

MONTHLY ECONOMIC BULLETIN



CEO's Remarks

I am pleased to present you with the May 2019 edition of our Economic Bulletin. The secretariat had an active month. Seven (7) new members were inducted at the PSOJ/JaCSA Presidents Forum Service Excellence Awards and we hosted a successful Corporate Mingle. We also held our Mentorship dinner, where young entrepreneurs and emerging leaders were hosted and given one-on-one coaching by our guest mentor, Audrey Tugwell-Henry, EVP Retail Banking at Scotiabank. Our President, Howard Mitchell delivered the keynote address at the Organizational Development Transformation Conference (a PSOJ endorsed initiative) and his message was well-received – he spoke about opportunities for the new decade in the area of organizational development; this topic is directly aligned with our focus on human capital development.

Please be reminded that we continue to provide our members with a variety of options to showcase your products, services and new campaigns within our membership. Call our marketing team today at 876-923-6790 or email them at marketing@psoj.org to get started.

This month's bulletin highlights the continued strengthening of the Jamaican economy. Of particular interest is the 18 consecutive quarters of growth in the island's Gross Domestic Product with a preliminary estimate of 1.5% growth over the January to March 2019 quarter. Additionally, this report highlights the economic developments of many of Jamaica's main trading partners including the recent positive economic outturns in the United States, and the uncertain political climate in the United Kingdom given Theresa May's resignation as Prime Minister and its implications for BREXIT and trade worldwide.

On another note, the PSOJ joins with the nation in mourning the loss of former Prime Minister Edward Seaga. We remain deeply saddened by his passing but continue to reflect on his significant contributions to nation building, shaping the islands' post-independence politics and cultural life. A friend of the private sector, Mr. Seaga's long and distinguished political career and contribution to Jamaica's economic and human capital development has left an indelible legacy to the country.

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

Cheers,
Makeba Bennett-Easy
CEO

MAY 2019

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Macroeconomic Overview

With several successive quarters of economic growth, the January to March 2019 quarter continued this trend with the country's GDP growth estimated at 1.5%. This preliminary estimate was put forward by the Planning Institute of Jamaica (PIOJ) with the official data on economic performance expected to be released by the Statistical Institute of Jamaica (STATIN) in June 2019. Using the current estimate, the Jamaican economy shows positive signs of recovery and entrenched stability as evidenced by several of the country's major economic indicators.

According to the PIOJ, the positive outturn for the period largely reflected the impact of increased external demand from Jamaica's main trading partners. This was supported by increased exports of some goods and services, particularly tourism and alumina and increased domestic demand pushed by an increase in employment, as well as business and consumer confidence. Expansion in hotel room stock, air seat capacity and flight frequency, complemented by the growth in stopover visitor arrivals contributed significantly to the increases in both domestic and external demand. Other facilitators included higher capacity utilization, especially in the Mining & Quarrying industry, an uptick in loans and advances to the private sector, major infrastructure works including road rehabilitation and expansion projects, the construction and renovation of hotels, and residential and commercial buildings.

Overall, foreign reserves are adequate, debt is reducing, inflation is low and stable, and levels of employment continue to rise. These indicate that the prospects for the Jamaican economy continue to move in a positive direction with significant opportunities for greater productivity in the short to medium term.

Key Macroeconomic Indicators

Indicators	Last	Reference	Previous	Frequency
Quarterly GDP Growth Rate (%)	1.50%	May-19	1.70%	Quarterly
GDP Annual Growth Rate (%)	2.00%	Dec-18	1.90%	Quarterly
Unemployment Rate (%)	8.00%	Mar-19	8.70%	Quarterly
Inflation Rate (%)	3.95%	Apr-19	3.41%	Monthly
Policy Rate (%)	0.75%	May-19	1.25%	Daily
Exports	US\$1.08 Billion	Feb-19	US\$1.879 Billion	Quarterly
Imports	US\$301.4 Million	Feb-19	US\$152.98 Million	Quarterly
Fiscal Surplus	US\$24.39 Billion	Mar-19	US\$5.92 Billion	Quarterly
Net International Reserves	US\$3.01 Billion	Apr-19	US\$3.08 Billion	Monthly
Government Debt to GDP (%)	103%	Dec-18	121%	Yearly
Corporate Tax Rate (%)	25%	May-19	25%	Yearly
Personal Credit Loan Rate	25%	May-19	25%	Yearly
Average Commercial Credit Loan Rate	10.68%	Mar-19	10.64%	Monthly

Jamaica's GDP Growth Rate



Regional & Global Developments

US Economy Grew by 3.1% in First Quarter

For the first quarter of 2019, The United States economy experienced growth of 3.1% relative to increases of 2.2% for the prior quarter as the economy overcame a partial Government shutdown and weakness in overseas economies. Estimates suggest that the GDP growth for the June 2019 quarter will be less than 2% and annual GDP growth is projected at 2.3%.

Against the background of renewed economic health but remarkably low inflation, The United States Federal Reserve (Fed) left the interest rate unchanged within the target between 2.25% and 2.5% at the last announcement date in May. At the time, the Fed signaled that no rate hikes are likely in the near term. However, in recent times, a Fed official has hinted that lowering the rate may soon be necessary to assist in adjusting inflation and cushioning possible trade wars. This occurred amid calls by financial market players as well as the White House demanding cuts to the benchmark interest rate before year end.

EU relations and the Caribbean

United Kingdom (UK) Prime Minister, Theresa May, has succumbed to pressure from rivals and former allies to resign as Leader of The Conservatives Party and Prime Minister. This decision comes months after numerous efforts to save her embattled premiership, which has been marred by her inability to deliver her Brexit deal.

Brexit has many implications for the Caribbean region given the UK's importance in trade relations between the region and Europe. As it currently stands, Britain is the main port of entry for goods entering the European market and the UK's presence and support in the EU could be important as an ally as it relates to the many challenges the Caribbean faces. Also, Brexit has somewhat weakened the case for regionalism and this coincides with a period in the Caribbean where efforts to revive regionalism are dwindling.

Stories to Watch

[Tough US immigration plan](#)
[Drought will persist across the Caribbean, says CIMH](#)
[CARICOM chairman speaks out on corresponding banking](#)
[UN: Latin America, Caribbean have lost economic momentum](#)
[Former Barbados Central Bank governor makes case for adopting US currency](#)
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Monetary Policy Developments

Inflation Rate

3.95%

Last reported: April 2019

STATIN, in its April 2019 release has calculated annual inflation at 3.95% up from 3.4% at March 2019. The increase was mainly attributable to a 0.5% increase in the CPI index for the division '**Food and Non-Alcoholic Beverages**'. Against this increase, overall movement in the price index was impacted by the lower rates for electricity, water and sewage.



Bank of Jamaica's Policy Rate

0.75 %

Last reported: May 2019

The Bank of Jamaica (BOJ) has announced that effective May 20, 2019, the Policy rate will be reduced to 0.75% down from 1.25%. The decision to lower the policy rate is aimed at supporting inflation returning to and remaining on target (4.0% to 6.0%). Additionally, the reduction is expected to stimulate an even faster expansion in private sector credit which should lead to higher economic activity, consistent with the inflation target.

Foreign Exchange Market Developments

JMD: USD

\$132.82

As at end-May 2019

The foreign exchange (FX) market continues to reflect increased demand from both brokers and end users. BOJ sold US\$30 million during the month, utilizing only one flash sale for the intervention. The Bank advised that the intervention was intended to address temporary demand and supply imbalances in the market. At the end of trading on Friday, May 31, 2019, the USD was valued at JMD\$132.82 representing an approximately \$2.14 or 1.59% appreciation of the Jamaican dollar (JMD) for the month. The JMD also appreciated against the Canadian dollar and the Great Britain pound.

Currency	Mar-19	Apr-19	Change M-O-M	Change YTD
USD	\$134.96	\$132.82	-1.59%	3.37%
CAD	\$100.46	\$98.70	-1.75%	6.52%
GBP	\$172.76	\$166.54	-3.60%	6.02%

Net International Reserves as at April 2019 stood at USD\$3.019 billion, approximately 2.13% lower than the stock of reserves at the end of March 2019.

Financial Sector Developments

Banking

BOJ further reduced the cash reserve requirement for deposit taking institutions by two percentage points from 9% to 7%. So far in 2019 alone, the cash reserve requirement has fallen from 12% to 7% which is in keeping with the BOJ's forecasts for inflation. The reduction in the cash reserve requirement is expected to increase liquidity in the financial system by J\$12.3 billion and thereby support the expansion of credit to businesses and households at lower rates and on better terms.

Stock Market

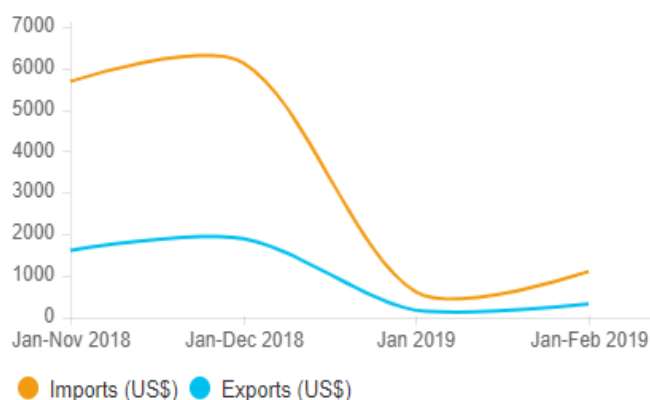
At the close of trading Friday, May 31, 2019, more stocks were featured among the list of winners, bringing the advance to decline ratio to 25:07 over the month. The JSE Main market index grew by 7.71% month over month, adding to prior gains of 0.31% and 3.51% increases in March and April respectively. The number of transactions for April 2019 increased to 10, 195 significantly higher than 4,616 in April 2019. This led to a significant increase in the value of transactions from JMD\$2.05 Billion in April to just over JMD\$8.27 Billion in May, mainly attributed to the listing of Wigton Windfarms. The top three stocks advancing included Wisynco Group (+24.47%), JMMB Group Limited (+18.30%) and Supreme Ventures Limited (+17.38%). Meanwhile, the top three declining stocks included Berger Paints (-11.86%), Kingston Properties Limited (-9.23%) and Sterling Investments Limited (-7.79%).

Month	Transactions	Volume	Value	Index Change
March	5678	290,725,900	\$6,206,323,394.33	0.31%
April	4616	96,753,812	\$2,058,538,951.30	3.51%
May	10,195	1,598,513,649	\$8,275,742,328.89	7.71%

International Trade Developments

Data released from STATIN shows a trade deficit for Jamaica as at February 2019. Imports in the island are estimated to be valued at US\$ 1.08 billion, vastly larger than exports of US\$ 301.4 million.

International Merchandise Trade

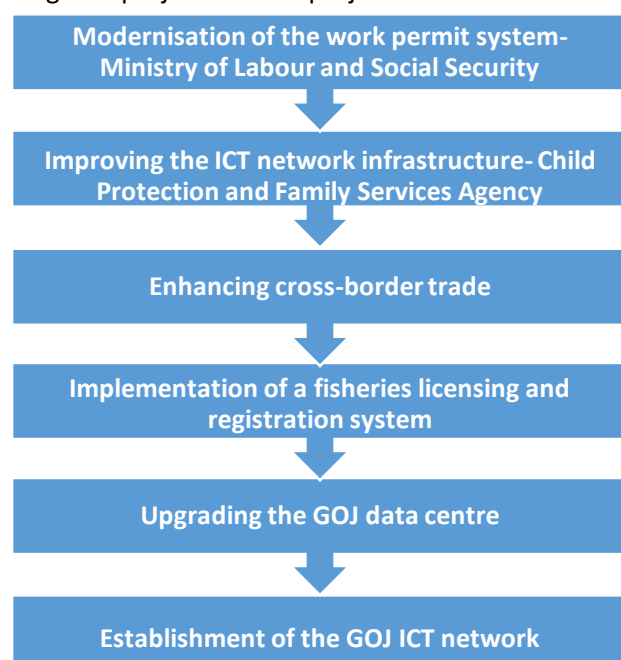


Increased external demand from Jamaica’s main trading partners supported increased exports of some goods and services, particularly tourism and alumina. Year-to-date imports of US\$1.08 billion are 14.6% higher than imports over the same period last year.

Fiscal Policy & Public Debt

GOJ Public Sector Transformation Programme

Over the next four years, The Government of Jamaica plans to spend over J\$2 Billion to enhance public sector efficiency through a number of targeted projects. These projects include:



The projects will be implemented under the support of the Public Sector Transformation Programme, managed by the Transformation Unit of the Ministry of Finance and the Public Service.

Government Revenues & Expenses

For fiscal year 2019/2020, the GOJ budget has a fiscal surplus of J\$5.0 billion and a primary balance of J\$141.1 billion. This reflects decreases of 4.6% and 4.7% respectively when compared to the third supplementary budget for fiscal year 2018/19.

The government has projected J\$634.4 billion in revenues, 1.1% more than the amount budgeted for fiscal year 2018/19. In particular, revenues from Tax

and Bauxite Levies are estimated to be JMD\$565.9 billion and JMD\$130.9 million respectively, both reflecting increases of 3.9% relative to fiscal year 2018/2019. Whereas, Non-tax Revenue, Capital Revenue and Grants are projected to decrease to JMD\$59.6 billion, JMD\$3.1 billion and JMD\$5.6 billion respectively from JMD\$71.2 billion, 3.4 billion and 8.2 billion.

	FY 2019/2020	FY 2018/2019*	Variance	Variance (%)
Revenue (billions)	634.4	627.6	6.8	1.1
Tax Revenue	565.9	544.6	21.3	3.9
Non-tax Revenue	59.6	71.2	-11.6	-16.3
Bauxite Levy	0.1309	0.1260	0.0049	3.9
Capital Revenue	3.1	3.4	-0.3	-8.4
Grants	5.6	8.2	-2.6	-31.6
Expenditure	629.4	617.9	11.5	1.9
Recurrent Expenditure	557.3	549.1	8.2	1.5
Capital Expenditure	72.1	68.8	3.3	4.8
Fiscal Balance	5.0	9.6	-4.6	-48.3
Primary Balance	141.1	145.8	-4.7	-3.2

*Third Supplementary Budget

Projected Expenditure for fiscal year 2019/2020 amounts to J\$629.4 billion, J\$11.5 billion greater than the amount in the third supplementary budget for fiscal year 2018/2019. J\$72.1 billion and J\$557.3 billion is budgeted for Capital Expenditure and Recurrent Expenditure. This reflects an increase of 4.8% and 1.5% respectively in comparison to the amount budgeted for fiscal year 2018/2019.

Concluding Remarks

Jamaica’s economic prospects continue to remain positive given estimated economic growth and the concurrent significant reduction in unemployment. Releases from STATIN, PIOJ and BOJ all suggest that the country’s macroeconomic indicators are stable and headed in the right direction.

Notwithstanding the progress being made, the economy continues to operate below potential despite the opportunity for even greater production within several sectors of the economy.

INTERNAL HIGHLIGHTS

MEMBERS' MINGLE



Another exciting and engaging PSOJ Members Mingle was staged on May 9, 2019. The event was held in partnership with Black Ink Marketing on behalf of their clients Avaya Communications and was held at the BMW Showroom. Approximately 105 people were in attendance.

MENTORSHIP DINNER



On May 16, 2019, the finalists from the DBJ National Business Model Competition were hosted at the Mentoring Entrepreneurs and Emerging Leaders Dinner. Mrs. Audrey Tugwell Henry, EVP, Retail Banking at Scotiabank was the guest mentor. Scotiabank is the main sponsor for the dinner.

PRESIDENT'S FORUM

The PSOJ partnered with the Jamaica Customer Service Association (JACSA) to host the Private Sector Service Excellence Awards on May 28, 2019. The event had 120 people in attendance. Senator Aubyn Hill was the guest presenter. Sagcor Bank emerged overall winner of the service excellence awards.

This forum also saw the introduction of our new value-added component, where members set up display booths and used the opportunity to market directly to their target audience.



MEMBER HIGHLIGHT



The PSOJ would like to introduce and congratulate the latest additions to our growing family, Ms. Nickeshia Lindsay, Mrs. Venice Irving, Ms. Natalie Murray, Ms. Deidra James and corporate members Appfinty Technologies Limited, Neoen Renewables Jamaica Limited and Real Decoy Global Services.

Our 7 new members were inducted into the PSOJ at the PSOJ/JaCSA Service Excellence Awards on May 28 at the Jamaica Pegasus



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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