

# EPOC

Update on 3-year IMF Precautionary Stand-by Arrangement (PSBA)  
January 2017

COMMUNIQUÉ # 2

## KEEPING THE END STATE IN MIND- WHAT ARE WE TARGETING TO ACHIEVE IN 3 YEARS?

- A solid growing economy, with robust job creation.
- A stronger fiscal position, 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 place the economy on a solid foundation that will help cushion the country from shocks.

## PROGRAMME MONITORING REPORT

The EPOC met on January 16, 2017, and reviewed available results as at November, 2016. Based on performance as at the end of November, 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

Selected IMF PSBA Quantitative Performance Criteria (QPCs) and Indicative Targets	FYTD Actual	FYTD Target	
	November 2016	December 2016	
Primary Balance of Central Government (J\$B) *	63.6	54.0	✓
Tax Revenues (J\$B) *	280.3	300.0	✓
Non-Borrowed Reserves (US\$M) **	1,521.0	1,418.6	✓
Inflation Target (%) ***	1.7	1.0 - 9.0	✓

\* Provisional

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

\*\*\* The PSBA Inflation target, which is given as a range, is a performance criteria 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 forecast range for FY2016/17 of 4.5% to 6.5% is within the PSBA inflation target of 1.0 - 9.0 for end-December, 2016.

## STRUCTURAL BENCHMARKS



### TAX POLICY

New rates and bands for property taxes, using the 2013 land valuations completed and submitted to Cabinet by December, 2016



### FINANCIAL SECTOR

Operationalise Financial System Stability Committee by finalizing the appointment of two external members by November, 2016

## NON-PSBA MEASURES BEING MONITORED



### Revenue & Grants

For the April-Nov period: Revenues and grants amounted to J\$304.1B, 4.7% above a target of \$290.3B.



### Expenditure

For the April-Nov period: Expenditure was \$10.5B below budget.



### GDP

For July-Sept, 2016, GDP is estimated to have increased by 2.0%, relative to the similar period in the previous year.



### Inflation

STATIN reported inflation for December at 0.3% (November 0.4%).

## CONCLUSION AND OUTLOOK

### Fiscal Performance

The primary balance of Central Government of J\$63.6 billion, as at November financial year to date, remains strong and will comfortably exceed the December target of J\$54 billion. Tax revenues stood at J\$280.3 billion, as at the end of November, and will likely hit the December target of J\$300 billion.

Total expenditure of J\$331.5 billion is J\$10.5 billion below target at the end of November. We will continue to monitor government expenditure and, in particular, capital expenditure given its importance as one of the main drivers of economic growth. It is important to note, however, that the gap between planned and actual capital expenditure is closing and we expect that we will see closer alignment to target at the end of December and into the final quarter of the fiscal year.

### Monetary Targets

Non-borrowed reserves remain strong, standing at US\$1,521 million, at the end of November, and is very likely to exceed December's target of US\$1,418.6 million. The calendar year inflation rate of 1.7%, for 2016, is well within the target PSBA range of 1% to 9%, as at December.

### Structural Benchmarks

Government has met the two structural benchmarks due under the review period, namely: appointing two external members to the Financial System Stability Committee in November, 2016, and submitting to Cabinet in December, 2016, the proposed new rates and bands for property taxes, based on the 2013 land valuations.

Based on our review of performance at the end of November, 2016, we are comfortable that the Government of Jamaica remains on track to meet the quantitative performance criteria, indicative targets and structural benchmarks for December, 2016, under the new agreement with the International Monetary Fund (IMF).

## UPCOMING IMF REVIEWS

It is expected that the IMF will be conducting their first review of end- December, 2016, performance criteria, in February - March, 2017.

