

MONTHLY ECONOMIC BULLETIN



CEO's Remarks

The month of August was a quiet one for the PSOJ secretariat as no events or committee meetings were held. However, the time was spent planning for our upcoming Annual General Meeting (AGM), compiling the final deliverables for our 2018

Annual Report, getting ready for our annual Hall of FAME event, planning our Crime Stop 30th Anniversary banquet and finalizing the plans to host our upcoming members mingle.

To improve efficiency, we are pleased to report that an electronic voting solution will be introduced at our AGM in September. This will shorten the voting process and add even more transparency to the election process. We also continue to work on the Access to Finance Facilitation panel [AFFP] project; this initiative was created to bring financial institutions and MSMEs together to facilitate a free flow of communication and provide MSMEs with easier access to funding. The MSME sector contributes significantly to GDP in Jamaica and employs approximately 80% of the labour force, despite only accessing 11% of bank credit currently. A series of AFFP workshops will be held over the next few months to achieve the strategic goals identified - the first workshop was held on July 3, 2019 under the theme Setting the Stage: building awareness of what exists, identifying the gaps and exploring possible solutions. The second workshop in the series is scheduled for Friday, November 22, 2019 with bankers being the target audience.

This month's bulletin captures overall economic developments across the local, regional and international spheres. On a local level, the country continues to see positive results in macroeconomic indicators. This is reflected in the island achieving its eighteenth consecutive quarter of economic growth supported mainly by the Mining, Quarrying, Manufacturing and Service sectors. With the Bank of Jamaica (BOJ) warning of headwinds on the horizon, the island's fiscal performance, inflation level, public sector debt and foreign reserves all showed positive outturns over the period assessed.

Additionally, the PSOJ joins with the island in supporting our brothers and sisters in the Bahamas in the aftermath of a relentless and catastrophic Hurricane Dorian. It is in these times that our common humanity must transcend national borders as we remain steadfast in rallying efforts in Jamaica to help however we can.

We hope you enjoy reading this month's issue and please share your feedback with us!

Makeba Bennett-Easy - CEO

AUGUST 2019

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Stories to watch

[US-Japan dialogue addresses collaboration in the Caribbean](#)

[LAC region to see 0.5% growth for 2019](#)

[Brexit's effect on Caribbean tourism](#)

[Digital and technology — Caribbean potential](#)

[The Diaspora's role in entrepreneurial development in the Caribbean region](#)

[Branson Centre CEO seeks to boost connectivity among entrepreneurs regionally](#)

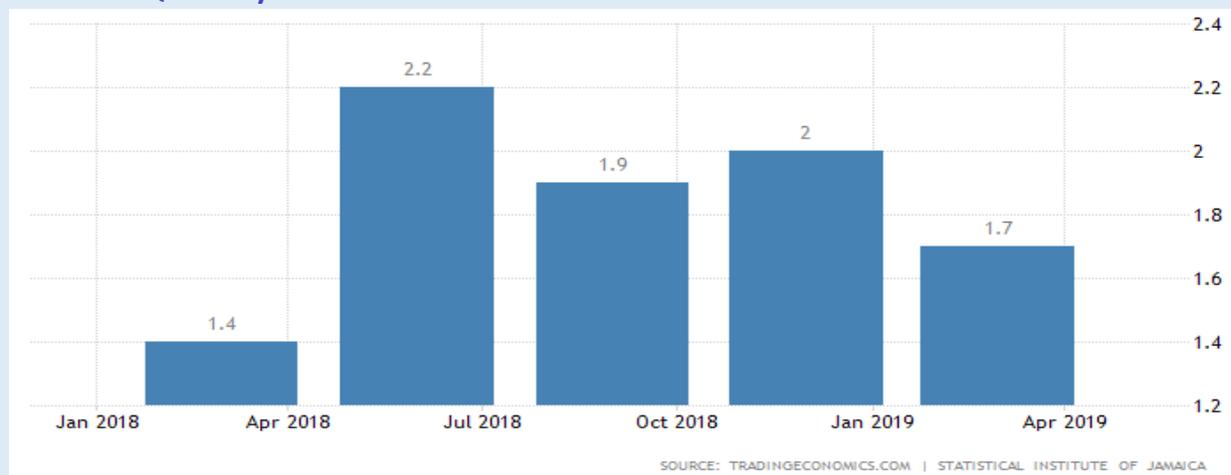
[CDB, partners assess impacts of disasters, climate change on livelihoods](#)

Macroeconomic Overview

Key Macroeconomic Indicators

Indicators	Last	Reference	Previous	Frequency
Quarterly GDP Growth Rate (%)	1.00%	Aug-19	1.70%	Quarterly
GDP Annual Growth Rate (%)	2.00%	Dec-18	1.90%	Annual
Unemployment Rate (%)	7.80%	Jul-19	8.00%	Quarterly
Inflation Rate (%)	4.30%	Jul-19	4.20%	Monthly
Policy Rate (%)	0.50%	Aug-19	0.75%	Quarterly
Imports	US\$2.77 Billion	May-19	US\$1.97 Billion	Monthly
Exports	US\$751.3 Million	May-19	US\$570.9 Million	Monthly
Fiscal Surplus	\$7.3 Billion	Jul-19	(\$6.02 Billion)	Monthly
Net International Reserves	US\$2.936 Billion	Aug-19	US\$2.951 Billion	Monthly
Corporate Tax Rate (%)	25%	May-19	25%	Yearly
Personal Credit Loan Rate	25%	May-19	25%	Yearly
Average Commercial Credit Loan Rate	10.52%	Jul-19	10.96%	Monthly

Jamaica's Quarterly Growth Rate



For another consecutive quarter, Jamaica has produced positive results in keeping with its growth trajectory. Labour market conditions continue to improve and the prospects continue to remain positive for employment in the Tourism, Business Process Outsourcing (BPO) and Manufacturing Industries.

Based on preliminary estimates reported by the Planning Institute of Jamaica (PIOJ), real GDP for the Jamaican economy grew by an estimated 1.0% over the first quarter of the financial year, which represented eighteen quarters or four and a half years of consecutive growth. Within said report, growth in the Jamaican economy was attributed to

increased capacity utilization in industrial plants, increased domestic demand and increased external demand which drove output in some export industries. Growth however was affected by drought conditions and the winding down of several major infrastructure projects during the quarter.

The Bank of Jamaica (BOJ), though highlighting the positive prospects for the economy, notes possible headwinds from the global economy. Discussions regarding recession and low economic output due to external shocks continue to be monitored by the BOJ.

Regional & Global Developments

FDI grew during 2018 for the region

According to the Economic Commission for Latin America and the Caribbean (ECLAC), flows of Foreign Direct Investment (FDI) to Latin American and the Caribbean (LAC) grew by 13.2% to US\$184.287 billion in 2018 when compared to 2017. Though this growth was below the values recorded for commodity prices during the boom cycle, the growth for 2018 ends five years of declines. This outturn was mainly influenced by greater investments in Brazil and Mexico and reflected overall growth in profit reinvestment and loans between companies, as opposed to the entry of capital contributions. Of note, FDI inflows to Central America grew by 9.4% in 2018 comparable to 2017 as a result of activities in Panama. Meanwhile, FDI inflows to the Caribbean declined by 11.4% due to lower investment in the Dominican Republic. Regarding outflows from LAC, 83% represents investment from Brazil, Chile, Colombia and Mexico and outflows fell to US\$37.87 billion in 2018, reflecting a decrease for the fourth consecutive year.

In 2018, FDI inflows to LAC were mainly from Europe and the United States while China participated less in mergers and acquisitions. As it relates to overall sectoral composition, FDI inflows to the manufacturing industry, services and natural resources were 47%, 35% and 17% respectively. With regards to cross-border operations, merger and acquisitions were concentrated in the mining, hydrocarbons and basic services (electricity and water) sectors in Chile and Brazil. Against the background of an unfavourable international context, the outlook for FDI inflows for 2019 is not promising as it is projected to decline to 5%.

CDB to support MSMEs in the region Caribbean

The Caribbean Development Bank's (CDB) procurement officer, Johanna Palaez has stated that regional procurement initiatives are ongoing to support the growth of micro, small and medium-sized enterprises (MSMEs) as it relates to training in procurement, project implementation and

management. Other training initiatives include increasing the technical capacity of MSMEs to access bids and opportunities within the region, as companies in the region are cost effective and possess the expertise of how the region operates. For this initiative, CDB will partner with Caribbean Community (CARICOM) to build MSMEs regional technical capacity as well as to increase their competitiveness in the market.

Monetary Policy Developments

Inflation Rate

4.3%

Last reported: July 2019

STATIN has indicated that the monthly inflation rate as measured by the change in the Consumer Price Index (CPI) stood at 1.1% for July 2019. This increase follows an increase of 0.8% in May and a decrease of -0.1% in June 2019. The monthly movement was mainly as a result of a 2.4% increase in the index for the heavily weighted "Food and Non-Alcoholic Beverages" division. For the period under review, annual point to point inflation was 4.3%.



Bank of Jamaica's Policy Rate

0.50 %

Last reported: August 2019

Bank of Jamaica (BOJ), on August 27, 2019 announced the decision to lower the policy rate by 25 basis points to 0.50% effective August 28. The decision to cut the policy rate by the BOJ reflects their assessment that inflation is expected to fall below the lower limit of the inflation target of 4-6%

at various points over the next eight quarters. This lowering of the policy rate, as stated by the BOJ is intended to stimulate a faster pace of expansion in private sector credit, which will fuel increased economic activity by businesses and households.

Foreign Exchange Market Developments

JMD: USD

\$137.70

As at 30 August 2019

The foreign exchange (FX) market continued to trade with relatively moderate to strong demand amidst the supply during the weeks of the month. BOJ had no interventions in the market during the month. At the end of trading on Friday, August 30, 2019, the USD was valued at JMD\$137.70 representing approximately JMD\$1.07 or 0.78% appreciation in the USD for the month. The JMD however slightly appreciated against the Canadian dollar and the Great Britain pound month over month.

Currency	Jun-19	Jul-19	Change M-O-M	Change YTD
USD	\$136.63	\$137.70	0.78%	7.16%
CAD	\$103.91	\$103.09	-0.79%	11.25%
GBP	\$167.73	\$167.41	-0.19%	6.57%

Net International Reserves as at August 2019 stood at USD\$2.936 billion, approximately 0.51% lower than the stock of reserves at the end of July 2019 which stood at USD\$2.951 billion.

Financial Sector Developments

Banking

The Bank of Jamaica (BOJ) has indicated that correspondent banks have not been refusing to offer corresponding banking services to Jamaican banks entirely. Deputy Governor of the BOJ, Maureen Simms highlighted that current relationships within the correspondent banking services sphere, do not include international banks being in possession of hard cash for local banks fearing de-risking concerns.

De-risking for international banks is the restriction of certain banking relationships to avoid particular risks and international banks remain cautious of banking clients who may pose higher than average risks of money laundering or terrorism financing. According to the BOJ, many local banks have been and are still involved in correspondent banking but highlighted that the Bank of America is currently the only correspondent bank now providing cash management services for not just Jamaican banks, but all banks in the Caribbean. Cash services provided to Jamaican banks only represent a minor portion of the services provided by correspondent banks.

Stock Market

At the close of trading Friday, August 30, 2019, fewer stocks were featured among the list of winners, bringing the advance to decline ratio to 16:20 over the month. The JSE Main market index shrunk by (-0.64%) month over month, marginally reducing prior gains of 8.08% and 11.94% increases in June and July respectively. The number of transactions on the exchange continues to increase, growing from 14,019 in July to 18,234 in August 2019. The value of these transactions however saw a major decline, falling from J\$ 13.45 billion in July, to just over J\$ 7.11 billion in August.

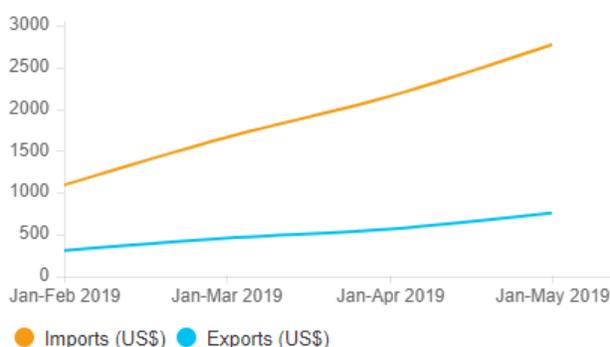
The top three stocks advancing included Radio Jamaica Limited (+64.80%), Palace Amusement Company Limited (+61.54%) and 1834 Investments Limited (+33.33%). Meanwhile, the top three declining stocks included Sterling Investments Limited (-21.61%), Barita Investments Limited (-20.16%) and Salada Foods Jamaica Limited (-16.64%).

Month	Transactions	Volume	Value	Index Change
June	11,531	1,122,722,590	\$13,017,931,077.10	8.08%
July	14,019	1,055,044,633	\$13,453,261,495.11	11.54%
August	18,234	1,314,547,240	7,113,917,638.97	-0.64%

International Trade Developments

The latest computed data released from STATIN shows a constantly increasing trade deficit for Jamaica as at May 2019. Imports in the island are estimated to be valued at US\$ 2.77 billion, vastly larger than exports of US\$ 751.3 million.

International Merchandise Trade



The island's import bill as at May 2019 is approximately 15.42% higher when compared to May 2018. Exports also saw a marginal increase when compared year over year. The 2019 Year-to-date total of US\$751.3 Million stands 6.34% higher than exports as at May 2018.

Fiscal Policy & Public Debt

GOJ signs MOU with EPOC

GOJ has signed a Memorandum of Understanding (MOU) with the Economic Programme Oversight Committee (EPOC) to extend the domestic monitoring of Jamaica's Economic Reform Programme beyond the November 2019 end of the precautionary Stand-by Arrangement with the International Monetary Fund (IMF). According to Minister of Finance and the Public Service, Dr. Nigel Clarke, this MOU comes against the background of the GOJ's commitments to maintain fiscal discipline in a credible and sustainable macro-economy until plans to modernize BOJ with regards to institutional independence to implement monetary policy as well as impending legislation to implement a fiscal council are operationalized.

Government Revenues & Expenses

For the period April to July 2019, GOJ operations recorded a fiscal surplus of JMD\$7.3 billion and a

primary surplus of JMD\$49.3 billion. This outturn reflected variances of 9.0% and 5.6% respectively when compared to the budget for the fiscal period April to July 2019.

	Prov	Budget	(%)	
FY 2019/2020	Apr-July	Apr-July	Variance	Variance
Revenue (billions)	202.1	198.1	3.9	2.0
Tax Revenue	179.8	176.1	3.8	2.1
Non-tax Revenue	19.4	18.8	0.6	3.1
Bauxite Levy	-	-	-	-
Capital Revenue	0.8	1.0	-0.2	-22.3
Grants	2.0	2.2	-0.2	-7.3
Expenditure	194.8	199.8	-5.1	-2.5
Recurrent Expenditure	179.2	180.0	-0.8	-0.5
Capital Expenditure	15.6	19.9	-4.2	-21.4
Fiscal Balance	7.3	1.7	9.0	-527.5
Primary Balance	49.3	43.7	5.6	12.9

Total Revenues amounted to JMD\$202.1 billion and outperformed projections by JMD\$3.9 billion for the April to July period. Tax Revenue and Non-tax Revenue in particular, amounted to JMD\$179.8 billion and JMD\$19.4 billion respectively, which were greater than the amounts projected by 2.1% and 3.1%. Whereas, Capital Revenue and Grants underperformed projections by 22.3% and 7.3% respectively.

Expenditures for the same period amounted to JMD\$194.8 billion, which is JMD\$5.1 billion less than the budgeted amount. Relative to projections, recurrent expenditure and current expenditure were JMD\$0.8 billion and JMD\$4.2 billion less than the budgeted amounts of JMD\$180.0 billion and JMD\$19.9 billion respectively.

Concluding Remarks

The prospects for the Jamaican economy continue to remain positive, with 1% estimated growth between the April to June 2019 quarter. This represents eighteen quarters or four and a half years of consecutive growth. Though foreign reserves seem adequate, interest rates continue to fall and the country's fiscal performance is strong, the Bank of Jamaica has indicated that the domestic economy continues to operate below its potential with room to accommodate a faster pace of growth.



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The Private Sector Organisation of Jamaica is a national organization of private sector associations, companies and individuals working together to promote a competitive and productive private sector.

Established in 1976, the PSOJ represents the interest of the most diverse group of private sector entities and seeks to influence national policy issues of a political, social or economic nature in order to facilitate business development and growth.

The Officers and Executive Committee, under the guidance of the Council, lead this process by promoting discussions with the country's government and civil society. The organization is also in close contact with the major multi-lateral and bilateral agencies.

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