

KEEPING THE END STATE IN MIND...

What do we want to achieve by FY 2019/20, inclusive of quarter ending December 2019



- A growing economy with growth in **GDP of at least 1.9%**
- 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\$3.06b** <total NIR of US\$3.83b> to help cushion the country from shocks

MOST RECENT
RESULTS



The EPOC met on November 20, 2018 and reviewed the latest available results for the period ending September 2018.

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 through the end of September 2018, the GOJ is on track to meet the targets for the Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs) for the IMF SBA as at end-September 2018.

SELECTED
FISCAL &
MONETARY
INDICATORS

Selected IMF PSBA Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs)	Actual (June 2018)	Revised Target (June 2018)	Actual (Sept. 2018)	Indicative Target (Sept. 2018)
Primary Balance of Central Government (J\$B) *	31.3	18.1	73.8	44.0
Tax Revenues (J\$B) *	128.7	110.0	258.5	234.0
Non-Borrowed Reserves (US\$M) **	2,484	2,074	2,461	2,140
Inflation (%) ***	2.8	3.5-6.5	4.3	3.5-6.5

* 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 medium-term inflation target range of 4.0% to 6.0% is within the PSBA inflation target range of 3.5-6.5% for end-September 2018.

PROGRAMME REVIEW

FISCAL PERFORMANCE

Selected IMF PSBA Fiscal and Monetary Targets

For the review period April to September 2018, the Fiscal Performance continued its positive trend. Based on the preliminary results for performance to date through to the end of September 2018, the GOJ is on track to meet the indicative targets for the IMF PSBA as at end September 2018.

Selected Fiscal Indicators
Revenues, Grants and Expenditures
Revenues and Grants for the period was \$294.2b. Of this amount Tax Revenues were \$258.5b, significantly exceeding the programme target of \$234.0b, and ahead of the increased GOJ Supplementary budget target of \$255.9b.

Expenditure for the first six months of the fiscal year (April-September) was \$4.3b below budget (-1.5%). Of this amount, Recurrent Expenditure was \$3.3b below budget (-1.3%), while Capital Expenditure was \$1.1b below budget (-3.6%).

Primary Balance

As a result of the healthy out turn of Tax Revenues and Grants and the under-expenditure for the first six months of the year, the Primary Balance of \$73.8b exceed-

ed the programme target of \$44.0b and the GOJ Supplementary budget target of \$61.2b.

MONETARY TARGETS

Inflation and Non-Borrowed Reserves

Non-Borrowed Reserves as at the end of September 2018 stood at US\$2.461b, significantly exceeding the programme target of US\$2.14b, while inflation registered 4.3% bringing it back into the programme range of 3.5-6.5%.

Tax Revenues Buoyant, Capital Expenditure significantly up over 2017/18

Tax Revenues continue to out-perform even the higher targets tabled under the first Supplementary Budget due to increased economic activity, labour market improvements and compliance efforts.

Tax Revenues year over year increased by 8.8% or \$20.9b, from \$237.7b to for the period April to September 2017 to \$258.5b for the comparative period April to September 2018. Notably this growth occurred without any new Taxes for the 2018/19 Fiscal year.

Recurrent Expenditure fell marginally behind budget due to delays in the procurement process, while Capital Expenditure

was slightly behind budget primarily due to interruptions in execution of works being carried out under the Major Infrastructure Development Programme, due to unfavourable weather conditions in the month of September.

Capital Expenditure for April to September 2018 was \$28.54b compared to \$18.3b for the same period in the 2017/18 Fiscal year, representing a 56% increase year over year.

Monetary Policy Action Bank of Jamaica Policy Interest Rate Action

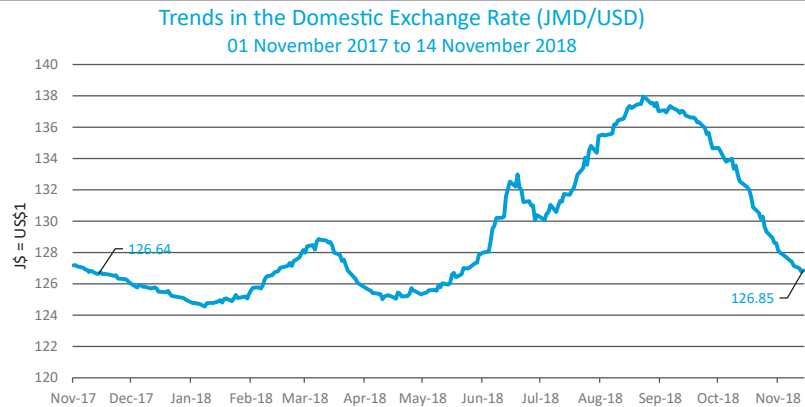
The Bank of Jamaica (BOJ) continues to maintain an accommodative stance with regard to interest rates and on 16 November 2018, BOJ announced its decision to hold its policy interest rate (the rate offered on its overnight CD) unchanged at 2%. According to BOJ, its decision to maintain its policy rate reflected their assessment that inflation will approach the upper end of the 4.0 % to 6.0 % target by June 2019 and will trend thereafter to the middle of the target range. BOJ also judged that current monetary conditions are consistent with inflation returning to the centre of the target of 4.0 % to 6.0 % over the medium term.

B-FXITT Operations

There were no B-FXITT operations for the month of November 2018 and there will

be no operation until December 5, 2018, when the BOJ is scheduled to conduct a purchase operation of US\$10.0 million.

BOJ continues to use the transparent B-FX-ITT mechanism to sell or buy USD when the market reflects a projected shortage or surplus respectively.



STRUCTURAL BENCHMARKS MET

As a result of the overall strong performance, the GOJ has met all eight (8) macro-fiscal structural benchmarks for the November 2016 to October 2018 period. The GOJ has also met the fourteen (14) structural benchmarks for public sector transformation, public bodies and public service reform through end-October 2018.

Central Bank Governance

Independence-Structural Benchmark

This Structural Benchmark was met on October 23, 2018 with the Honourable Minister of Finance and the Public Service tabling the revisions to the BOJ Act which will improve central bank governance and independence. These revisions will modernize arrangements for paying dividends, appointments to the BOJ Board and provisions of central bank financing to the Government.

EPOC notes that no new structural benchmarks have been added by the IMF under the fourth review of the PSBA, signaling that the focus is on the completion of the remaining reforms under the programme.

IMF REVIEW AND KEY CONCLUSIONS

The 4th review of the PSBA was completed at the meeting of the Executive Board of the IMF on November 5, 2018. Overall, Jamaica remains on track in meeting the targets outlined in the PSBA for end-December 2018.

Public Sector Reforms

The IMF is making it abundantly clear that Public Sector Reforms should be a high priority which will create fiscal space to provide meaningful resources for much needed security, social and growth enhancing capital spending.

Supply Side Reforms

The IMF has posited that economic conditions are ripe for the Private Sector to step up productive investment. The IMF notes that Private Lending and Investment to support the productive economy has lagged behind, and that stronger growth will require policy makers to remove obstacles to private investment in the real economy, including by supporting skills development, lowering red tape and increasing policy predictability.

EPOC supports the IMF call for increased focus and meaningful and impactful execution of Public Sector Reforms. While we have met all the Structural Benchmarks to date under the IMF PSBA Programme, a significant body of work is left to be done if we are to achieve an efficient Public Sector.

EPOC also supports the IMF's push for "supply-side reforms" to facilitate private sector investment in order to achieve growth and

Foreign Exchange Market

On an annual basis, the Jamaica Dollar at 14 November 2018 depreciated by 0.17% (\$0.21), compared to a depreciation of 1.03% (\$1.31) at the end of October 2018, and appreciation of 1.82% (\$2.35) for the twelve months to 14 November 2017.

job creation. Supply side reforms may take the form of strategic investment in labour aligned with growth producing sectors as well as continued development of an ecosystem that drives and fosters entrepreneurship.

EPOC is also extremely supportive of the announcement by the Minister of Finance to revise the Pension Investment limits, which is an important supply side reform in unlocking capital for venture capital which should spur innovation, productivity and growth of the Jamaican Economy.

SIGNIFICANT ECONOMIC DEVELOPMENTS

Unemployment rate

STATIN reported that the unemployment rate for July 2018 was 8.4%, a 2.9 percentage point decline compared to the rate of 11.3% for July 2017, and represents a record low unemployment rate for Jamaica. The unemployment rate for youths in the age group 14 – 24 years declined to 22.2%, down by 5.3 percentage points when compared to 27.5% in July 2017, while the female unemployment rate also declined by 3.8 percentage points to 11.4%.

Growth in the Economy

The Planning Institute of Jamaica has indicated that the Jamaican economy grew by an estimated 1.9 % in the July to September quarter, representing a second consecutive quarter of relatively significant growth. The quarter with the highest growth this fiscal year was the April to June quarter, with growth recorded at 2.2%. The growth in the April to June 2018 quarter was the highest quarterly growth in the Jamaican economy in 11 years.

The most recent forecasts by the Planning Institute of Jamaica indicate that growth for the October to December quarter will be within the range of 1.5% to 2.5%, and for fiscal year 2018/19, growth is also projected to be within the range of 1.5% to 2.5%.

PUBLIC SECTOR NEGOTIATIONS

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

EPOC continues to be hopeful that an agreement will be reached with all the remaining stakeholders, including the Police, in keeping with Jamaica's legislated 9 percent wage to GDP Fiscal Rule for 2018/19.

Overall, EPOC is of the view that the Economic Programme remains on track.

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