

## Update on 3-year IMF Precautionary Stand-By Arrangement (PSBA) September 2017

### COMMUNIQUÉ #9

## Structural Benchmarks

Structural benchmarks are key initiatives that the GOJ should complete by established deadlines under the PSBA

- ✓ All Fiscal, Monetary Policy and Financial Sector Structural benchmarks have been met to date.
- ✓ The GOJ has also met the nine (9) structural benchmarks for public sector transformation, public bodies and public service reform through end-August 2017.

## National Financial Inclusion Strategy (NFIS)

We would like to highlight the NFIS, which is a structural benchmark reviewed by EPOC at our last meeting. The NFIS was officially launched by the Minister of Finance on 29 March 2017 with focus on the following pillars:

FINANCIAL ACCESS AND USAGE	FINANCIAL RESILIENCE	FINANCING FOR GROWTH	RESPONSIBLE FINANCE
Electronic transaction instruments	Savings, insurance, and retirement products	MSME, Agriculture, and housing finance	Consumer protection and financial capability
<b>Supporting Infrastructure</b>			

- ▶ The strategy is being executed through the Financial Inclusion Steering Committee, chaired by the Governor of the BOJ, in conjunction with several Ministries, Departments and Agencies and supported by the private sector and civil society. Ultimately it aims "to create the conditions in which Jamaicans, particularly those who were previously underserved by the domestic financial system, are able to save safely and build up resilience against financial shocks, and firms are able to invest, grow and generate greater levels of wealth".

For more information visit: [http://boj.org.jm/financial\\_sys/national\\_financial\\_inclusion\\_strategy.php](http://boj.org.jm/financial_sys/national_financial_inclusion_strategy.php)

## Conclusion and Outlook

### Fiscal Performance

#### Revenues and Grants

Revenue and Grants of \$166.2B for the first four months of the fiscal year (April-July), exceeded the budgeted amount of \$160.3B, a 3.7% over-performance.

- Notably Tax Revenues of \$153.6B outperformed the budgeted target by \$5.5B.

Revenue performance remains encouraging and strengthens our confidence of sustainability throughout this fiscal year.

### Expenditure

Expenditure for the first four months of the fiscal year (April-July) was \$6.9B below budget (-3.8%). Of this amount, Recurrent Expenditure was \$6.0B below budget, while Capital Expenditure was \$0.8B below budget (-8.2%). We encourage the Government to keep capital expenses in line with budget for the rest of the fiscal year, given its importance as one of the main drivers of economic growth.

### Primary Balance

As a result of the Revenue and Grants performance and the under-expenditure for the first four months of the fiscal year, the Primary Balance of \$30.6B exceeded the \$29.0B budget target for April-July 2017. We are encouraged by the performance of this significant fiscal metric, signaling continued fiscal discipline by the Jamaican Government.

### Monetary Targets

**Inflation:** There was a marginal uptick in the point to point inflation rate for the month of July 2017, largely associated with a rise in agricultural prices due to the impact of the flood rains in May 2017. However, agricultural price increases are projected to subside towards the end of the year as supply conditions normalize. At end-July 2017, inflation was 4.5% for the 12-month period.

**Non-Borrowed Reserves (US\$):** Non-Borrowed Reserves as at end-June 2017 stood at US\$1.82B which exceeds the June floor target for the reserves of US\$1.52B. The Non-Borrowed Reserves continue to grow achieving US\$2.026B at end July 2017.

### Conclusion

The IMF team is now in Jamaica conducting the June review, this being the second under the GOJ Precautionary Stand-by Arrangement with the Fund.

Based on the available information the Economic Programme Oversight Committee is comfortable that this review should be successful and we acknowledge the efforts of all stakeholders in keeping Jamaica on track on the achievements to date in the Economic Programme.


**KEY** ✓ ON TARGET/AHEAD OF TARGET ✗ TARGET MISSED ⚠ TARGET AT RISK

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## Keeping the end state in mind- What do we want to achieve in 3 years?

	A growing economy with growth in GDP of at least 2.7%	An increasingly fiscally responsible GOJ with Debt to GDP of 93.7% and maintained primary surplus of 7%	Greater levels of (non-borrowed) NIR of about US\$2.87B <total NIR of US\$3.6B> to help cushion the country from shocks
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## Programme Monitoring Report

The new Precautionary Stand-By Arrangement (PSBA) with the Government of Jamaica (GOJ) was approved by the Executive Board of the International Monetary Fund (IMF) on November 11, 2016. The GOJ has met the programme conditions for the IMF PSBA as at end-June 2017\*.

- ✓ The EPOC met on September 5, 2017, and reviewed the latest available results. Jamaica has met all structural benchmarks under the programme through end-August 2017. The table below shows the results of selected IMF PSBA quantitative performance criteria (QPCs) and indicative targets (ITs). Based on the preliminary results for performance to date, the GOJ is on track to meet the targets for the QPCs and ITs for the IMF PSBA for end-June 2017.

\* Based on the results for performance to date through the end of June 2017.

## Selected Fiscal and Monetary Indicators

Selected IMF PSBA Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs)	Fiscal YTD Actual (June 2017)	Fiscal YTD Target (June 2017)	Fiscal YTD Actual (July 2017)
Primary Balance of Central Government (J\$B) *	30.6 ✓	15.0	38.6
Tax Revenues (J\$B) *	117.1 ✓	100.0	153.6
Non-Borrowed Reserves (US\$M) **	1,820 ✓	1,522	2,026
Inflation (%) *** (Point to Point)	4.4 ✓	2.0-9.0	4.5

\* Provisional

\*\* Adjusted Target (Non-Borrowed Reserves)

\*\*\* The PSBA inflation target, which is given as a range, is a performance criterion linked to a monetary policy consultation clause. If inflation falls outside of this range for the review period, it triggers a formal public consultation with the IMF's Executive Board on the reasons for the deviation and the proposed policy to correct it. Noteworthy, the BOJ's inflation target range for FY2017/18 of 4.0% to 6.0% is within the PSBA inflation target range of 3.0 to 8.0% for end-March 2018.

The table below shows the results of **selected GOJ fiscal and monetary indicators** where data are currently available. All of these measures have been provisionally met at end-July 2017, with the exception of Recurrent and Capital Expenditure which are below budget.

Selected GOJ Fiscal and Monetary Indicators	YTD Actual (Provisional) (July 2017)	YTD Target (July 2017)
Revenue & Grants (J\$B)	166.2 ✓	160.3
Tax Revenues (J\$B)	153.6 ✓	148.2
Recurrent Expenditure (J\$B)	162.9 ⚠	168.9
Capital Expenditure (J\$B)	9.3 ⚠	10.1
Net International Reserves (NIR) (US\$M)	<b>Actual (as at July 31, 2017)</b> 2,736.4 ✓	



**Revenue & Grants**  
Revenue & Grants of \$166.2B for the first four months of the fiscal year (April-July) exceeded the budgeted amount of \$160.3B (+3.7%).



**Expenditure**  
Expenditure for the first four months of the fiscal year (April-July) was \$6.9B below budget (-3.8%).  
  
Of this amount, Recurrent Expenditure was \$6.0B below budget, while Capital Expenditure was \$0.8B below budget (-8.2%).



**GDP**  
For April - June 2017 preliminary estimates from PIOJ indicate that the **economy continues to record growth with real Gross Domestic Product (GDP) estimated to have increased by 0.3%** relative to the similar period in the previous year, driven by an increase in Hotels and Restaurants industry of 8.0%, while real value added in the Goods Producing Industries declined by 2.5%.