

EPOC

Update on 3-year IMF Precautionary Stand-by Arrangement (PSBA) December 2016

COMMUNIQUÉ # 1

*EPOC signed a new MOU on November 21, 2016, to **inter alia**, monitor and report on the macro-fiscal targets under the PSBA. EPOC, therefore, continues its journey of oversight of fiscal, monetary and financial sector imperatives and indicators, underpinning the PSBA.*

The Objectives of the PSBA:

1. Boosting growth and employment, and providing greater support for the poor
2. Continuing the reduction of public debt
3. Reprioritizing and redefining the role of the public sector, to increase efficiency, create space for growth-enhancing capital spending and expand the social safety net
4. Continue to build an operational toolkit, for an eventual move to inflation-targeting, with a flexible, market-determined exchange rate
5. Further strengthening resilience of the financial system
6. Continue the build-up of Net International Reserves, with a floor on non-borrowed reserves being one of the quantitative performance criteria

EPOC Governance and Reporting

Meeting Frequency

- Quarterly and effective monitoring, based on quarterly indicative targets and semi-annual IMF reviews; **PLUS**
- Monthly meetings of a technical sub-committee of **EPOC**, to conduct ongoing analysis

Reporting Frequency

- Monthly and quarterly reports to the public, using digital and traditional media
- Special reports (as necessary) to communicate any urgent information to the public

Communication and Engagement

Regular and transparent reporting and updates to the public, using different channels (including traditional and digital media) and friendly, simple and engaging communication methods

Content of Reports

The focus of reporting will be around the quantitative performance criteria (QPC), as well as the fiscal, monetary and financial sector structural benchmarks of the PSBA

What are we targeting to achieve in 3 years?



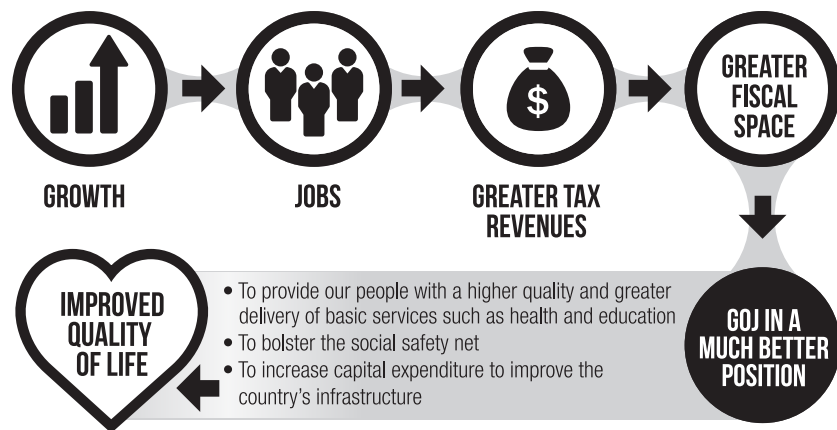
INCREASE AND SUSTAIN GROWTH LEVELS

AN INCREASINGLY FISCALLY-RESPONSIBLE GOJ, WITH DEBT-TO-GDP OF 96% AND A MAINTAINED PRIMARY SURPLUS OF 7%

GREATER LEVELS OF (NON-BORROWED) NIR OF ABOUT US\$2.8B (TOTAL NIR OF US\$3.6B) TO HELP CUSHION THE COUNTRY FROM SHOCKS

Keeping the End State in Mind (Financial Year 2019-20) What is in it for Jamaicans?

If Jamaica hits its macroeconomic, growth, fiscal and monetary targets, our country will have a stronger economy with a higher level of per capita GDP; in other words, on average, every Jamaican will earn greater income.



Programme Monitoring Report



The **EPOC** met on December 9, 2016, and reviewed available results as at October, 2016. Based on performance as at October, 2016, Jamaica remains on track to meet the December, 2016, quantitative performance criteria and indicative targets, under the new Precautionary Stand-by Arrangement (PSBA) with the Government of Jamaica (GOJ), which was approved by the executive board of the International Monetary Fund (IMF) on November 11, 2016.

Selected Performance Metrics Update

	FYTD Actual		FYTD Target	
	October	October (GOJ Budget)	October (PSBA QPC & Indicative)	December (PSBA QPC & Indicative)
Primary Balance of Central Government (J\$B)	56.2	37.8	✓	54.0
Tax Revenues (J\$B)	245.9	241.2	✓	300.0
Non-Borrowed Reserves (US\$M) *	1,422.4	n/a	✓	1,405.4
Centre Inflation Target (%) **	1.8	5.5	✓	5.5

* Adjusted Target (Non-Borrowed Reserves). Targets are quarterly.

** Centre inflation target for end-December, 2016, is within an upper band of 9.0% and a lower band of 1.0%

FYTD- Financial Year-to-Date



Revenue & Grants

For the April-Oct period: Revenues and grants amounted to J\$265.8B, 3.5% above a target of \$256.8B



Expenditure

For the April-Oct period: Expenditure of \$8.0B below budget



GDP

or July–Sept 2016, GDP is estimated to have increased by 2.2%, relative to the similar period in the previous year



Credit Conditions

BOJ's Quarterly Credit Conditions Survey (QCCS), for the September, 2016, quarter, indicated that credit conditions improved marginally, relative to the June, 2016, quarter



Unemployment rate

STATIN reported that the unemployment rate fell to 12.9% for July, 2016, down 0.2 percentage points, compared to 13.1% in July, 2015

Conclusion and Outlook

After review of October's fiscal data, we conclude that Jamaica's fiscal numbers continue to perform favourably, against the GOJ's monthly targets.

Year-to-Date Numbers (April-October) - The primary balance numbers are comfortably ahead of target at \$56.2B, against a budget target of \$37.8B. Tax revenues, as at October, 2016, are at \$245.9B, against the government targets of \$241.2B and, based on projections, should see the indicative target of \$300B being realized in December, 2016.

Total Expenditure as at October is at \$293.9B, against a target of \$301.9B. This shortfall in expenditure is driven by the Capital Expenditure number being behind budget by \$7.2B, at \$19.8B year to date spend, against a target of \$26.9B.

Quantitative Performance Criteria - The primary balance of the central government is at \$56.2B, which is ahead of the December, 2016, target of \$54B.

Non-borrowed reserves, the new quantitative performance criterion, is at US\$1.422B, against the adjusted December target of US\$1.405B. Centre inflation is at 1.8%, below the target rate of 5.5%, but within the band agreed on, with the IMF. **We are cautiously optimistic, with two months left in the review period ending December, 2016, that we are on track to hit Jamaica's review targets.**