



Review of Economic Performance

July–September 2012

Planning Institute of Jamaica

November 20, 2012

Overview: July-September 2012

- For July–September 2012, real GDP is estimated to have contracted by **0.6%** relative to July–September 2011.
 - Real value added in the Goods producing industries declined by **2.4%**
 - Real value added for the Services industries was flat

Real Value Added in the Goods Producing Industries (%)

	Jul-Sep 2011	Oct-Dec 2011	Jan-Mar 2012	Apr-Jun 2012	July-Sep 2012
Goods Producing	2.3	6.6	-0.2	-0.1	-2.4
Agriculture, Forestry & Fishing	2.2	14.7	6.5	9.5	-0.5
Mining & Quarrying	6.6	7.3	-5.0	-10.2	-10.4
Manufacture	2.0	6.5	0.5	-1.9	-0.6
Construction	1.4	0.2	-5.6	-3.4	-3.5

Agriculture, Forestry & Fishing

- The Agriculture, Forestry & Fishing industry contracted by an estimated **0.5%**, reflecting:
 - Traditional Export crops, **down 6.1%**; and
 - Other Agricultural Crops **down 0.5%**
 - The smaller weighted components recorded increases
 - Animal Farming, **up 3.3 per cent** and
 - Post Harvest activities, **up 60.5 per cent**
- The downturn in performance was due to:
 - Drought conditions in some of the major agriculture producing parishes, particularly during June and July.
 - The ending of the sugar crop year in June of 2012, which resulted in no sugar cane production during the quarter.

Mining & Quarrying

- Real Value Added for Mining & Quarrying declined by **10.4%**, largely reflecting:
 - the slowing in the global economy which negatively impacted the alumina and aluminium markets, as well as
 - increased supply from newly commissioned, more efficient plants, which resulted in depressed prices.
- Total bauxite production decreased by **7.7%** reflecting:
 - Alumina production down **13.0%**
 - average capacity utilization rate at alumina refineries fell to 37.5% which was 5.5 percentage points lower.
 - Crude bauxite production down **6.5%**
 - the bauxite capacity utilization rate decreased by 23.5 percentage points compared with the corresponding quarter of 2011.

Manufacture Industry

- Real Value Added for the Manufacture industry declined by an estimated **0.6%**, explained by:
 - Food, Beverages and Tobacco (down 0.5%) reflecting contractions in:
 - The Food Processing component (Sugar down 100.0%, Molasses down 100.0% , Condensed Milk down 16.4% and Dairy Products down 2.3%).
 - Other Manufacture (down 0.7%) mainly influenced by a fall in production of:
 - Non-metallic minerals category due to Cement, down 13.8%
 - Refined Petroleum products (Gasoline down 9.9%, LPG down 12.8%)

Construction Industry

- Real Value Added for Construction declined by **3.5%**, reflecting:
 - Contraction in Building Construction due to slowing in residential and non-residential construction projects – Housing Starts, down 57.0%; Decrease in the volume and value of mortgages by 45.0% and 12.8% respectively.
 - An estimated reduction in the category Building Installation, in line with the Building Construction activities.
- Decreased Capital Expenditure: NROCC \$522.9 million (down from \$766.0 million); Telecommunications \$486.3 million (down from \$1 043.1 million); and Port Authority of Jamaica \$13.5 million (down from \$583.1 million)
- Increased Capital Expenditure: NWA \$3 240 million (up from \$2 821.6 million); and NWC \$1 180.1 million (up from \$993.8 million) .

Real Value Added for the Services Industries (%)

	Jul-Sep 2011	Oct-Dec 2011	Jan-Mar 2012	Apr-Jun 2012	Jul-Sep 2012
Services Industry	-0.5	-0.2	-0.2	-0.3	0.0
Electricity & Water	1.1	3.5	0.2	0.3	0.2
Transport, Storage & Communication	-3.5	-2.8	-3.1	-4.1	-2.3
Wholesale & Retail Trade; Repair and Installation of Machinery	0.8	1.1	0.9	0.3	0.4
Finance & Insurance Services	-1.0	-1.1	0.6	0.0	0.8
Real Estate, Renting & Business Activities	-0.5	-0.3	-0.2	-0.2	-0.2
Producers of Government Services	0.4	-0.6	-0.5	-0.2	-0.2
Hotels and Restaurants	-0.1	1.0	0.8	3.7	2.3
Other Services	-1.5	0.0	0.0	0.3	0.4

Electricity & Water

- The Electricity & Water industry recorded growth in real value added of **0.2%**, reflecting increased electricity generation which outweighed a decline in water production
 - Gross Electricity generation, **up 0.2%**
 - Non-JPSCo generation, **up 20.3%**
 - JPSCo generation, **down 9.0%**
 - Water production, down **0.9%** reflecting:
 - **1.3%** decline in the Western division
 - **0.7%** decline in the Eastern division

Transport, Storage & Communication

- Real value added for Transport, Storage & Communication declined by **2.3%**.
 - Performance was due to the decline in activities at seaports:
 - Cargo volume handled at the islands seaports decreased by 7.2% to 4.0 million tonnes:
 - Port of Kingston, down 16.6% to 1.2 million tonnes
 - Outports, down 2.4% — driven largely by fall-off in Bauxite & Alumina exports
 - Airport activities estimated to have increased due to 3.5% increase in Total air passenger movements
 - Norman Manley International Airport, up 5.2%
 - Sangster International Airport, up 2.5%

Financial Services Industry

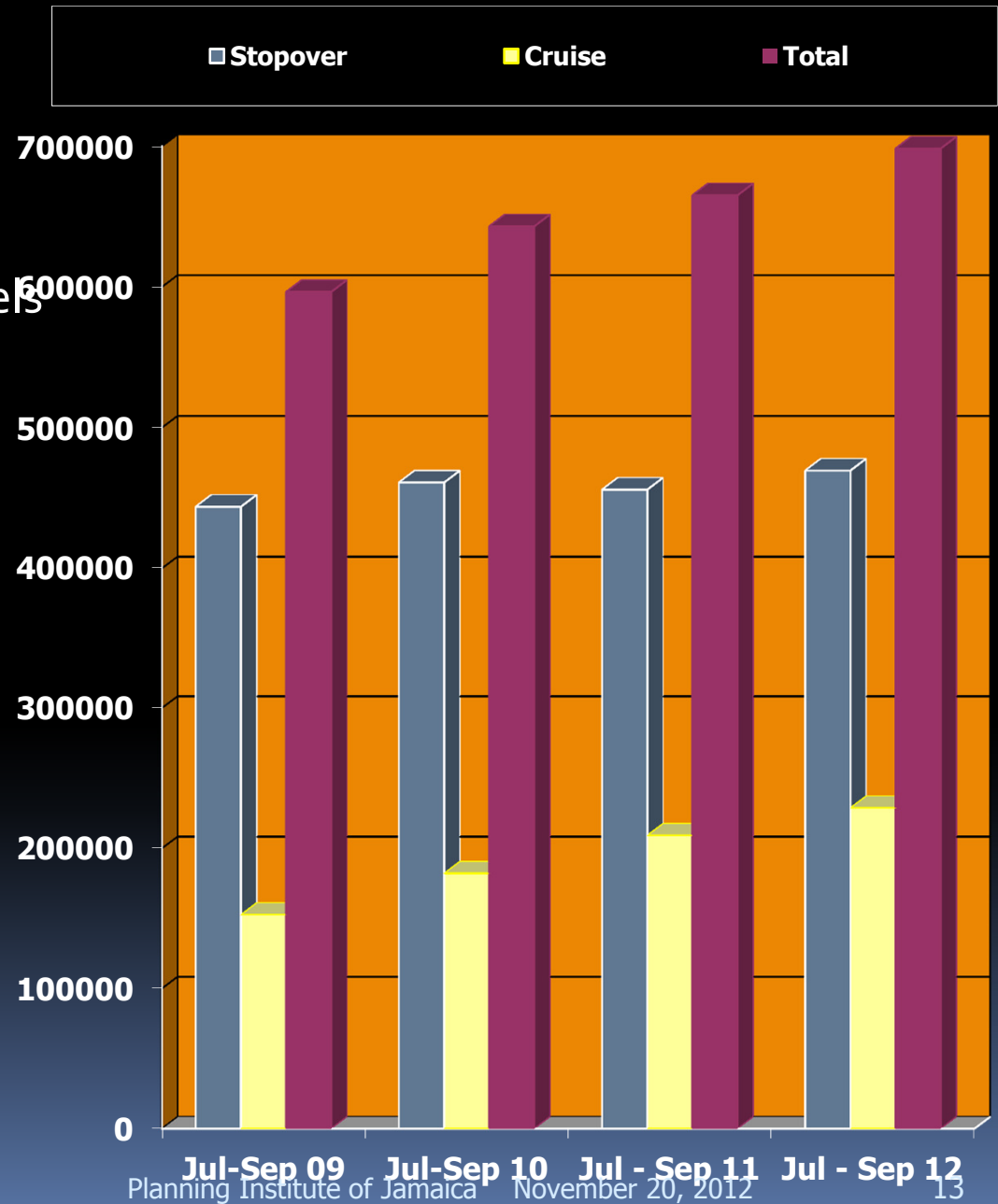
- Real value added in the Finance & Insurance industry increased by **0.8 per cent** during the quarter, due largely to:
 - Increased net interest income on loan stock at deposit taking institutions; and
 - Higher Fees and commission income

Wholesale & Retail Trade; Repair & Installation of Machinery (WRTRIM)

- Real Value Added in the WRTRIM industry **grew by 0.4%** supported by:
 - An increase in consumer and business confidence which led to an increase in domestic demand; and
 - Increased Automated Banking Machines (up 8.7%) & Point Of Sale (up 31.4%) transactions .
- Higher sales were recorded in 4 of the 9 goods categories :
 - Chemicals, Pharmaceuticals & Cosmetics, **up 6.7%**;
 - Other Manufactured Goods, **up 10.8%**;
 - Textiles, clothes & Shoes, **up 16.5%**
 - Automobiles, Commercial & Transport Equipment, **up 16.8%**; and
 - Together these categories accounted for 52.3 per cent of total sales by the industry.

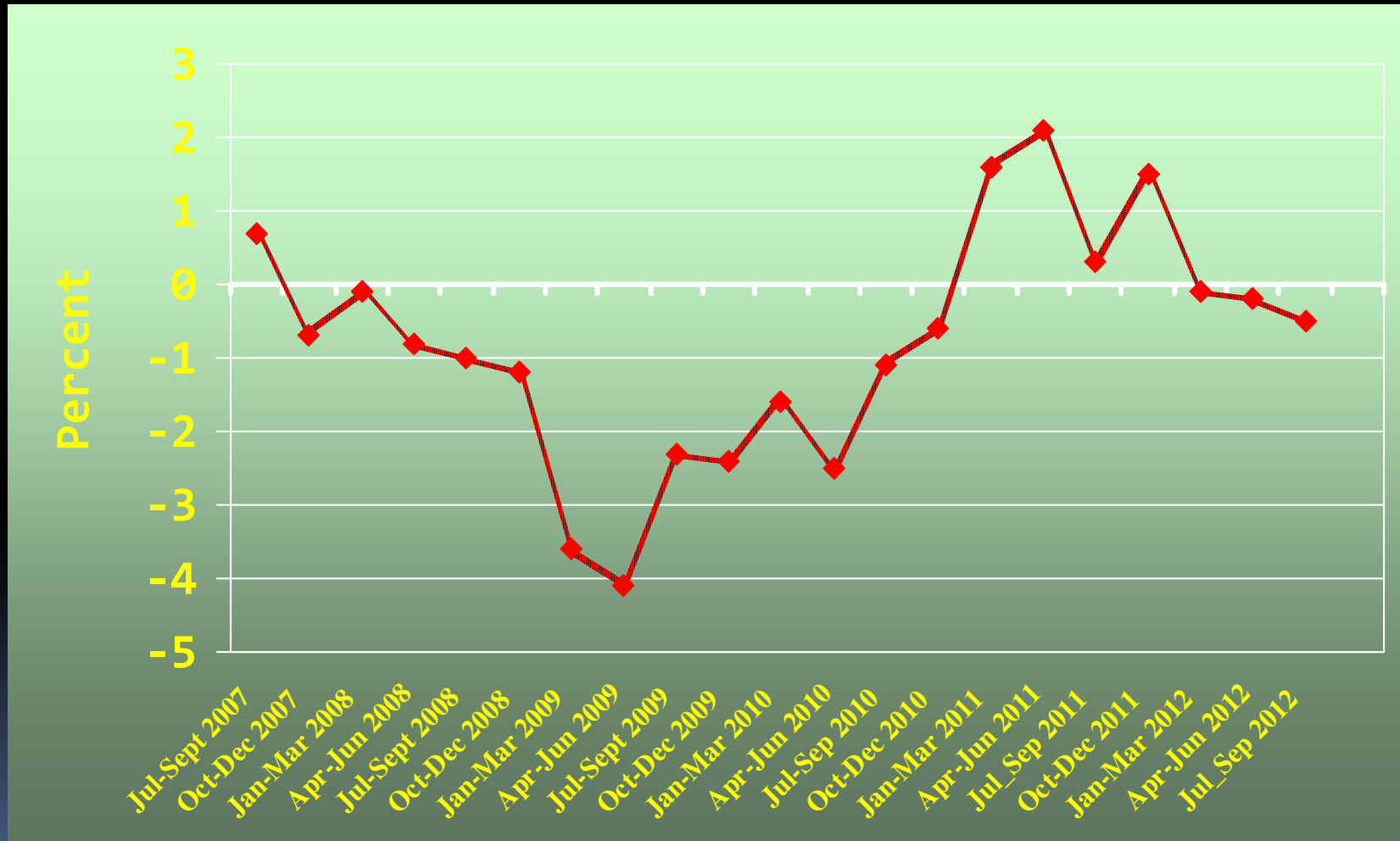
Tourism

- Real Value Added for Hotels & Restaurants **grew by 2.3%**. This reflected:
 - Total arrivals, **up 5.0%**
 - Stopover arrivals, **up by 3.0%**.
 - Cruise passenger arrivals, **up 9.4%**
 - Provisional visitor expenditure for July 2012, **up 7.0% to US\$225.3 million**



Quarterly Real Value Added Growth (%) 2007-2012

GDP Table

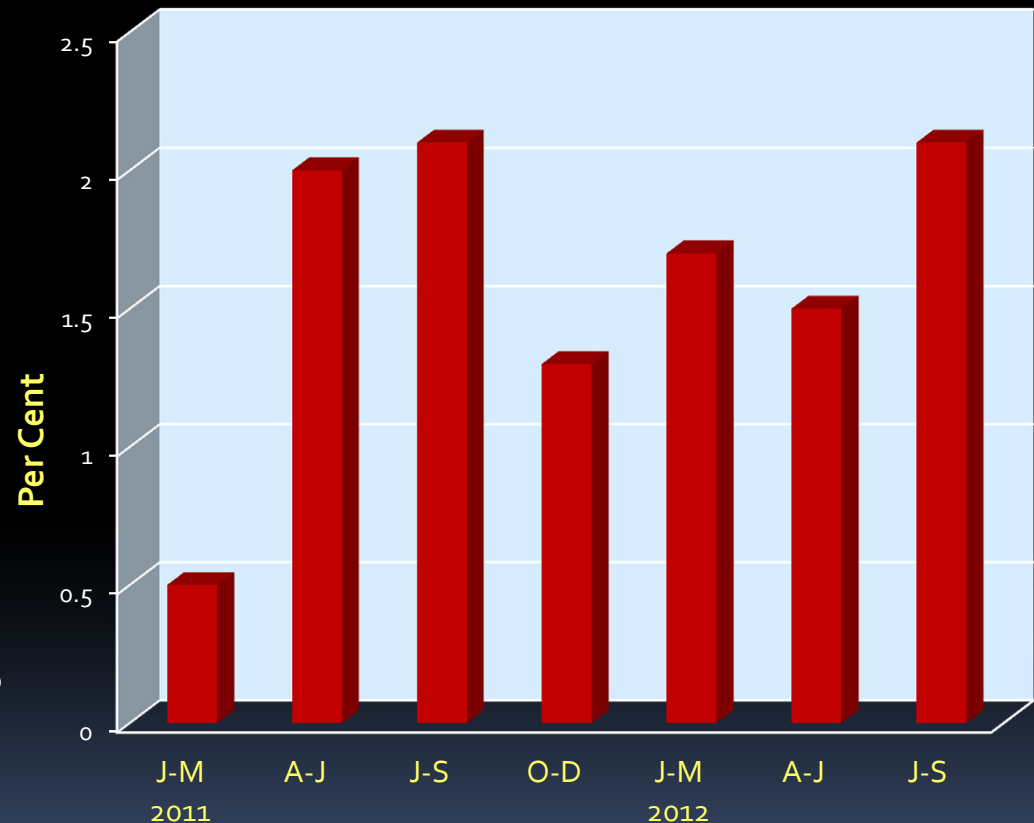


The Macroeconomic Environment

- The performance during the quarter took place against the background of:
 - Quarterly inflation rate of 2.1%
 - Fiscal deficit of \$21.7 billion
 - Real depreciation of the exchange rate

Inflation by Quarters 2009-2012

- For July – September 2012 inflation was **2.1%**
- For January – September 2012 inflation rate was **5.3%**



Inflation: Main Components

- Inflation during the quarter largely reflected
 - Food & Non-Alcoholic Beverages (up 4.7%); and
 - Transport (up 1.7%)
 - Communication (down 39.4%)
 - Food & Non-Alcoholic Beverages and Transport combined accounted for 150.7% of overall inflation during the quarter while Communication accounted for 119.5%.
- The main contributors to inflation were
 - the higher prices for locally produced crops and the lagged impact of revenue enhancement measures, as well as
 - increases in grain prices reflecting the impact of drought conditions in the US, which impacted domestic food prices.

Fiscal Accounts

- The fiscal deficit was **\$21.7 billion** for the quarter
 - This was **\$3.6 billion** less than budgeted due to:
 - **\$7.2 billion (8.2 per cent)** less than programmed revenue
 - **\$10.8 billion (9.5 per cent)** less than programmed expenditure
- Revenue & Grants totalled **\$80.9 billion** in July – September 2012, while expenditure totalled **\$102.6 billion**.

Exchange Rate

- The average nominal exchange rate at the end of September 2012 was **\$89.93 per US\$1.00**, representing **1.4%** nominal depreciation compared with end of June 2012.
 - This translates into a real exchange rate depreciation of **0.1%** relative to the US dollar

External Trade

- A trade deficit of **US\$2 759.1 million** was recorded for January–July 2012, a worsening of **US\$27.6 million** compared with the similar period of 2011.
 - Imports for the period increased by **0.05 per cent to US\$3 704.4 million**, mainly reflecting
 - Food - **US\$551.3 million** increased by **US\$43.9 million**
 - Mineral Fuels **US\$1 403.0 million** declined by **US\$82.9 million**.
 - Exports for the period declined by **2.7 per cent to US\$945.3 million**.
 - Crude materials - **US\$370.7 million**, down **15.2%** (**39.2%** of total exports)

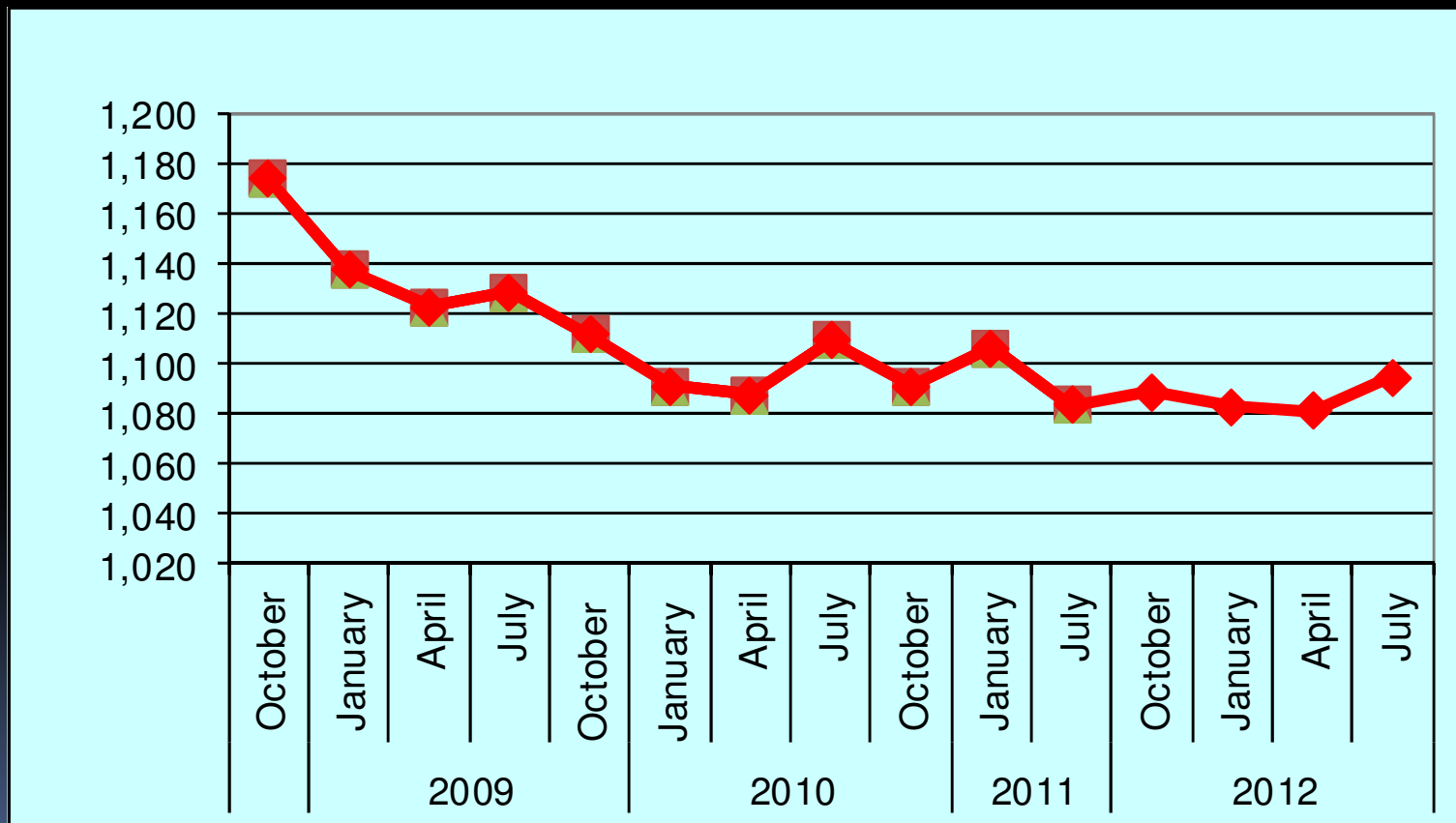
Remittances

- Remittance inflows for July–August 2012 amounted to **US\$339.0** million, down **1.8%** relative to the corresponding period of 2011.
- For January–August 2012 remittance inflows increased by **2.5%** to **US\$1 365.8** million

Employed Labour Force in Selected Industries

	2011	2012		Change Jul '12 – Jul 11
	July	April	July	
Agriculture, Hunting, Forestry & Fishing	191,000	196,300	196,400	5,400
Mining & Quarrying	3,700	3,700	4,500	800
Manufacturing	68,500	75,700	74,900	6,400
Electricity, Gas and Water Supply	7,900	6,500	8,000	100
Construction and Installation	86,100	81,000	85,300	-800
Wholesale & Retail, Repair of MV, C, Personal & HH goods	200,800	214,400	214,600	13,800
Hotels & Restaurants Services	80,300	73,700	81,700	1,400
Transport, Storage and Communication	76,400	70,700	75,100	-1300.0
Financial Intermediation	25,300	30,500	23,400	-1900.0
Real Estate, Renting & Business Activities	66,500	56,900	58,700	-7800.0
Other Community, Social and Personal Service Activities	58,700	55,600	59,100	400

Employed Labour Force ('000)



Labour Market Indicators

- ❖ Total employed labour force grew by 11 100 persons to **1 094 700** compared with July 2012.
- ❖ The unemployment rate for July 2012 was **12.8 per cent** compared with 12.3 per cent in July 2011.

Short-Term Prospects & Developments

October-December 2012

- Prospects for the overall economy in the short-term are challenging based on:
 - The impact of Hurricane Sandy, particularly on the agriculture industry sector and lost production time in other industries
 - Continued sluggish global economic environment
- These challenges could be partially mitigated by:
 - A boost to consumer and business confidence with the potential for a completed IMF Agreement

Inflation

October 2012

- The rate of inflation for October 2012 was **0.9%**, largely reflecting:
 - Food & Non-Alcoholic Beverages, **up 1.1%**; and
 - Housing, Water, Electricity, Gas & Other Fuels, **up 2.8%**;

Tourism

October 2012

- Provisional data indicate:
 - Airport arrivals declined by 0.9%
 - Cruise passenger arrivals declined by 18.0%

Electricity October 2012

- Total electricity generation declined by **6.4 per cent** to 328.2 million KWh.
- Total electricity sales declined by **2.7 per cent** to 255.1 million KWh.

Mining & Quarrying

October 2012

- Total bauxite production fell by **16.9%** due to:
 - **23.5%** decline in alumina production
 - **9.5%** decline in crude bauxite production
- Total Bauxite exports declined by **3.4%** due to:
 - Alumina exports, down **7.1%**
 - Crude bauxite exports, down **1.2%**

Growth

October–December 2012

- Real GDP is projected to contract within the range of 0.5% to 1.5% during October–December 2012 vis-à-vis October–December 2011