

SELECTED PSBA FISCAL AND MONETARY INDICATORS					
Selected IMF PSBA Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs)	Actual (Dec. 2017)	Revised Target (Dec. 2017)	Actual (Jan. 2018)	GOJ Budget Target (Apr. 2017-Jan. 2018)	Indicative Target (Mar. 2018)
Primary Balance of Central Government (J\$B) *	96.5	59.0	108.3	85.4	132.0
Tax Revenues (J\$B) *	353.1	328.0	391.5	380.8	473.0
Non-Borrowed Reserves (US\$M) **	2,534	1,781	2,535		1,917
Inflation (%) ***	5.2	1.5-8.5	4.8		2.5-7.5

\* Provisional (Fiscal Year to Date)  
\*\* Adjusted Target (Non-Borrowed Reserves)  
\*\*\* CPI point-to-point movement. 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 Fiscal Year 2017/18 of 4.0% to 6.0% is within the PSBA inflation target range of 2.5-7.5% for end-March 2018.

## 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 third review mission by the IMF under the current precautionary SBA was conducted over the dates February 26 – March 9, 2018. Based on the preliminary results for performance to date through the end of December 2017, Jamaica has met the targets for the**

**Quantitative Performance Criteria (QPCs) and Indicative Targets for the IMF PSBA as at end-December 2017.**

**Most recent results** The EPOC met on March 23, 2018 and reviewed the latest available results for the period ending January 2018. The table at right shows the results of selected IMF PSBA Quantitative Performance Criteria (QPCs) and indicative targets (ITs).

## FISCAL PERFORMANCE - YTD

### Revenues and Grants - YTD

Revenue & Grants of \$434.9B for the first ten months of the fiscal year (April-January) exceeded the budgeted amount of \$419.2B (+3.7%).

**Tax Revenues - YTD:** Tax collections of \$391.5B outperformed budget (+\$10.6B). The tax categories with the best performances were: Other companies (+\$6.3B), GCT (Local) (+\$4.9B), SCT

(+\$4.3B), Travel Tax (+\$1.7B), Education Tax (+\$1.5B) and Custom Duty (+\$1.1B). Tax on Interest (-\$5.8B) was the main underperformer, while SCT (Imports) (-\$2.4B) and GCT (Imports) (-\$2.3B) also underperformed.

### Expenditure - YTD

Expenditure for the first ten months of the fiscal year (April-January) was \$10.6B below budget (-2.4%).

Of this amount, Recurrent Expenditure was \$9.8B below budget, while Capital Expenditure was \$0.7B below budget (-2.1%)

### Primary Balance - YTD

As a result of the Revenue and Grants performance and the under-expenditure for the first ten months of the fiscal year, the Primary Balance of \$108.3B exceeded the \$85.4B budget target for April 2017-January 2018.

## FISCAL PERFORMANCE – MONTH OF JANUARY 2018

### Revenues and Grants - January 2018

The month of January saw overall Revenue & Grants being ahead of the Budget and Expenditure below target. Revenue & Grants recorded a surplus over Budget of \$1,150.4m. Within Revenue & Grants, Tax Revenue was lower than budget by \$892.6m or 2.3%. Grants recorded a shortfall of \$416.1m (61%) against a budget of \$682.5m. Non-tax Revenue was higher than budget by \$2,864.4m (119%) driven by transfers from the de-earmarked entities. There was no Capital Revenue received for the month of January.

### Expenditure - January 2018

Total above the line Expenditure registered a shortfall of \$1,141.6m. Recurrent Expenditure marginally surpassed target by \$509.1m, driven predominantly by Programmes. Compensation of Employees was executed as planned and Interest payments were below budget. Capital Expenditure recorded a lower than projected outlay by \$2,291.9m.

### Debt Servicing

A positive development with regards to debt servicing is that

interest costs for the month of January were lower than budget by \$714.1m and fiscal year to date by \$3.3792b which reflects lower domestic interest rates and a stronger Jamaican dollar value relative to the budget.

### Primary Balance - January 2018

The Primary Balance for the month of January was \$11,741.7m or 15.5% higher than Budget.

## MONETARY PERFORMANCE

### Inflation

The 12-month point-to-point inflation rate at February 2018 was 4.4%, within BOJ’s target of 4.0% to 6.0%, but higher than the same measure for February 2017 (3.6%).

Core inflation, measured as the Consumer Price Index excluding the prices of Agricultural commodities & Fuel (CPIAF), was 2.6% at February 2018, slightly higher than the 2.4% at February 2017.

### Foreign Exchange Market

On March 21, 2018, the value of the Jamaica Dollar vis-à-vis the US dollar was J\$127.55 =

OTHER ECONOMIC INDICATORS		
	FY to date (chg.)	Actual 21 Mar. 2018
Exchange Rate*	(0.87%)	127.55
Gross Foreign Reserves (US\$Mn)	398.2	3,722.1
Net International Reserves (NIR)(US\$Mn)	371.3	3,140.5
GOJ T-Bill Yield (6-month)	(315) bps	3.17%

\*Weighted average selling rate.

US\$1.00, reflecting an appreciation of 0.47% (\$0.61) for the month to date. On an annual basis, the Jamaica dollar at March 21, 2018 appreciated by 0.68% (\$0.87).

### Real Effective Exchange Rate (REER)

At February 2018, Jamaica recorded an annual point-to point loss of 1.0% in relative price competitiveness, as measured by the real ef-

fective exchange rate (REER). This loss was mainly driven by higher domestic inflation of 4.4%, compared with inflation of 2.2% among Jamaica’s trading partners.

### BOJ FX Intervention and Trading

Of note, the BOJ announced on March 7 that it was in a position to commence buy side operations via B-FXITT and on March 20 announced that it would purchase US\$5m via its intervention tool on April 11, 2018.

## STRUCTURAL BENCHMARKS



**All Fiscal, Monetary Policy and Financial Sector Structural Benchmarks have been met to date.** All seven (7) macro-fiscal structural

benchmarks for the period ending December 2017 have been successfully met.

- The GOJ has also met the fourteen (14) structural

benchmarks for public sector transformation, public bodies and public service reform through end-December 2017.

## 2ND SUPPLEMENTARY BUDGET

The Second Supplementary Estimates which was tabled in the House of Representatives on March 13, 2018 reflects an increase in the 2017/2018 Estimates of Expenditure of \$9.78 billion. This puts the overall Revised Estimates at \$815.27B, an increase of 1.2% above the Estimates as revised by the First Supplementary 2017/18.

The Second Supplementary Estimates will impact the Non Debt Expenditure Budget, primarily facilitating the payment of the first year

of the government’s Four-Year Wage offer of increases in basic wages and linked allowances, to central government employees.

### RECURRENT PROGRAMMES UNDER 2<sup>ND</sup> SUPPLEMENTARY BUDGET

Recurrent Programmes reflect a net increase of \$6.5 billion or 3%, moving from \$185.5 billion to \$192.0 billion. The following areas have been accommodated:

- a. \$1.5B - grant to the Local Authorities to assist in addressing the \$8B Street lighting

- arrears to the JPS;  
b. \$1.0B - islandwide patching programme to continue the rehabilitation of roads which were damaged by heavy rainfall earlier in the FY;  
c. \$1.9B - the Ministry of Education, Youth and Information;  
d. \$500M - JUTC to support its operations;  
e. \$484M - Judgement Debt Arrears;  
f. \$1.5 billion representing Capital Expenditure.

Jamaica’s strong fiscal out turn continues to create the fiscal space for increased expenditure in the critical areas of National Security, Capital Expenditure related to infrastructure and Social Intervention programmes as demonstrated in the two Supplementary budgets in the 2017/18 Fiscal year.

Jamaica continues to reap the dividends of fiscal discipline.

## OUTLOOK & CONCLUSION

### IMF December 2017 Programme Review

The third (3<sup>rd</sup>) review mission by the IMF under the precautionary SBA examining the six months ending December 2017, was successfully completed during the period February 26 – March 9, 2018. Further to the mission, the Memorandum of Economic and Financial Policies report will now be considered by the IMF Executive Board in April 2018 for review and approval. Based on Jamaica’s favourable performance for the review period EPOC anticipates the IMF Board approval.

### Targets met

EPOC’s review of the available Quantitative performance criteria for the month of January and fiscal year to date continues to demonstrate a positive performance by Jamaica under the IMF PSBA arrangement with the Fiscal and Monetary targets exceeding the GOJ and IMF targets.

Tax Revenues, the Primary Balance and Non-borrowed International Reserves are on track to meet the indicative Programme targets for end-March 2018.

### Public Sector Wage Negotiations and the 9 percent Wage to GDP Fiscal Rule (2018/19)

The wage negotiations between the GOJ and the Public Sector workers continue, and, while protracted, some progress has been made. EPOC continues to be hopeful that an agreement will be concluded with all Stakeholders in keeping with Jamaica’s legislated 9 percent Wage to GDP Fiscal Rule for 2018/19.

### KEY:

- ON TARGET/AHEAD OF TARGET/MET
- TARGET MISSED
- TARGET AT RISK

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