (April – November) are \$6.2B or 2.5% ahead of target and 14.2% or \$31.9B above the same period last year.** The tax categories with the best performance were Tax on Interest (+\$4.2B), SCT (+\$2.9B), GCT (+\$1.8B) and Company Tax (+\$1.4B). Customs Duty (-\$0.9B), Telephone Tax (-\$0.6B) and Tax on Dividends (-\$0.6B) were the main underperformers.

Revenue from Grants lags budget by \$3.3B, largely the result of capital projects being executed later than programmed

**Expenditure for the April to November period was \$8.3B below budget.** Of this amount, Recurrent Expenditure was \$4.3B below budget, mainly accounted for by savings of \$4.9B on Interest. Capital Expenditure YTD lags budget by \$4.0B or 16%.

**The Statistical Institute of Jamaica (STATIN) confirmed that the economy grew by 1.5% for the third quarter ended September 2015 when compared to the same period last year.** This estimate follows on growth of 0.4% and 0.7% recorded for the first and second quarters of 2015. Growth was attributed to improved performances in both the Goods Producing (3.9%) and the Services (0.7%) sectors. Apart from Mining & Quarrying, which contracted by 0.9%, all industries in the Goods Producing sector showed improvement. Agriculture grew by 4.2%, Manufacturing (7.9%) and Construction (0.7%). Similarly, in the Services sector, all industries recorded higher levels of output except Government Services which declined by 0.1%. Electricity and Water grew (3.1%), Hotels and Restaurants (1.3%) and Transport (1.5%).

**The Statistical Institute of Jamaica (STATIN) reported inflation for December 2015 at 0.2%.** This brings the 2015 calendar year rate to 3.7%, and the fiscal year-to-date to 4.3%. This is the lowest

inflation rate that Jamaica has experienced in 50 years. For the same period, the Jamaican dollar depreciated by approximately 5.0%, improving its competitiveness versus the US\$ by 1.3%.

It is interesting to look at how some of our other trading partners currencies performed against the US\$:

### MAJOR CURRENCY DEPRECIATION IN 2015

Selected Trading Partner Currencies against the USD (% pt-to-pt change)

EURO	Canada	UK	China	Japan	Brazil	Mexico	TNT
-10.2%	-16%	-5.4%	-4.3%	-0.3%	-31.8%	-14.3%	-0.9%

**STATIN reported that the merchandise trade deficit for January to September 2015 stood at US\$2.9B, a fall of 13.4% when compared to the US\$3.3B recorded in the similar 2014 period.** The improved trade deficit was largely the result of lower imports, in particular Fuels and Food.

### Conclusion and Outlook

Eight months into the fiscal year, Tax Revenues continue to outperform the budget and when taken in conjunction with the IMF agreed reduction in the Primary Surplus to 7.25% for the December quarter, it is likely Jamaica will meet this target. The country has already surpassed the NIR target for December.

Other important macro-economic indicators continue to show positive signs, including inflation which is at a 50-year low, and the Trade Deficit which has been reduced quite dramatically.

The programme remains on track and continues to produce a positive impact on the economy.

*The next meeting of the EPOC is scheduled for February 12, 2016.  
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