INTERNATIONAL MONETARY FUND

IMF Country Report No. 22/43

JAMAICA

February 2022

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR JAMAICA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with Jamaica, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its February 9, 2022 consideration of the staff report that concluded the Article IV consultation with Jamaica.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on February 9, 2022, following discussions that ended on November 15, 2021, with the officials of Jamaica on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 25, 2022.
- An **Informational Annex** prepared by the IMF staff.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Jamaica.

The document listed below has been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR22/40

IMF Executive Board Concludes 2021 Article IV Consultation with Jamaica

FOR IMMEDIATE RELEASE

Washington, DC – **February 15, 2022:** The Executive Board of the International Monetary Fund (IMF) concluded the 2021 Article IV consultation[1] with Jamaica.

In the decade preceding the pandemic, Jamaica made good progress to restore macroeconomic and financial stability. Aided by Fund financial support, the fiscal deficit was brought down from 11 percent of GDP in 2009 to a surplus; public debt fell from 142 percent of GDP to 94 percent in 2019; and inflation and the current account deficit declined.

An early lockdown in the Spring of 2020 helped contain the number of Covid-19 cases but the impact on the economy was severe, with real GDP shrinking by 10 percent. To mitigate the impact of the pandemic on public health and the economy, the authorities suspended the fiscal rule for a year and swiftly implemented public health measures and a fiscal package to support jobs and protect the most vulnerable segments of the population. The downturn and the fiscal package resulted in a fiscal deficit of 3.1 percent of GDP in FY2020/21.

The economy is rebounding but risks to the outlook are significant. Real GDP is projected to grow at 4.7 percent in 2021 and 4.3 percent in 2022. Covid-19 remains the main risk. Renewed Covid-19 waves in Jamaica or abroad could lead to a more prolonged disruption of tourism, trade, and capital flows. Another risk is posed by the uncertain duration of global inflationary pressures, which have boosted inflation to well above the central bank's target range of 4-6 percent. Natural disasters continue to be an ever-present risk.

Executive Board Assessment[2]

Executive Directors welcomed the authorities' swift and comprehensive policy response to the pandemic, which helped limit itshealth and economic impact. Directors noted that as the economy is recovering, uncertainty and risks remain elevated. The near-term policy priority is to protect lives and livelihoods, while preserving macroeconomic stability. Over the medium term, Directors stressed the need to rebuild buffers, safeguard debt sustainability,

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

and prioritize structural reforms that reduce poverty and boost potential and inclusive growth.

Directors agreed that once the pandemic recedes, it will be important to resume growth-friendly fiscal consolidation and put public debt on a downward trajectory toward the authorities' medium-term target. Directors recommended improving revenue and prioritizing expenditures to create space for health, education, infrastructure, and growth-enhancing investment, including for climate resilience. Enhancing spending efficiency and containing the wage bill will be crucial in this regard. Directors noted that the newly established independent fiscal council would help strengthen fiscal institutions and safeguard the credibility of the debt anchor.

Directors acknowledged the important role played by monetary accommodation during the pandemic. In light of inflationary pressures, they welcomed the authorities' readiness to tighten monetary policy to firmly anchor inflation expectations and bring inflation to within the central bank's target range by end-2022. Directors took positive noteof the planned roll-out of the central bank digital currency, with appropriate safeguards, as part of the financial inclusion strategy.

Directors observed that the financial sector remains well capitalized and liquid. Noting the sector's complexity and potential risks from its concentration and connectedness,Directors emphasized the need to strengthen group-wide supervision of financial conglomerates, by adopting the remaining legislation and improving data collection. They also called for further efforts to strengthen the AML/CFT framework, including by swiftly implementing the action plan agreed with the Financial Action Task Force.

Directors encouraged the authorities to address supply-side constraints to growth through well-prioritized structural reforms, aimed at boosting competitiveness and resilience,including through digital transformation. They highlighted the need to strengthen education and training, upgrade infrastructure, reduce crime, and build resilience and adaptation to natural disasters.

Jamaica: Selected Economic Indicators 2019–2023

Population (2019): 2.73 million
Quota (current; millions SDRs/% of total): 382.9/0.08%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite
Key export markets: U.S., U.K., Canada

Per capita GDP (2019): US$5729
Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Unemployment rate (Jan. 2020): 7.3%

	2019/20	2020/21	2021/22	2022/23
	Est.	Proj.	Proj.	Proj.
Output				
Real GDP growth (%)	-0.1	-11.1	8.2	3.5
Employment				
Unemployment (%) 1/	7.3	…	…	…
Prices				
Inflation, end of period (%)	4.8	5.2	8.2	6.3
Inflation, average (%)	4.6	5.0	6.7	7.2
Central government finances 2/				
Budgetary revenue (% of GDP)	30.6	29.1	30.5	29.1
Budgetary expenditure (% of GDP)	29.7	32.2	30.2	28.8
Budget balance (% of GDP)	0.9	-3.1	0.3	0.3
Of which: central government primary balance	7.1	3.5	5.9	5.4
Public entities balance (% of GDP)	0.1	-0.5	0.0	0.0
Public sector balance (% of GDP)	1.0	-3.5	0.3	0.3
Public debt (% of GDP) 3/	94.3	108.1	91.6	84.7
Money and credit				
Broad money (% change)	54.8	63.9	64.5	64.5
Credit to the private sector (% change)	43.9	49.4	51.2	50.6
Treasury bill rate, end-of-period (%)	1.8	0.8	…	…
Treasury bill rate, average (%)	1.8	1.3	…	…
Balance of payments				
Current account (% of GDP)	-2.2	-1.1	1.1	-2.3
FDI, net (% of GDP)	0.8	1.4	2.7	3.0
Gross international reserves (weeks of imports)	5.5	8.5	8.9	8.7
External debt (% of GDP)	57.6	71.0	58.5	54.3
Exchange rate				
End-of-period REER (appreciation +) (INS)	-2.2	-5.0	…	…

Sources: Jamaican authorities; UNDP Human Development Report; Information Notice System; and Fund staff estimates and projections.

1/ As of January in each period.

2/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

JAMAICA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

January 25, 2022

KEY ISSUES

Jamaica was hit hard by the pandemic. An early lockdown in the Spring of 2020 helped contain the number of Covid-19 cases but the impact on the economy was severe, with real GDP shrinking by 10 percent. To counter the social and economic effects of the pandemic, the government temporarily reduced the fiscal balance target from +0.7 to -3 percent of GDP, increased spending on health and social protection and reduced the VAT rate. The central bank injected liquidity and encouraged loan moratoria to provide temporary support to the private sector. Growth is expected to rebound to 4.7 percent in 2021 and 4.3 percent in 2022. Downside risks to the outlook are significant, notably from Covid-19.

Once the pandemic recedes, Jamaica should resume debt reduction. Public debt is high (at 108 percent of GDP) and needs to be put back on a downward path. The Fiscal Responsibility Law target to reduce debt to 60 percent of GDP by FY2027/28 strikes the right balance between supporting the economy and reducing debt. Declining interest payments, higher tax revenues, and a reduction in the wage bill should provide space to increase spending on education, infrastructure and enhance resilience to natural disasters while still meeting the medium-term debt goal.

Inflation has risen above the target band. In August, inflation rose above the 4-6 percent inflation target. In response, the BOJ raised the policy rate by 200 basis points. Further tightening will likely be needed to bring inflation back within the target range.

Removing supply side constraints to growth should be a policy priority in the coming years. Labor productivity, capital per worker, the return on investment, and total factor productivity have all declined over the last few decades. Low growth can partly be explained by the decline of traditional exports, but low human capital, high crime, weak infrastructure, and competition from countries with FTAs with the United States and other large economies have played a role. Action is required to strengthen education and training; upgrade infrastructure; leverage digitalization; shift toward renewable energy; enhance governance and reduce vulnerabilities to corruption; simplify business procedures; increase SME access to finance; and further remove barriers to free trade.

Approved By
Nigel Chalk (WHD) and Andrea Schaechter (SPR)

Team: Bas Bakker (Head), S. Thomas, G. Salinas, and M. Sumliński (all WHD), assisted by A. Siddiq. Discussions took place remotely during November 2–15, 2021. The team met the Honorable Nigel Clarke, Minister of Finance and the Public Service, Mr. Richard Byles, Governor Bank of Jamaica, and other senior officials, financial sector analysts, think-tanks, academics, and representatives of the private sector. Rose Cunningham (OED), participated in most meetings and Mr. Feargal O'Brolchain (OED) participated in the opening and concluding meetings.

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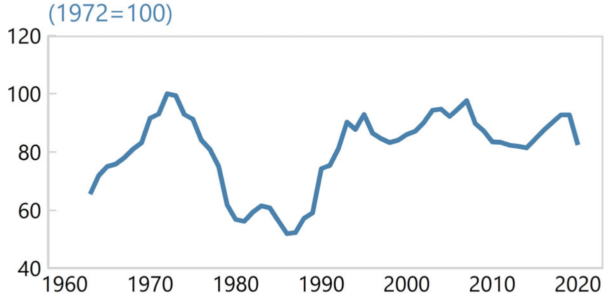
TABLES

ANNEXES

PRE-COVID LANDSCAPE

1. Jamaica has a long history of macro-economic instability and low growth. GDP per capita is lower today than it was in 1970, partly the result of repeated fiscal, BOP and/or banking crises (Box 1). However, even during expansions and calmer times growth has been low: between 1994 and 2019 GDP growth exceeded 2 percent only twice.

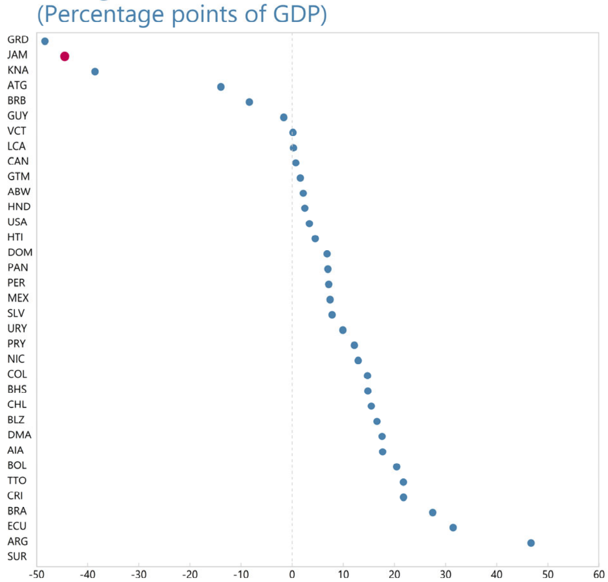
Real GDP Per Capita
(1972=100)



Source: WEO database, October 2021.
Note: Deflated by CPI.

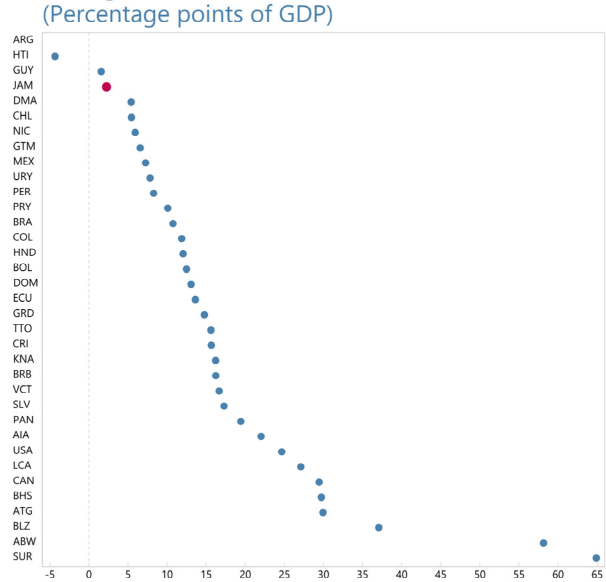
2. In the decade preceding the pandemic, Jamaica made good progress to restore macroeconomic and financial stability. Aided by Fund financial support, the fiscal deficit was brought from 11 percent of GDP in 2009 to a surplus; public debt fell from 142 percent of GDP to 94 percent; and inflation and the current account deficit declined. Jamaica institutionalized hard-won fiscal discipline through a Fiscal Responsibility Law, moving to inflation targeting, allowing for greater exchange rate flexibility, and strengthening oversight of the financial system. Despite these improvements' growth disappointed, averaging 0.6 percent during 2010-19.

Change in Public Debt to GDP ratio, 2013-2019
(Percentage points of GDP)



Source: WEO database, October 2021.

Change in Public Debt to GDP ratio, 2019-2021
(Percentage points of GDP)



Source: WEO database, October 2021.

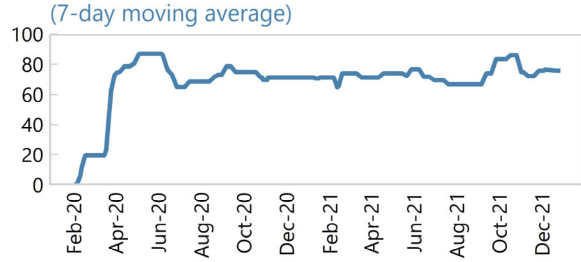
THE COVID SHOCK

3. An early lockdown in the Spring of 2020 helped contain the number of Covid-19 cases and deaths but the impact on the economy was severe. GDP declined by 18.4 percent y/y in 2020Q2 with tourism hardest hit and an important drag on transport, trading, and manufacturing.

Mobility
(Deviation from baseline)

Source: Google Mobility Indicators.
Note: Google's mobility measure is based on aggregated, anonymized sets of data from mobile device users. It compares the numbers of visitors to six categories of location with the baseline, which is the median value in a category over the five weeks from January 3, 2020, to February 6, 2020.

Oxford Stringency Index
(7-day moving average)



Source: Oxford Covid-19 Government Response Tracker (OxCGRT).
Note: The Oxford Stringency Index attempts to measure the strictness of government policies to slow the spread of COVID-19. A higher value indicates more strict policies, but the accuracy of this index is limited by the components and does not measure changes in behavior.

4. The authorities reacted swiftly with public health measures and a fiscal stimulus package of 3 percent of GDP during FY 2020/21 and FY 2021/22[1] to support jobs and protect the most vulnerable segments of the population.

- Health measures included cancellation of all large public and private events, school closings, community quarantines, curfews, and the closure of the border. Protocols for arriving visitors were adopted, including screening and risk assessment on arrival, followed by a risk-based quarantine and limits on movements. The reopening, including of tourist areas, was gradual and accompanied by capacity limits for social gatherings and operation protocols for high contact businesses.

Jamaica: Covid-19 Related Stimulus Measures

Measures	**Total Cost** (% of GDP)
Medical equipment and training for healthcare workers	0.1
Use of Contingency funds for Health care	0.1
VAT Tax cuts	0.7
Covid allocation of Resources for Employees (CARE)	2.1
Total Covid measure	**3.0**

Sources: Jamaican Authorities and staff calculations.

- The fiscal responsibility law (FRL) was suspended for one year (FY 2020/21) allowing a reduction in the fiscal balance from 0.9 to -3.1 percent of GDP. The government also reprioritized spending toward medical equipment, the training of healthcare workers, temporary income support to workers, grants to businesses, and social assistance

[1] The fiscal year runs from April-March.

payments to vulnerable segments of the population. In addition, the General Consumption Tax was reduced, and temporary tax credits were offered to SMEs.

Jamaica Covid Allocation of Resources for Employees (CARE)		
Measures	**Beneficiary**	**Cost (% of GDP)**
Business Employee Support and Transfer of cash (BEST)	Businesses in the tourism sector that retain workers earning less than the lowest tax threshold of J$1.5 million	0.20
Supporting Employees with Transfer of cash (SET)	Employees in any sector who lost their job after March 10 (date of Jamaica's first COVID case)	0.39
COVID Small Business Grants	MSME's with sales of J$50 million or less who filed tax returns and payroll returns in 2019/20	0.01
COVID General Grant	Grants targeted at occupational groups that have been particularly affected by COVID measures including barbers, hairdressers, bar operators, market vendors, craft vendors, taxi and bus operators among other groups who are registered with the appropriate authority	0.01
COVID Compassionate Grant	Unconditional grants to the informally employed and unemployed who apply	0.20
PATH program - MLSS	Social protection program	0.08
Other		1.22
Total		**2.10**

Source: Jamaican Authorities and staff calculations.

- The increased fiscal needs were financed through a drawdown of deposits (which, in turn, resulted from recent divestment of public assets) as well as financing from IFIs.

- The authorities intend to continue to adhere to best practices in procurement and contracts awarded related to the pandemic.[2] They intend to fulfill their RFI commitments by making publicly available key information on procurement contracts, including beneficial ownership information of awarded companies by end of FY2021/22. The Auditor General's Department is expected to publish an ex-post audit of COVID-related spending by end-FY2021/22.

5. The BOJ left its policy rate at its historic low (of 0.5 percent), purchased Government of Jamaica bonds, redeemed BOJ securities early, undertook repo operations to inject liquidity, and removed limits and penalties on overnight borrowing by financial institutions. The monetary base increased by 22 percent in 2020—double the growth rate in 2019—and the BOJ further loosened monetary conditions by reducing the domestic and foreign currency cash reserve requirements. The BOJ also allowed the exchange rate to adjust flexibly in response to the shock and an RFI disbursement of US$ 520 million added to international reserves.

6. The Development Bank of Jamaica rescheduled SME loans for up to three months and offered loan moratoria and payment holidays to the Business Process Outsourcing sector. In addition, the National Housing Trust reduced rates on new and existing mortgage loans while commercial banks provided loan rescheduling on a case-by-case basis for households and firms that were hardest hit by COVID-19.

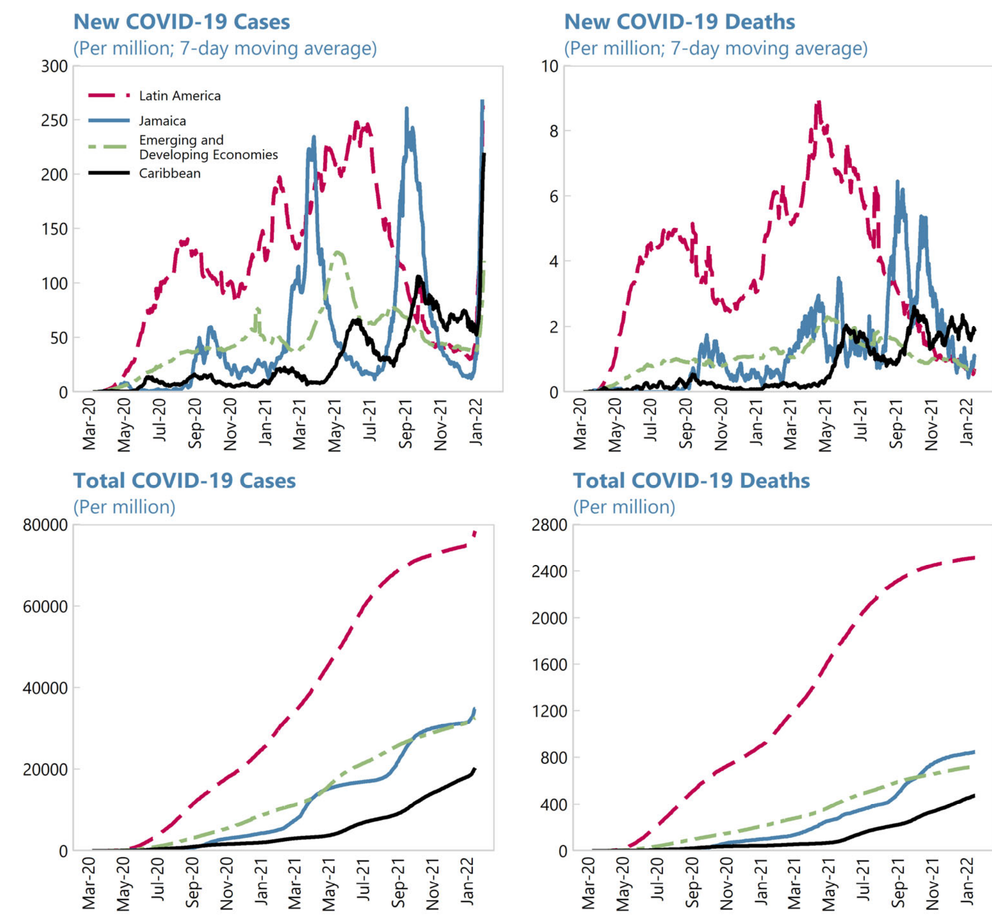
[2] All public sector purchases, including for emergency-related fast-track procedures are subject to the policies and guidelines of the Public Procurement Act of 2015. Both the Integrity Commission and the Auditor General's Department are empowered to undertake any audit of public procurement

7. A relaxation of containment measures and the reopening of the borders in 2020Q3 led to a rebound in activity. In 2021Q2, real GDP was 14.2 percent higher than a year earlier.

8. Jamaica saw a resurgence in COVID cases in the spring and again in the summer of 2021. The total number of cases and deaths per million is above the average for the Caribbean. As of January 10, 2022, about 24 percent of the population had received at least one dose, and 19 percent had been fully vaccinated. The government aims to fully vaccinate 65 percent of the population by March 2022.[3]

9. For FY 2021/22 the authorities are targeting a fiscal surplus of 0.3 percent of GDP, in line with the FRL. The budget includes 0.5 percent of GDP additional spending to continue funding of the CARE social assistance program and 1½ percent of GDP in revenues from a one-off supplemental dividend by the BOJ.

Figure 1. Jamaica: COVID



Sources: Johns Hopkins University (JHU) and IMF staff calculations.
Note: Data are as of January 10, 2022.

[3] As of January 10, 2022 , Jamaica has received 1,241,739 vaccines, including from the African Medical Supply Platform, COVAX, Canada, India, Mexico, the United Kingdom, and the United States. The vaccines are AstraZeneca, Johnson & Johnson, Sinopharm and Pfizer.

10. Inflation exceeded the BOJ's target band (of 4 to 6 percent) in August and increased to 8.5 percent in October. In the first half of 2021, inflation had been contained by a decline in food price inflation, but core inflation (excluding food and energy) has been increasing (albeit at rates that are below the target range). More recently, food price inflation has rebounded as global food prices and energy prices have risen and tropical storms affected local crops.

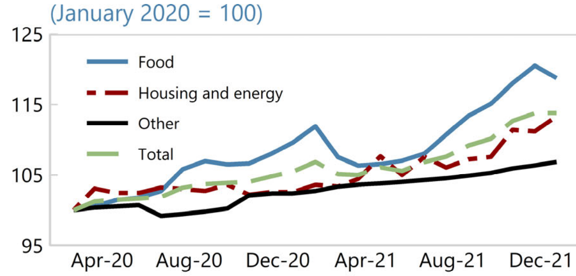
Jamaica: CPI Inflation

	Nov 20-Nov 21	Jan 20-Nov 21 (annualized)	Weight in CPI
Main CPI Components			
Food, restaurants, and accommodation services	8.3	10.9	42.4
Housing, water gas, electricity, other fuels, and transport	10.5	7.8	29.1
Other	4.4	4.1	28.5
Total	7.8	8.1	100.0

Sources: Bank of Jamaica; and Fund staff calculations.

CPI and Main Components

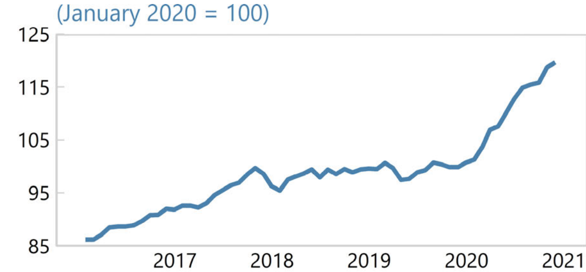
(January 2020 = 100)



Sources: Bank of Jamaica and IMF staff calculations.
Note: Food also includes restaurants and accomodation services. Housing and energy includes housing, water, gas, electricity, other fuels and transport.

Producer Price Index (PPI): Manufacturing

(January 2020 = 100)



Sources: Statistics Institute of Jamaica, Haver Analytics and IMF staff calculations.

11. The impact of the pandemic on the external sector has been small, an indication of Jamaica's improved resilience. The current account deficit for FY2020/21 narrowed slightly from 2.2 to 1.1 percent of GDP. The sudden stop in tourist arrivals and weak mining exports were mostly offset by lower oil prices and an increase in remittances.

12. The Covid shock led to an increase in poverty and unemployment. According to World Bank estimates, poverty increased from 19.3 percent in 2017 to 23 percent in 2020—reversing a declining trend. Unemployment increased from 7.3 percent in 2020Q1 to 12.6 percent in Q3. The hospitality and health care sectors (with a large share of female workers) were particularly hard hit. Unemployment has since declined, to 8.5 percent in 2021Q3 (although levels of labor underutilization are likely much higher).

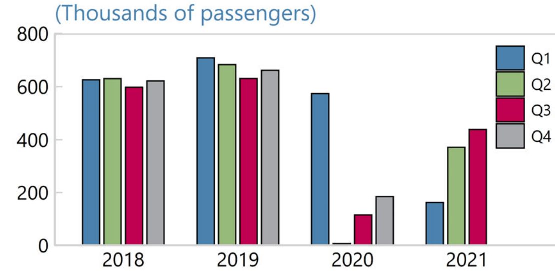
13. The conditional cash transfer program (PATH), the cornerstone of the social safety net program in Jamaica, is being further strengthened. The program has been transferred to the Ministry of Labor and Social Security (previously it was under a public investment project funded by

IFI loans); and targeting has been strengthened. The program continues to support vulnerable groups – the elderly, disabled, women and children attending schools – through cash transfers, post-secondary and tertiary education grants, and on the job training with an annual budget of around 1 percent of GDP.

OUTLOOK

14. The economy is gaining momentum. Real GDP grew by 5.8 percent y/y in 2021Q3 and is projected to have rebounded to 4.7 percent in 2021. Tourism has rebounded to near 70 percent of pre-crisis levels, despite two Covid-19 waves in 2021, and other sectors have picked up as well. Growth is projected to slow to 4.3 percent in 2022 and 1.8 percent in 2025. Real per capita GDP is expected to return to pre-crisis levels by 2024 (but will remain below the pre-pandemic trend for the five-year forecast horizon).

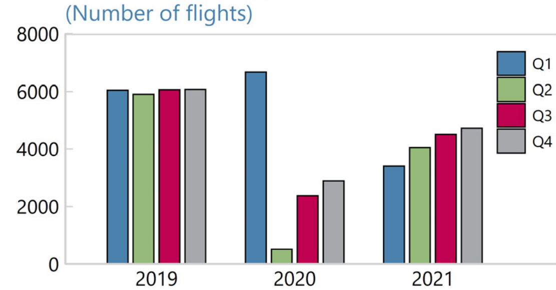
Total Stayover Arrivals
(Thousands of passengers)



Source: Caribbean Tourism Organization (CTO).
Note: Data are up to September 2021.

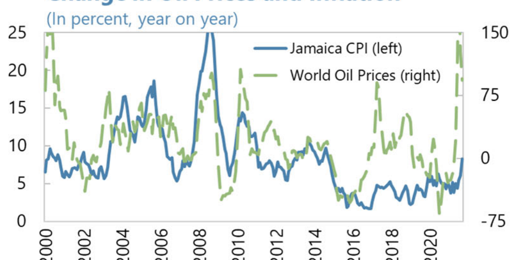
15. Headline inflation is expected to rise to 8.5 percent y/y at end-2021 and then recede to 6.1 percent y/y at end-2022, but uncertainties are high and risks are to the upside. It is unclear how much the sharp rise in global food prices will translate into higher domestic food price inflation since the traditionally strong link seems to have weakened in recent years.[4] Another risk is the rise in global energy prices and prices of other imports.

International Flight Arrivals
(Number of flights)



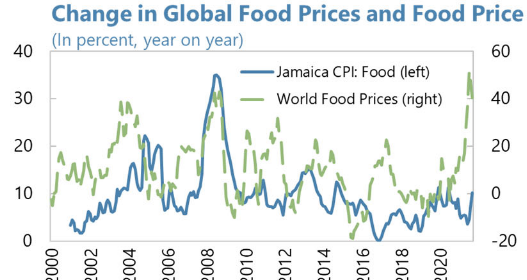
Source: Flightradar24.

Change in Oil Prices and Inflation
(In percent, year on year)



Sources: WEO database, October 2021 and IMF staff calculations.
Note: World oil prices are converted to Jamaican dollars and lagged three months. Oil prices peaked at 233 percent in July 2021.

Change in Global Food Prices and Food Price Inflation
(In percent, year on year)



Sources: WEO database, October 2021 and IMF staff calculations.
Note: World foods prices are converted to Jamaican dollars and lagged three months.

[4] Regression analysis over the 2000-2021 period suggests that a one percentage point increase in global food price inflation boosts Jamaica's inflation by 0.09 percent; a one percentage point increase in oil prices by 0.04 percentage points. The inflation forecasts assume that the pass-through has halved since the introduction of inflation targeting and uses correspondingly lower coefficients.

16. The balance of risks to activity are tilted to the downside. New Covid-19 waves, triggered by new variants of the COVID-19 virus—including omicron—could lead to a more prolonged disruption of tourism, trade and capital flows. Looking beyond COVID, US monetary tightening could lead to pressure on the exchange rate and tighter financial conditions (mitigating factors are that capital inflows are low and the government's external financing needs are modest); the FATF grey listing of Jamaica could adversely affect cross border financial flows; and natural disasters continue to be an ever-present risk. If downside risks materialize, including from Omicron, further fiscal support may be needed .On the other hand, abatement of the pandemic in Jamaica's main tourism markets could present an upside risk.

POLICY ISSUES

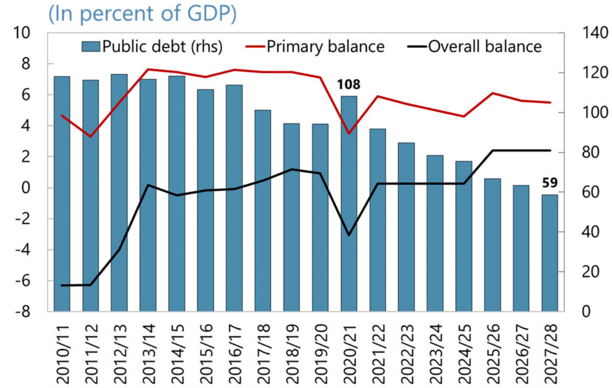
A. Fiscal Support for the Recovery While Reducing Debt

17. The government is rightly pursuing a reduction in the public debt to 60 percent of GDP by 2027/28. Debt at end-FY 2020/21 was 108 percent of GDP, and while sustainable (Box 1, Annex IV) remains vulnerable to less favorable outcomes for growth, interest rates or the exchange rate. The strong policy track record, the authorities' commitment to meet their medium-term debt target, and prudent debt management practices help mitigate potential risks.

18. An independent Fiscal Council will assess the Government's policy commitments and their consistency with the Fiscal Responsibility Law. The law to establish the Council has been passed, and the government is now working on its composition.

19. The government is targeting a fiscal surplus of 0.3 percent of GDP for FY2022-24 to FY2024/25 This is the same target as for FY2021/22 and in line with the FRL. Sticking to the fiscal rule is important to provide assurances that debt will be brought down over time. The criteria for a renewed suspension of the fiscal rule are, at this stage, not met[5] and the macroeconomic case for having a lower fiscal balance has diminished, (the output gap has fallen as the recovery has gathered pace and inflation is well above the BOJ's target).

Fiscal Developments
(In percent of GDP)



Sources: Bank of Jamaica and IMF staff estimates.

[5] The fiscal rule can only be suspended in case of a severe economic downturn, natural disaster, health and other disasters, and public emergencies, after an independent verification by the auditor general that the fiscal impact of the event exceeds the threshold of 1.5 per cent of GDP, and approval by parliament.

20. Reaching the 60 percent debt target by 2027/28 would require fiscal surpluses of around 2½ percent in the outer years.[6] Staff suggested a surplus of 1 percent of GDP from FY2023/24 onward would smooth the path to achieving the debt target and avoid having to undertake a more abrupt adjustment later on. Publication of a fiscal framework that extends to 2027/28 and shows how the debt goals will be achieved would further increase the credibility of the government's framework and help guide market expectations about future fiscal policies.[7]

21. More fiscal resources are needed for infrastructure, crime reduction, health, and education. Infrastructure needs are significant, and better infrastructure would help boost private sector growth. To reduce the high crime rate (which deters economic activity and investment) more spending on law enforcement, community responses, and other crime prevention measures are needed. The number of hospital beds and doctors per person is also relatively low.[8]

22. More resources may also be needed for natural disaster resilience and climate change adaption. Natural disaster insurance of various forms provides contingent resources of up to 4 percent of GDP. The most important elements of the current protection are: (i) a contingent credit line of USD285 million (2 percent of GDP) with the IADB; (ii) a government contingency fund for natural disasters with capital of 0.2 percent of GDP; (iii) CRIFF coverage of up to USD82 million for tropical cyclones[9]; and (iv) a recently issued catastrophe bond for US$185 million whereby, in the event of a hurricane of certain severity, the World Bank will pay out between 30 and 100 percent of the proceeds (0.4-1.3 percent of GDP).

23. The room to mobilize additional revenues by reducing tax exemptions and discretionary tax waivers is limited. A 2021 government report estimates that tax expenditures have fallen to 2 percent of GDP in 2019 (from 9 percent in 2008), with tourism, mining, and food items accounting for two thirds of tax expenditures. Discretionary tax waivers are only used for charitable causes and amount to less than 0.01 percent of GDP.

24. Unwinding of the VAT tax cuts—which were implemented during the Covid-19 pandemic—would help generate additional revenue (0.7 percent of GDP). In addition, tax administration could be further stengthened by adopting enforcement measures on non-compliant taxpayers, updating the tax registry and addressing the low on-time filing and payment rates.

[6] For the adjustment in the outer years, no revenue measures are planned. The authorities intend to cut program spending (goods and services and transfers) excluding the social protection program PATH as a percent of GDP, but no decisions have been made. The decline in tax revenue in later years is the result of the expiration of the agreement under which the housing trust payroll tax went to the treasury instead of the housing trust.

[7] The Financial Administration and Audit Act Regulations requires publication of a fiscal framework for the next four years.

[8] Improvements of PFM controls are needed, particularly related to budget execution and financial reporting and fiscal transparency related to extensive earmarking and extrabudgetary funds, which could also create additional fiscal resources.

[9] Annual premium payments to CCRIF are about 0.05 percent of GDP.

Jamaica: Baseline Fiscal Scenario, FY 2021/22–2027/28
(In percent of GDP)

	FY2021/22	FY2022/23	FY2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Total Revenue and grants	30.5	29.1	28.6	28.3	28.1	27.6	27.2
of which:							
Tax revenue (incl incentives)	26.0	26.4	26.1	25.9	25.7	25.6	25.4
Non tax-revenues	4.0	2.5	2.4	2.2	2.2	1.8	1.8
BOJ dividends	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	30.2	28.8	28.3	28.0	25.7	25.2	24.8
Primary Spending	24.6	23.7	23.7	23.7	22.0	22.0	22.3
Wage bill	10.7	10.3	10.5	10.7	10.9	10.8	10.8
Programs (goods and services, transfers)	11.6	10.9	10.5	9.9	8.1	8.4	8.4
Capital spending	2.3	2.5	2.7	3.1	3.0	2.8	2.8
Interest spending	5.7	5.1	4.6	4.3	3.7	3.2	2.5
Overall balance	0.3	0.3	0.3	0.3	2.4	2.4	2.4
Primary balance	5.9	5.4	5.0	4.6	6.1	5.6	4.9
Public debt	91.6	84.7	78.4	75.4	66.7	63.3	59.7

Source: Jamaican authorities and staff projections.

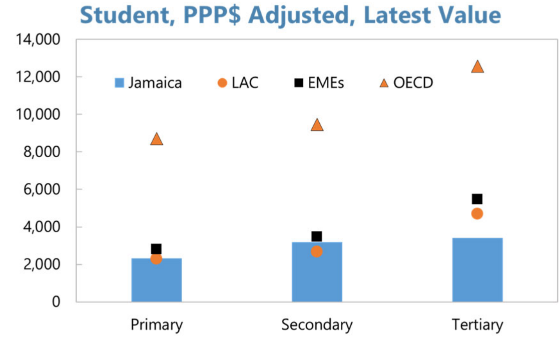
Jamaica: Alternative Fiscal Scenario, FY 2021/22–2027/28
(In percent of GDP)

	FY2021/22	FY2022/23	FY2023/24	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28
Total Revenue and grants	30.5	29.1	29.3	29.0	28.8	28.3	27.9
of which:							
Tax revenue (incl incentives)	26.0	26.4	26.7	26.6	26.5	26.3	26.1
Non tax-revenues	4.0	2.5	2.4	2.2	2.2	1.8	1.8
BOJ dividends	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	30.2	28.8	28.3	28.0	27.3	26.6	26.0
Primary Spending	24.6	23.7	23.7	23.7	23.7	23.5	23.5
Wage bill	10.7	10.3	10.5	10.7	10.9	10.8	10.8
Programs (goods and services, transfers)	11.6	10.9	10.5	9.9	9.8	9.9	9.9
Capital spending	2.3	2.5	2.7	3.1	3.0	2.8	2.8
Interest spending	5.7	5.1	4.6	4.3	3.6	3.1	2.5
Overall balance	0.3	0.3	1.0	1.0	1.5	1.7	1.9
Primary balance	5.9	5.4	5.7	5.3	5.2	4.9	4.4
Public debt	91.6	84.7	77.7	74.0	66.2	62.8	59.3

Source: Jamaican authorities and staff projections.

25. **Reducing public debt to 60 percent of GDP by 2027/28 would reduce interest payments by 3 percentage points of GDP, creating room for other expenditure.** The decline would not just be the result of the decline of debt; the maturing of the (high interest-rate) bonds from the debt exchange operation of 2010 and 2013 also plays an important role.

Government Education Expenditure per Student, PPP$ Adjusted, Latest Value



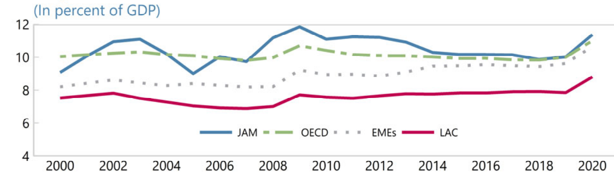
Sources: IMF FAD Expenditure Assessment Tool (EAT) and World Bank.
Note: LAC, EMEs, and OECD aggregates are averages.

26. **There is scope to make existing expenditure more effective**. Spending on primary and secondary education is in line with

other countries in Latin America and the Caribbean, but education test scores and the number of years of schooling are relatively low.

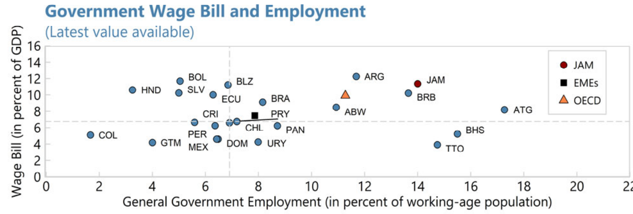
27. A new public sector wage structure has many advantages but is likely to raise the already high wage bill. The plan will simplify the current wage structure, sharply reduce the large number of allowances, and create a standardized and equitable pay structure that focuses on rewarding performance and retaining skilled employees. It also aims to reduce the large wage gap with the private sector (public sector wages are 47 percent of private sector wages) although by how much and how fast has not yet been decided.[10]

Wage Bill
(In percent of GDP)



Sources: IMF FAD Expenditure Assesment Tool (EAT), World Economic Outlook, and IMF staff calculations.
Note: Latin America and the Caribbean (LAC), Emerging Market Economics (EMEs), and the Organisation for Economic Co-operation and Development (OECD) aggregates are weighted averages.

Government Wage Bill and Employment
(Latest value available)



Sources: IMF FAD Expenditure Assessment Tool (EAT), IMF FAD Government Wage Bill and Employment Dataset, and IMF FAD Public-Private Wage Premium Dataset, World Bank.
Note: Dashed lines indicate LAC medians for wage bill and general government employment. EMEs and OECD aggregates are medians.

28. There is a need to reassess the roles and responsibilities of government. Doing so, when combined with steps to increase spending effectiveness described above, would facilitate a reduction in the size of the public workforce. This could partially offset the costs of introducing the new wage structure.

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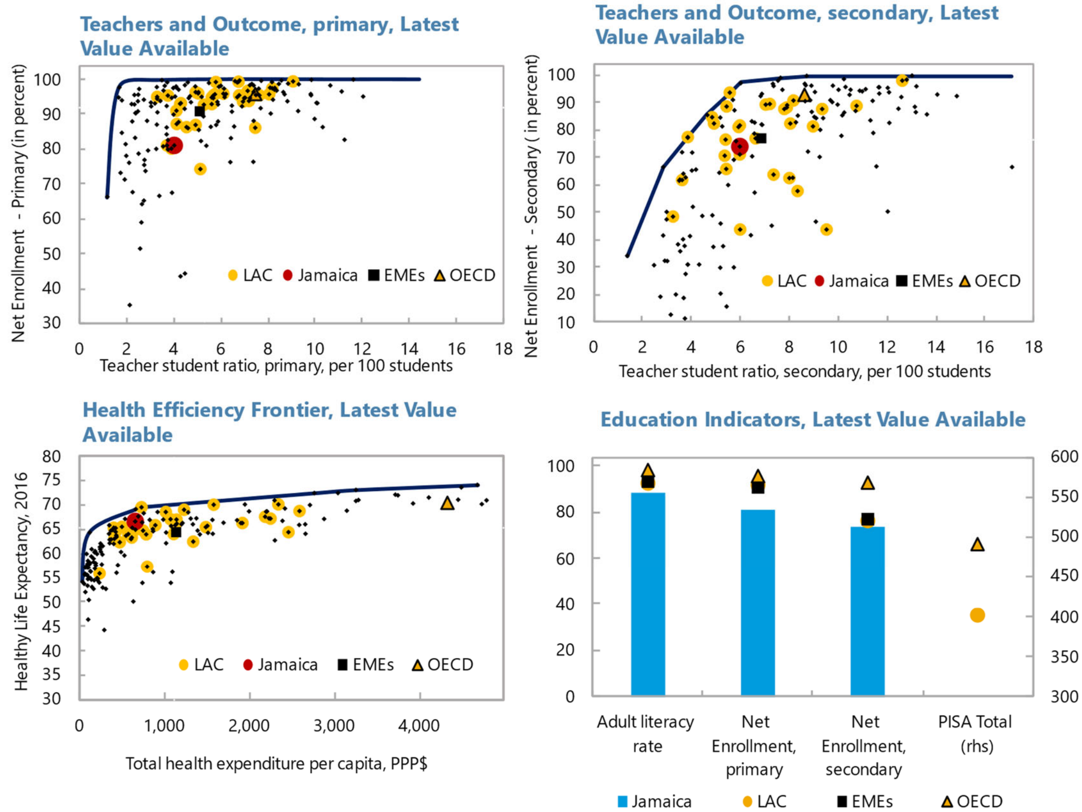
[10] Staff's fiscal projections do not account for the new wage structure.

Figure 2. Jamaica: Efficiency of Expenditure in Health and Education



Sources: IMF FAD Expenditure Assessment Tool(EAT), World Bank, and World Health Organization.

Box 1. Medium-Term Public Debt Sustainability

A more granular assessment of Jamaica's medium-term debt sustainability, using the new analytical tools of the MAC SRDSF framework, confirms a relatively high probability of Jamaica's debt stabilizing.[1]

- **Probability of debt stabilization**. A debt-GDP fan chart finds a 99 percent likelihood Jamaica's public debt will either stabilize or fall over the next 5 years.[2] There are uncertainties surrounding the baseline projection largely reflecting the debt path's sensitivity to lower growth outcomes.[3] While Jamaica's debt stock is projected to remain elevated in the near term, the country's strong track record and prudent debt management strategy mitigate potential risks.

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[1] Sovereign Risk and Debt Sustainability Framework for Market Access Countries, IMF Policy Paper No. 2021/003.

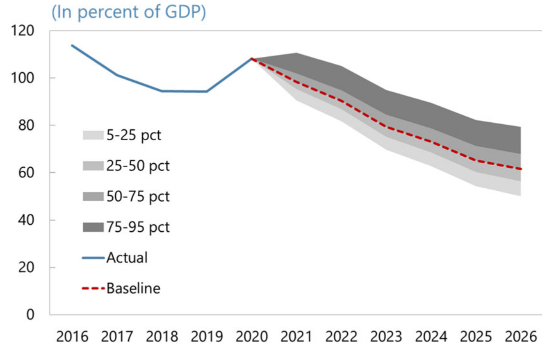
[2] This fan chart is part of the new and improved tools developed during the recent Review of the Debt Sustainability Framework for Market Access Countries, where the width and skew is determined by that of a historical fan chart which is generated by drawing stochastic realizations of the debt drivers from their joint empirical distribution.

[3] The central government debt projection based on the average historical levels of the main debt drivers would be noticeably above the staff's baseline.

Box 1. Medium-Term Public Debt Sustainability (Concluded)

Final Fanchart

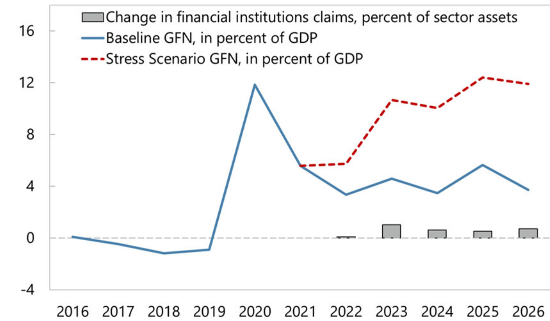
(In percent of GDP)



Source: IMF staff calculations.

Gross Financing Needs

(In percent of GDP)



Source: IMF staff calculations.

- **Rollover risks**. Jamaica has a high share of external debt (60 percent) making it susceptible to foreign exchange shocks. The recent favorable market conditions, accompanied by debt buybacks and a lengthening of maturities, meant that GFNs will remain relatively low over the medium-term. Under a stress scenario, however, banks and non-banks would need to increase their exposures to meet the sovereign's financing needs.[4] This risk is mitigated by the current moderate level of banking sector exposure to the public sector, which suggests some capacity to support expected government needs under stress. *Staff assesses that Jamaica's public GFN risks over the medium-term are therefore contained.*

[4] The stress scenario assumes shocks (of macro, fiscal, and financing conditions), which are broadly similar to those of the existing MAC DSA's stress tests, in the latter half of the projection horizon when rollover -risk mitigating factors, such as the government's large cash buffer and the Central Bank's monetary accommodation, are expected to taper off.

Authorities' Views

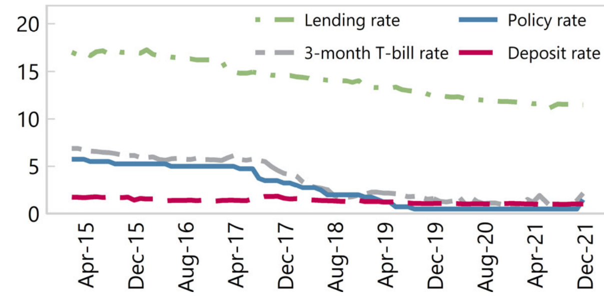
29. **The authorities underscored their strong commitment to meet the debt target of 60 percent of GDP by 2027/28 and were confident that current surplus targets were sufficient to reach the debt target.** They noted that fiscal outturns had overperformed relative to targets and they expected the fiscal overperformance to continue. They also had several divestment projects at advanced stages in the pipeline, and the proceeds would be used to pay down debt. The maturing of the (high interest-rate) bonds from the debt exchange operation of 2010 and 2013 would further reduce interest payments and create more fiscal space for spending in growth critical areas. Many infrastructure projects were nearing completion and would provide fiscal space to undertake new projects. They did not intend to roll back the VAT rate cuts.

30. **The authorities recognized the challenges posed by the new wage structure**. They noted that this reform had been long overdue, and that it had been challenging to attract and retain highly qualified staff given the large wage differences with the private sector. They had not yet decided by how much the wage gap with the public sector would be reduced or how fast, but it would be spread out over several years. They stressed that reforms would focus on efficiency gains rather than a direct reduction in public sector employment and emphasized that employment reduction should be weighed against the negative impact it could have on service delivery.

B. Monetary and Exchange Rate Policy

31. Monetary policy has been very accommodative for an extended period. A series of rate cuts since 2017 had reduced BOJ policy rates to a historic low of 0.5 percent, well below the estimated neutral rate (of about 4 percent in nominal terms). This allowed commercial bank lending rates to fall (although net interest margins remain relatively high).

BOJ Policy Rate, Deposit, and Lending Rates
(In percent)

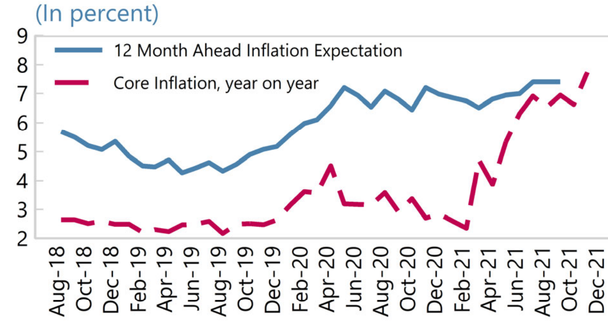


Source: Bank of Jamaica.

32. Rising inflation led the MPC to increase the policy rate by 100 basis points in October, and 50 basis points in both November and December 2021. In its December meeting, the MPC noted that large increases in international commodity prices and shipping costs had had a stronger than projected pass-through to local prices. It projected that inflation would return to the target band in the second half of 2022, but considered inflation risks skewed to the upside and agreed to consider further increases in the Bank's policy rate and accompanying measures at subsequent policy meetings.

33. Further interest rate increases may well be needed. While on current projections of global food and energy prices, inflation should return to the target band by end-2022, continued upward surprises in inflation could de-anchor expectations and jeopardize the ability to reduce inflation back to the BOJ target range.[11] To firmly anchor inflation expectations (which are currently well above the target), underline the central bank's commitment to its inflation goal, and bring inflation to well within the target range by end-2022, there is a case for a continued path of raising the policy rate toward neutral. In making these judgments, it would be extremely helpful for the BOJ to begin collecting information on inflation expectations over a 2-3 year horizon (currently only 1-year ahead expectations are available).[12] Also,

Core Inflation and Expected Annual Inflation
(In percent)



Sources: Statistics Institute of Jamaica and Bank of Jamaica.

[11] Another—more modest—risk to inflation is the exchange rate. Staff regressions suggests a one percent depreciation of the exchange rate increases inflation by 0.12 percentage points.

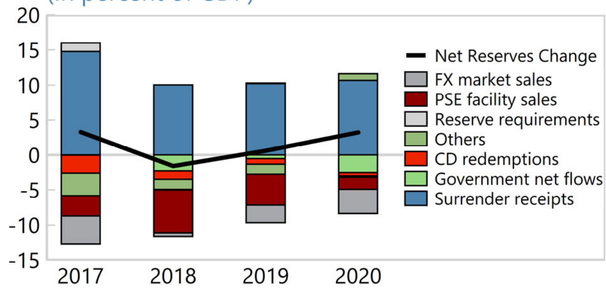
[12] The ongoing public sector wage negotiations will be another element for BOJ's policy consideration. To date, most unions have accepted the government's proposal of a 4 percent wage increase for April 2021 to March 2022.

it is worth noting that even with the proposed gradual path for policy rates, monetary conditions would remain very accommodative.[13]

34. To increase market tansparency and reduce its footprint, in 2020, the BOJ implemented the first phase of a Foreign Exchange Trading Platform. Deposit-taking institutions and cambios can now place orders to buy and sell US dollars and execute trades on the platform.[14]

Reserve Changes by Component

(In percent of GDP)



Sources: Bank of Jamaica and IMF staff calculations.
Note: Includes an RFI disbursement of 3.3 percent of GDP in 2020.

35. Reserve coverage is adequate. The US$520 million SDR allocation in August 2021 helpfully served to boost reserve coverage. At end-2021, gross reserves are expected to be 8.7 months of imports of goods and services and 141.8 percent of the ARA metric.

36. The external position in 2020 was broadly in line with fundamentals and desirable policies (Annex 1). The current account deficit in 2020 (0.8 percent of GDP) is (even after adjustments for the Covid-19 pandemic) well below the current account norm of a deficit of 7.6 percent of GDP,[15] suggesting an exchange rate undervaluation of 15 percent. However, a current account deficit that is as high as the estimated norm would likely prove difficult to finance and lead to an unsustainable accumulation of net international liabilities. This is especially pertinent since the Net International Investment Position has deteriorated sharply in the past decade (from -132 percent of GDP in 2010 to -1846 percent in 2020). Furthermore, exports of goods and services have stagnated in the past few decades, a sign of weak competitiveness, while the sharp increase in remittances has boosted import consumption.

37. Jamaica's capacity to repay the Fund remains adequate, with risks mitigated by its strong track record of policy implementation and past use of Fund resources.

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[13]Staff analysis suggests an increase in real policy rates by 100 basis points reduces inflation by 0.4 percentage points after 1 year.

[14] Staff also identified that the current system of exchange rates, gives rise to a multiple currency practice, due to the absence of a mechanism to prevent the exchange rates used for the resale of foreign exchange auction funds (capped with a specified spread) by participants and the exchange rates at which such participants sell foreign exchange other than from the foreign exchange auction funds, from deviating by more than 2 percent. Jamaica previously maintained a multiple currency practice due to the absence of a mechanism in the multiple price foreign currency auction to prevent exchange rates of accepted bids from deviating by more than 2 percent. In September 2020, the existing MCP was eliminated. The spread of ± 1.0 percent around the reference rate, which was introduced in April 2020, prevented the exchange rates between the winning bids from deviating by more than 2 percent, resulting in the elimination of the existing MCP arising from the multiple price auction. Moreover, in September 2020, the BOJ moved from the multiple price auction to the uniform price FX auction where all winning bids are settled at a single price.

[15]A sharp decline in service exports (12.1 percentage points of GDP) was more than offset by import compression (10.5 points; in part the result of lower oil prices)) and a large increase in remittances (5.5 points).

38. Safeguards Assessment and BOJ Act. The BOJ has implemented all recommendations from the 2017 safeguards assessment. The BOJ Act was amended towards the end of 2020 giving significant autonomy to the central bank, and further strengthening governance arrangements.

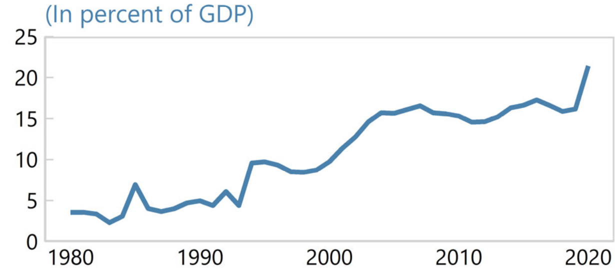
Authorities Views

39. The authorities agreed that tighter monetary policy might be needed. They noted that the recent pass-through had been higher than expected and that policy rates were still well below the neutral rate (which they estimated at between -2.5 and +2.5 percent in real terms.) While tightening would have some impact on the economy, the recovery was very strong.

40. The BOJ's policy is to allow the exchange rate to adjust flexibly to developments, intervening only to prevent potential disorderly movements in the exchange rate. The BOJ's foreign exchange market strategy focuses on ensuring liquidity in the market, while allowing the exchange rate to adjust according to economic fundamentals; ensuring adequate reserves; and boosting market transparency through expanded use of the FX trading platform.[16]

Personal Remittances Received

(In percent of GDP)

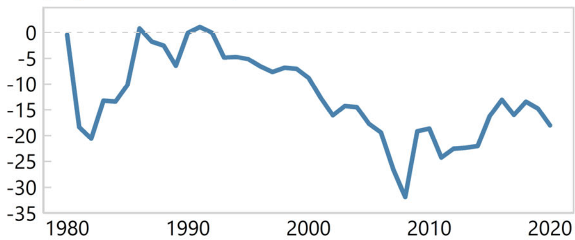


Source: World Bank.

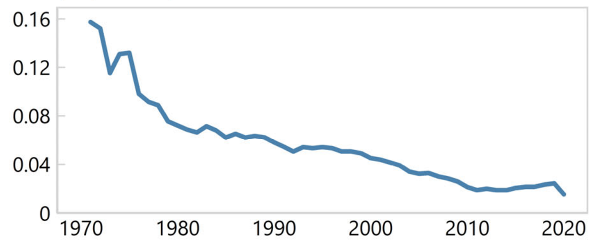
41. The authorities agreed that the real exchange rate was broadly in line with fundamentals. To reduce Jamaica's NIIP to 70 percent of GDP (which they considered a more desirable level than the 177 percent of GDP at end-2020), a current account balance of at most 2.2 percent of GDP would be needed—only slightly higher than their estimate of the underlying deficit of 0.9 percent of GDP. They argued that strong remittances had not just boosted consumption: they had also contributed to human capital (paying for university education in the US) and provided capital for start-ups.

42. They welcomed the boost that the SDR allocation had given to their foreign reserve buffers. Reserves were now at an all-time high (at US$4.7 billion in mid-November, representing 143.8 percent of the ARA), but given the susceptibility of Jamaica to shocks, significant reserve cushions were desirable. Moreover, no use of the SDR allocation for government liability management was considered given the limitations in the central bank law on lending to the government.

[16] With respect to the multiple currency practice, the BOJ views that the capping of the spread on the resale of foreign exchange auction funds is needed to mitigate price gouging.



Source: WEO database, April 2021.



Source: WEO database, April 2021.
Note: Exports include goods and services.

C. Deepening Financial Stability

43. The financial sector has remained well capitalized and liquid during the pandemic. At end-2020, deposit taking institutions (DTI)[17] had a Capital Adequacy Rate in 2020 of 14.4 percent (well above the regulatory minimum of 10 percent) and an NPL ratio of less than 3 percent.[18] Bank balance sheets have been helped by regulatory forbearance and liquidity support by the BOJ and by rapid growth of deposits, which grew by almost 17 percent in 2020[19]– nearly double the rate in each of the last two years.[20] Non-deposit taking institutions were also profitable and stable, with more than sufficient capitalization. Nevertheless, the longer-term impact of COVID on corporate balance sheets in the most affected sectors and potential implications for banking sector credit risks remains uncertain.

Jamaica: Financial Sector Profitability and Capital Adequacy Indicators
(As of end-2020)

	ROA	ROE	NPL	CAR
Deposit Taking Institutions	1.3	9.4	2.8	14.4
Securities Dealers	1.8	11.6	2.4	22.3
Life Insurance Companies	3.4	10.6	n/a	214.6
General Insurance Companies	0.7	5.2	n/a	281.1
Credit Unions	1.6	8.5	4.2	n/a

Sources: Bank of Jamaica (BOJ); Financial Services Commission (FSC); Capital Adequacy Ratio (CAR) for life insurance and general insurance represented by Minimum Continuing Capital and Surplus Requirement (MCCR) and Minimum Capital Test (MCT).

[17] The DTIs account for about 47 percent of the financial sector assets.

[18] More recent FSI indicators show similar figures.

[19] FX deposits grew by 18.4 percent, domestic accounts by 15.8 percent.

[20] On 31 August 2020, the JIDC coverage limit on deposits was doubled do J$1,200,000 effectively covering about 98 percent of the accounts in the system (FSA p. 4).

44. Most temporary support measures (see Appendix V) for the financial sector have been phased out.[21] The stock of loans under moratoria has been progressively phased out and regular classifications have resumed. The NPLs have moved up only slightly and remain under 3 percent of total loans after the regular classification practices resumed in May 2021.

45. Systemic financial risks are contained. The BOJ's financial stability systemic vulnerability index increased marginally between end-2019 and end-2020. However, end-2020 stress tests conducted by the BOJ showed that DTIs were broadly resilient to (combinations of) plausible tail events. Securities dealers were sensitive to interest rate shocks, and insurers to interest rate and currency appreciation shocks but neither appeared to pose a systemic financial stability risk due to the strength of their balance sheets and availability of capital and liquidity buffers.

46. The supervision of financial conglomerates needs to be strengthened. The financial sector is dominated by complex financial conglomerates that operate in multiple jurisdictions that have different oversight practices, and cross-border and financial subsectors linkages are concentrated in a few entities. Risks arise from concentrated ownership, related party and large group exposures, and off-balance sheet positions. Even with proper separation between bank and nonbank group members, direct and indirect exposures could be a source of contagion. The FSC is drafting an amendment to facilitate the consolidated supervision of NDTIs groups and has established a joint working group with the BoJ working group on consolidated supervision. Strong efforts are needed to finalize adoption of the remaining legislative framework for group-wide supervision and continue advancement with data gathering and analytics particularly of inter-institution linkages and cross-border exposures.

47. Legislation for the special resolution regime for the orderly resolution of distressed financial institutions also needs to be adopted. The legislation proposes a framework for the resolution of financial institutions in line with international standards that facilitates the orderly resolution of non-viable institutions while protecting financial stability and the public funds. The process to adopt the SRR has been protracted and is now in its fifth year.

48. Swift implementation of the action plan agreed with the FATF is needed to exit the FATF grey list and avoid potential disruptions to Correspondent Banking Relationship. A review in January 2021 of Jamaica's compliance with FATF recommendations concluded that while Jamaica had made progress since the 2017 evaluation, it still had 13 (out of 40) partially compliant ratings for technical compliance and low or moderate levels of effectiveness for 10 out of 11 effectiveness outcomes. It recommended Jamaica should work on:

- Including all financial institutions and designated non-financial businesses and professions in the AML/CFT regime and ensuring adequate, risk-based supervision;

[21] In August 2021, only 1.9 percent of gross loans (JS 21.3 billion) remained under moratorium

- Taking measures to prevent legal persons and arrangements from being misused for criminal purposes, and ensuring that basic and beneficial ownership information is available on a timely basis;
- Increasing the use of financial intelligence ML investigations and prosecutions; and
- Implementing a risk-based approach for supervision of the NPO sector to prevent abuse for TF purposes.

49. The recently adopted national risk assessment—prepared by the government in satisfaction of a key action item in the Action Plan agreed with the FATF—of the country's ML/TF risks should help design adequate policies. The authorities are developing a risk-based supervisory framework for deposit taking institutions, cambios and remittance companies. In addition, Jamaica has committed to implement the International Standard for Automatic Exchange of Financial Account Information in Tax Matters in 2022 to identify tax evasion and increase tax compliance

50. In August 2021, the BoJ launched a Central Bank Digital Currency (CBDC) pilot, as part of its financial inclusion strategy. CBDC is not a crypto-currency but a digital form of legal tender. It is a two-tiered system in in which the CBDC is distributed through DTIs and authorized payment service providers via digital wallets, to customers solely for domestic use. The BoJ's CBDC is similar to DCash (the digital currency currently piloted by the ECCB) and the Bahama's Sand Dollar (the digital currency issued by the central bank of the Bahamas).

Authorities' Views

51. The authorities considered that the financial sector had withstood the pandemic well. The institutions' resilience and adaptability had been aided by close cooperation between regulators.[22]

52. They noted that consolidated supervision was advancing. They were currently running a pilot project for consolidated supervision of a single financial holding company which would inform risk-based extension of the supervision to the rest of the sector. They expected the legislation to advance apace and noted the delays had been due to shortages of qualified staff for drafting and reviewing legislation in government institutions and the pandemic. They agreed that the legislation for the special resolution regime was an important element of the financial sector legislative framework and expected that it would be adopted soon.

53. They were working to complete the remaining action items of the action plan agreed with the FATF. They aimed to fully comply on the partially compliant recommendations and ensure they remained complaint on already compliant recommendations. They were also committed to implementation of the policy recommendations and administrative measures identified in the 2021 National Risk Assessment.

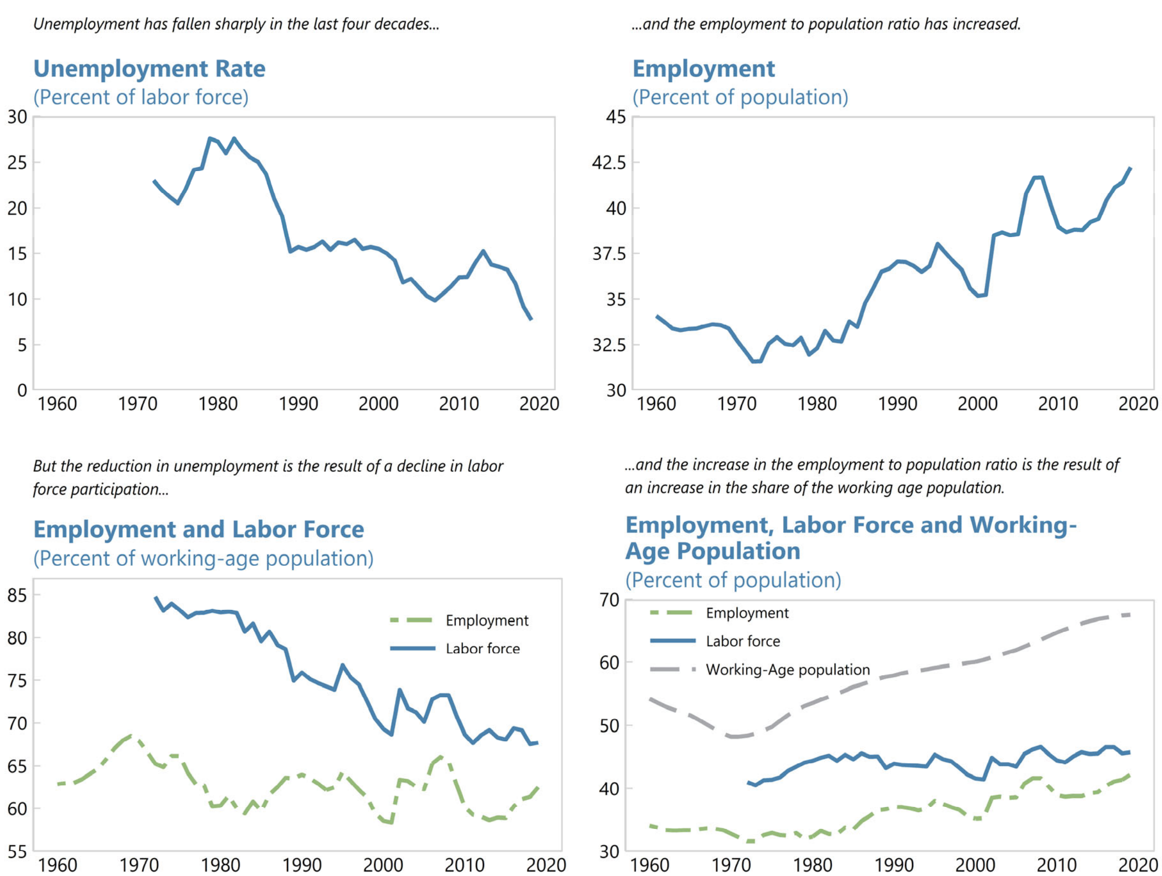
[22] The BOJ regulates the DTI; the Financial Services Commission the NDTI.

54. They expected to roll out the CBDC nation-wide after the legislation necessary for CBDC usage had been passed (which they expected before end-March 2022). The BoJ hoped the CBDC would promote digitalization and financial inclusion, increase payment safety and efficiency, and lower costs of processing welfare payments. It also noted that its competencies for tracking payments and existing legislation will address AML/CFT risks.

D. Boosting Productivity and Strengthening Governance

55. In the last few decades, labor productivity has steadily declined. Both TFP and the capital stock per worker have fallen. GDP per capita has not fallen commensurately because of an increase in the employment to population ratio—the result of demographic factors which may soon move into reverse as the population ages (Figure 3).

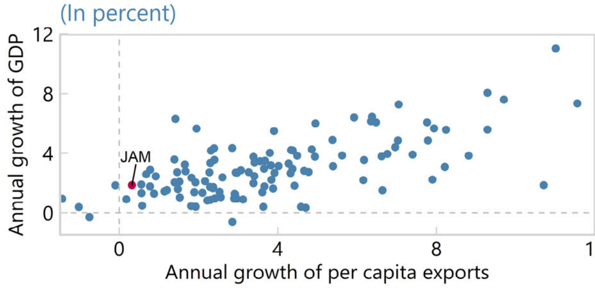
Figure 3. Jamaica: Employment Indicators



Source: Penn World Tables 10.

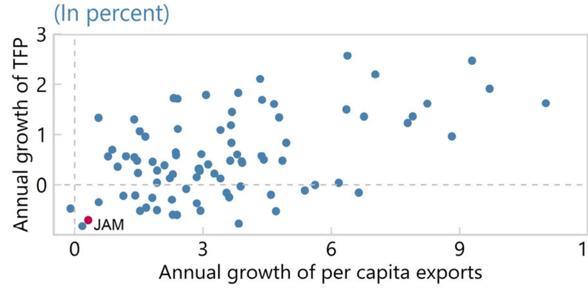
56. Low productivity growth may have been partly the result of weak export performance. [23] Traditionally, Jamaica exported minerals, agriculture and textiles—but these sectors have declined over time. Alumina exports lost market share to more efficient, lower cost competitors. Agricultural and textile products were hit when preferential trade agreements expired. This has been only partially offset by an increase in tourism receipts. With very little growth in exports there was little scope for returns to scale that boosted productivity. Low export growth may have been exacerbated by large remittances inflows, which boosted the non-tradable sector at the expense of the tradable sector.[24]

Per Capita Exports and Per Capita GDP
(In percent)



Sources: WEO database, April 2021; Penn World Tables 10; and IMF staff calculations.
Note: Exports include goods and services. Data does not include major oil exporters.
Annual growth in exports and GDP is from 1994 until 2019.

Per Capita Exports and TFP
(In percent)



Sources: WEO database, April 2021; Penn World Tables 10; and IMF staff calculations
Note: Exports, TFP, and GDP are in US$ and deflated by the U.S. GDP deflator.
Annual growth in exports and TFP is from 1994 until 2019.

57. Several structural factors have held back exports and productivity.

- **High rates of crime.** Crime has both direct costs (the associated security costs) but also indirect costs—it deters tourism, foreign investment, investments in education by young Jamaicans, and local economic activity. The overall costs for Jamaica have been estimated at 4 percent of GDP.[25]

- **Low levels of human capital.** This problem reflects both low years of schooling and test scores. There has also been significant emigration of university graduates.

- **Weak infrastructure, particularly in logistics and energy,** which has suffered from under investment and insufficient maintenance.[26] Jamaica's electricity costs are the fourth highest in the world, [27] and its infrastructure is assessed to be weaker than the average in LAC in the World Bank Logistics Performance Indicator.

[23] See also the accompanying Selected Issues Paper.

[24] While the economic literature is not unanimous, many papers have found a negative impact of remittances on export growth. See for example the meta-study of Makhlouf (2013).

[25] Jaitman and Torre (2013).

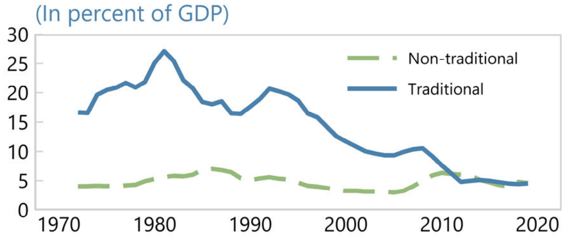
[26] See Country Infrastructure Briefs: Caribbean Region | Publications (iadb.org)

[27] Jamaica electricity prices, March 2021 | GlobalPetrolPrices.com

- **Cumbersome business procedures**, in particular, those related to cross-border trade and paying taxes . Access to finance for SMEs remains a challenge (banks mainly lend to households and large companies).

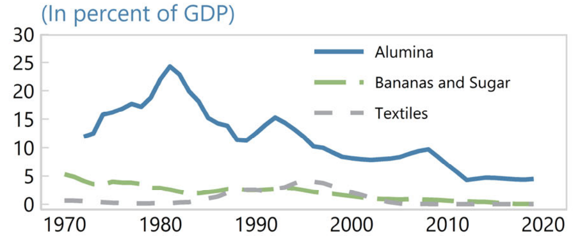
- **Strong competition from CAFTA-DR and NAFTA countries** with free trade agreement access to North America markets**.** Moreover, import tariffs are high, especially on agricultural products where the average MFN tariff is 22 percent, sheltering domestic producers from competition.

Goods Exports
(In percent of GDP)



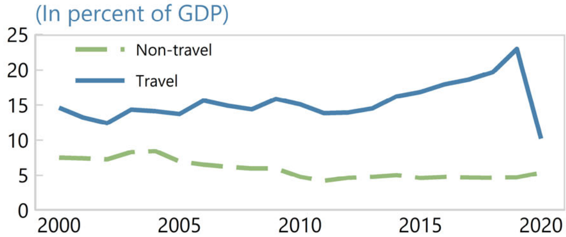
Sources: UN Comtrade and IMF staff estimates.

Traditional Goods Exports
(In percent of GDP)



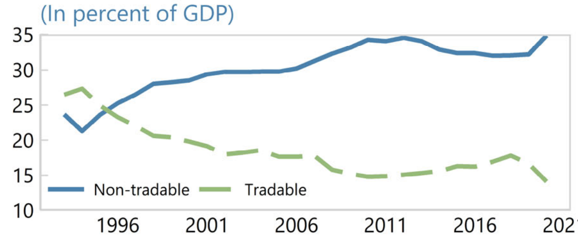
Sources: UN Comtrade and IMF staff estimates.
Note: Traditional export products include alumina, banana, sugar, and textiles.

Service Exports
(In percent of GDP)



Sources: UN Comtrade and IMF staff estimates.

Tradable and Non-tradable Sector
(In percent of GDP)



Source: Haver Analytics.
Note: Tradable includes hotels and restaurants, manufacturing, and mining. Non-tradable includes government services, real estate, renting and business activities, and construction.

58. Government policies are needed to support newly emerging industries and ease long-standing constraints on development.

- **Reduce crime**. Low school attendance and poor educational attainment, combined with a culture of physical violence towards women and children could be fostering a vicious cycle of low opportunities, violence, crime, and low growth. Permanently reducing crime will require a broad-based strategy that focuses on dismantling violent criminal gangs, keeping the young in the education system and providing attractive employment opportunities for them once they graduate.

- **Improve education and training.** Interventions to improve school attendance, skills training for the youth, and early childhood education could increase economic opportunity, particularly for the young. To lower the costs of school attendance the government aims to expand the school meals program and improve rural transportation. More investment may be needed to improve the quality of teachers and increase the use of information technology.

- **Improve infrastructure, particularly logistics and energy.** Rehabilitate existing transportation infrastructure, including roads, rail, and traffic infrastructure, as well as other public and industrial transport investments. Include investments in energy to reduce production and transmission costs and losses, improve reliability, and advance a transition to renewables to replace ageing fossil-fuel generation.

- **Reduce business costs and lower barriers to international trade:** Streamline customs procedures including through higher reliance on risk-based inspection and gradually reduce import tariffs and charges. Improve access to finance for SMEs.

- **Within CARICOM, promote lower regional barriers to trade with other regions**, including through free trade agreements.

- **Strengthened governance of fiscal and financial sector institutions would further aid with productivity improvement.** Measures to reduce discretionary tax exemptions on the fiscal side, and to enhance financial sector supervision, including of complex conglomerates, will boost transparency and help level the playing field to facilitate private sector development (including of SMEs).

Authorities' Views

59. The authorities agreed on the need to boost productivity and exports. They attributed low productivity growth to the fact that the two main economic sectors (tourism and construction) have low value-added. They thought that Jamaica should diversify its exports and move up on the value chain and hoped that the rapid growth of call centers and other companies in the Special Economic Zones (SEZs) would contribute towards this goal. They indicated that their SEZs strategy is not solely reliant on tax incentives (which are now less generous than in the past), but largely hinges on providing quality infrastructure, training workers, and facilitating business procedures. High crime, low human capital, high energy costs, weak infrastructure, and loss of preferential access to large markets were seen as the most important constraints on growth.

60. To reduce high energy costs, the government aims to rapidly shift away from fossil-based fuels towards renewable energy. By 2030, 30 percent of energy should be generated from solar, wind, and hydropower energy, up from about 10 percent currently. The shift would take place through private sector investment and should help reduce high energy costs.

STAFF APPRAISAL

61. In the decade preceding the pandemic, Jamaica made good progress to institutionalize macroeconomic and financial stability. The fiscal deficit and public debt were reduced sharply, and inflation and the current account deficit declined. Jamaica underpinned this hard-won fiscal discipline through a Fiscal Responsibility Law, inflation targeting, greater exchange rate flexibility, a structural reduction in vulnerabilities associated with securities dealers, strengthened oversight of the financial system, and Central Bank independence.

62. Once the pandemic recedes Jamaica should restart debt reduction and rebuild buffers, given high susceptibility to shocks (including natural disasters) and risks to debt sustainability. The government's goal to reduce debt to 60 percent of GDP by 2027/28 remains appropriate.

63. In the near term, re-prioritizing expenditure and increasing revenue could provide additional resources for infrastructure, other growth-enhancing expenditures, and natural disaster resilience. Over the medium-term, the decline in interest payments associated with the reduction of public debt and lower financing costs will also help free up additional resources.

64. Containing the wage bill would help avoid a crowding out of other expenditures. A reassessment of the various roles and responsibilities of government, as well as increasing efficiency in the provision of public services, that would facilitate a reduction in the size of the public workforce, could help offset the costs of the new wage structure.

65. A further tightening of monetary policy may well be needed to firmly anchor inflation expectations, underline the central bank's commitment to its inflation goal, and bring inflation to within the target range by end-2022**.** The authorities have requested temporary approval of the new multiple currency practice. Staff supports the request, given that the measure is imposed for non-balance of payments reasons, does not materially impede balance of payments adjustments, does not harm the interest of other members and is non-discriminatory.

66. Removing supply side constraints to growth should be among the central policy priorities in the coming years to further reduce poverty. Even before the pandemic, growth in Jamaica has been anemic. Low growth can partly be explained by the decline of Jamaica's traditional export industries, but it has also been held back by supply-side constraints. Education and training need to become more effective and attuned to labor market needs; infrastructure, logistics, and digitalization would benefit from an upgrade; energy sources from a shift towards renewables; crime needs to be contained; and barriers to trade with other regions should be lowered.

67. The supervision of financial conglomerates needs to be strengthened by adoption of the remaining legislative framework for group-wide supervision and continued advancement with data gathering and analytics of inter-institution linkages and cross-border exposures. Legislation for the special resolution regime for the orderly resolution of distressed financial institutions also needs to be adopted.

68. Swift implementation of the action plan agreed with the FATF to strengthen the AML/CFT regime will support timely exit from the FATF grey list.

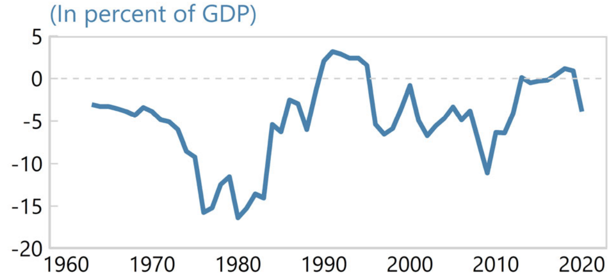
69. It is recommended that the next Article IV consultation takes place on the standard 12-months cycle.

Box 2. History of Macroeconomic Instability

In the decade following independence in 1962, GDP grew strongly, driven by foreign direct investment in mining, sugar, and manufacturing. But the benefits of prosperity were unevenly distributed, and unemployment and inequality rose.
A government that came to power in 1972 sharply expanded social and economic programs and the government's involvement in the economy. Government spending rose from 23 percent of GDP in 1972 to 45 percent of GDP in 1978, and the fiscal deficit rose to 15 percent of GDP. The rise in fiscal deficits was compounded by external shocks, including the 1973-74 oil shock and a softening of aluminum prices. Declining private sector confidence led to a sharp drop in private investment, and capital began to flee the country. Growing fiscal deficits were financed with central bank and external loans.

Fiscal Balance

(In percent of GDP)

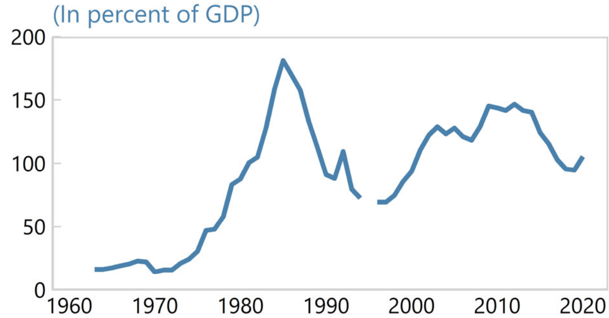


Sources: WEO databases, April 2021 and October 1993.
Note: Prior to 1990, data is from the central government, but from 1990, data is from the general government.

A government that came to power in 1980 changed course and implemented more market-oriented policies. The government cut public expenditure and sharply devalued the exchange rate to reduce balance of payments deficits. With much of the public debt fx-denominated, this led to a sharp increase in public debt, reaching 150 percent of GDP. But as the economy started growing again and deficits were contained, the debt ratio started to fall thereafter, to 84 percent in 1995.

General Government Debt

(In percent of GDP)

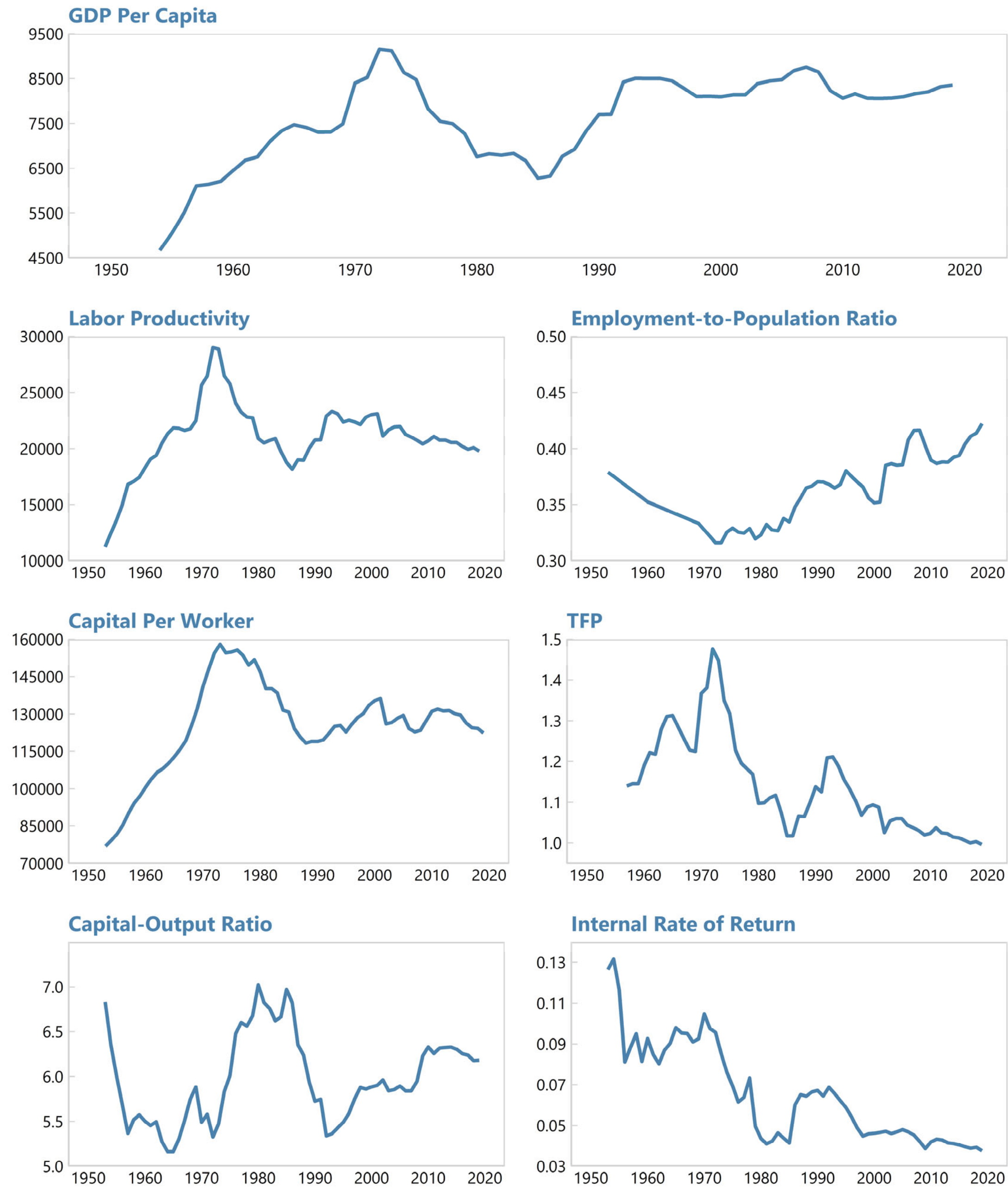


Source: Haver Analytics.

A banking crisis in the mid-1990s led to a new fiscal and debt crisis. During the 1980s the financial sector had been liberalized, but without adequate strengthening of the regulatory and supervisory framework. The result was a boom in private sector credit, and the emergence of new large financial conglomerates, including of banks and life insurance companies. From 1991 onwards (when inflation reached 80 percent), monetary policy was tightened, and real interest rates rose sharply. Real estate prices fell, which led to problems for life insurance companies which had invested heavily in this sector and the banks associated with them. In 1996, a banking crisis ensued. A blanket deposit guarantee helped restore stability but added almost 40 percent of GDP to the debt. High interest rates and rising debt then led to a renewed vicious cycle, with interest payments peaking at 17 percent of GDP in 2009.

Figure 4. Jamaica: Real GDP and Production Factors

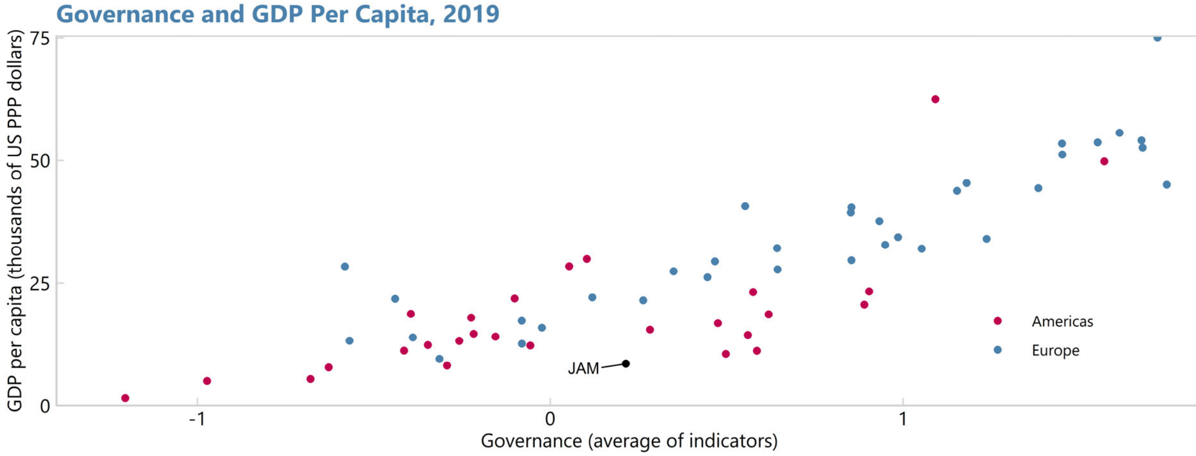
(In constant US dollars)



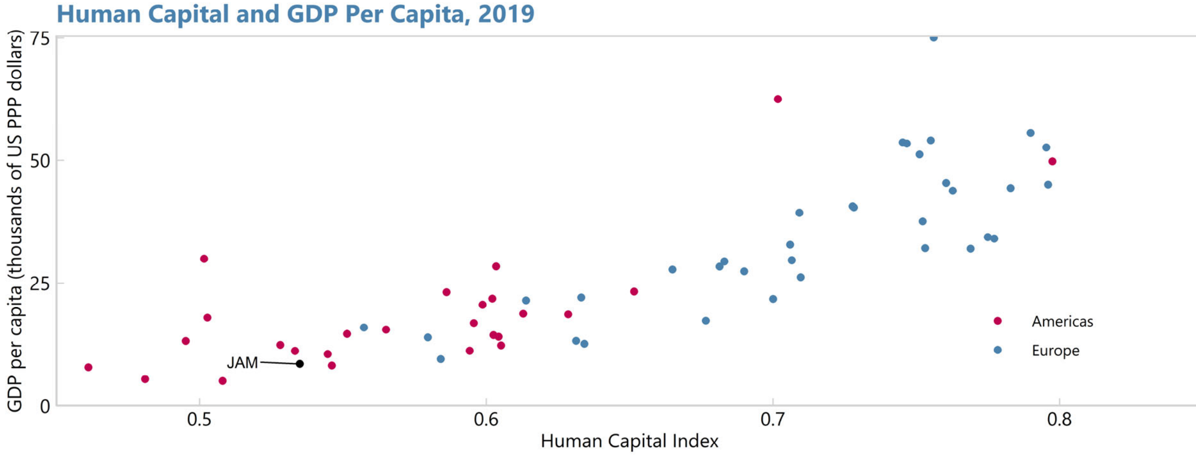
Sources: Penn World Tables 10 and IMF staff calculations.

Figure 5. Europe and Americas: Structural Factors and GDP per Capita

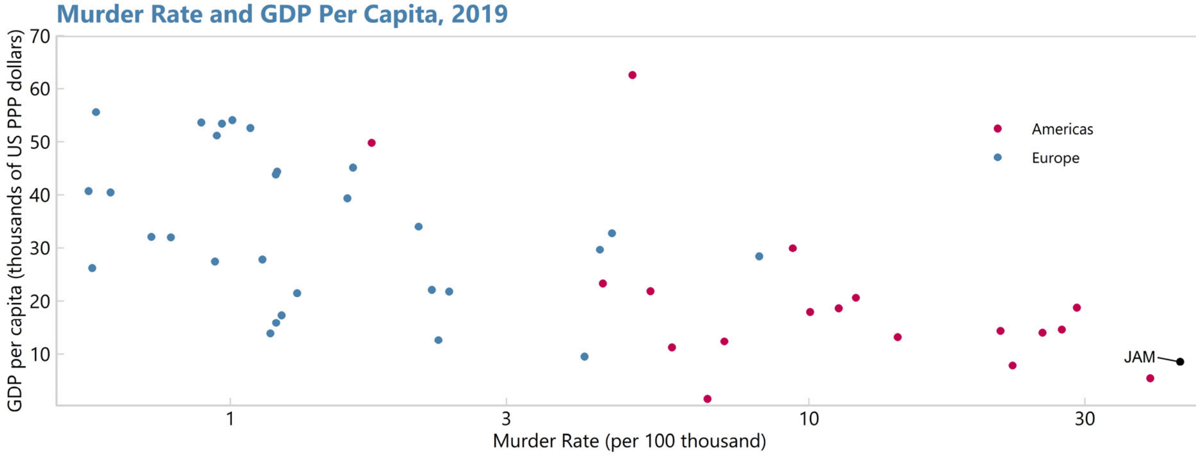
Governance and GDP Per Capita, 2019



Human Capital and GDP Per Capita, 2019



Murder Rate and GDP Per Capita, 2019

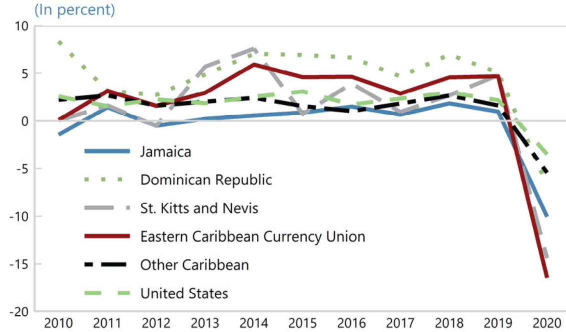


Sources: GDP per capita, Penn World Tables 10; Worldwide Governance Indicators, Daniel Kaufmann (Natural Resource Governance Institute and Brookings Institution) and Aart Kraay (World Bank); Human Capital Index, World Bank; and murder rate, UN Office on Drugs and Crime's International Homicide Statistics database.
Note: The accuracy of the Worldwide Governance Indicators and the Human Capital Index can be biased by experts' views.
The governance indicator is the simple average of the six indicators from Kaufmann and Kraay's Worldwide Governance Indicators.
The Human Capital Index attempts to calculate the contributions of health and education to worker productivity.

Figure 6. Jamaica: Real Sector Developments

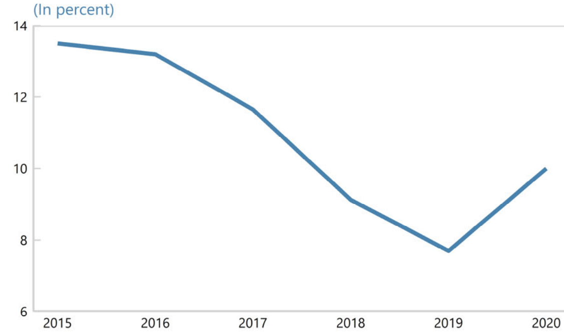
The COVID-19 shock led to a massive economic contraction…

Real GDP Growth
(In percent)



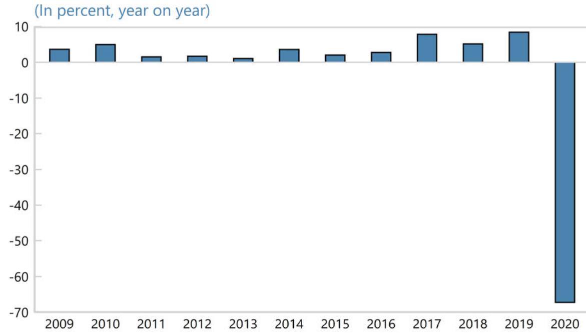
..and rise in unemployment.

Unemployment Rate
(In percent)



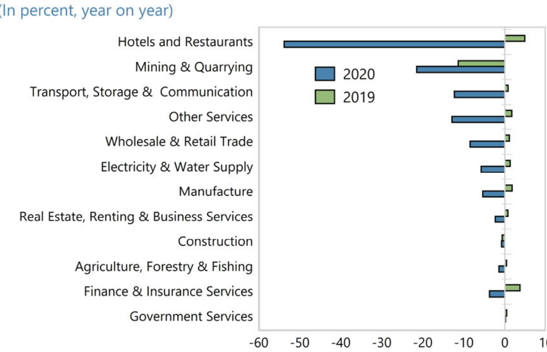
Tourism and hospitality industry was severely affected…

Annual Tourism Performance
(In percent, year on year)



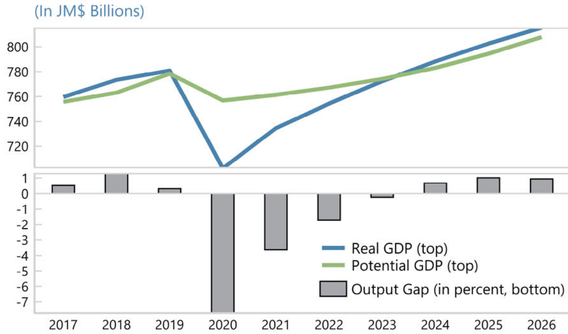
…but other sectors also declined…

Real GDP: Sectors
(In percent, year on year)



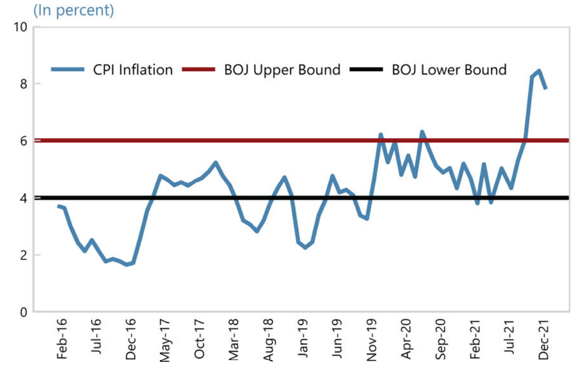
Potential output has declined…

Real GDP and Output Gap
(In JM$ Billions)



Inflation has breached the upper band.

CPI Inflation versus BOJ Target Band
(In percent)

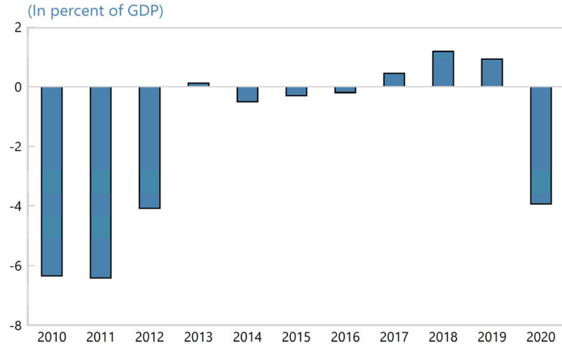


Sources: Bank of Jamaica and IMF staff estimates and projections.

Figure 7. Jamaica: Fiscal Sector Developments

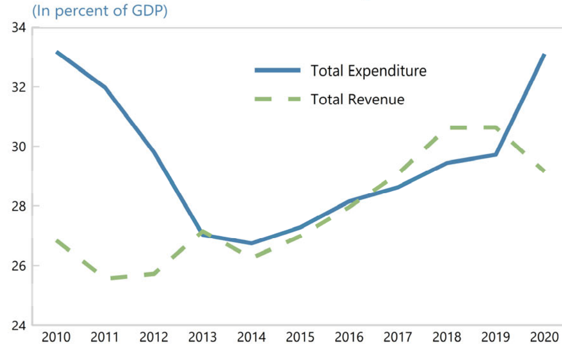
The COVID-19 shock led to a sharp increase in central government's fiscal deficit and debt levels...

Central Government Balance
(In percent of GDP)



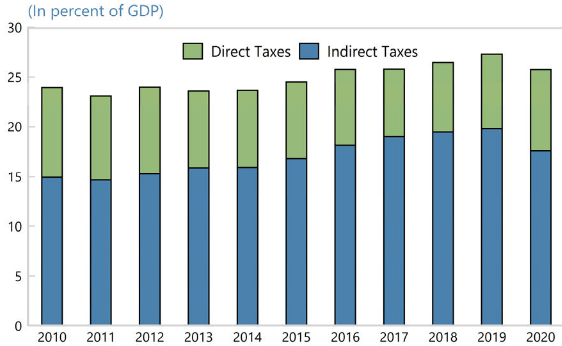
...the revenue-to-GDP ratio declined and the expenditure-to-GDP ratio increased.

Central Government Revenues and Expenditures
(In percent of GDP)



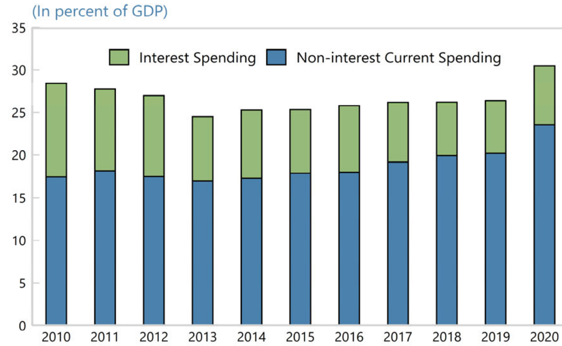
Lower tax revenues in FY 2020 were the result of a decline in GDP and GCT tax cuts.

Tax Revenue
(In percent of GDP)



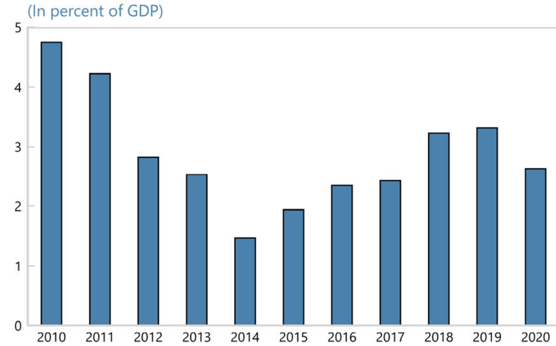
The increase in the spending ratio was largely the result of the decline in GDP.

Central Government Current Spending
(In percent of GDP)



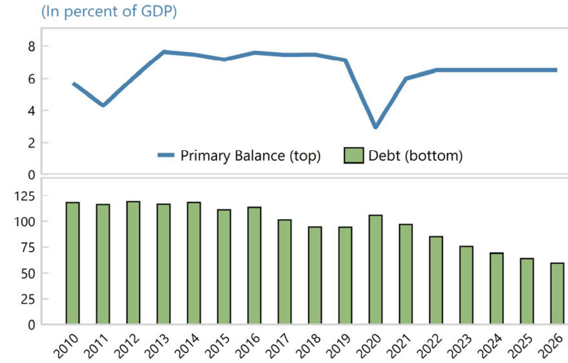
While capital spending was held back to make room for COVID-19 related spending...

Central Government Capital Spending
(In percent of GDP)



...public debt rose in FY 2020 but is on a downward path to meet the FRL target.

Primary Balance and Public Debt
(In percent of GDP)

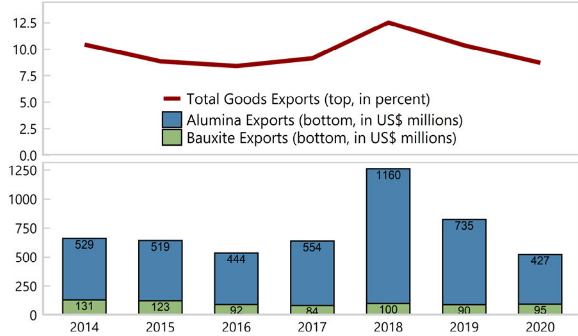


Sources: Bank of Jamaica and IMF staff estimates and projections.

Figure 8. Jamaica: External Sector Developments

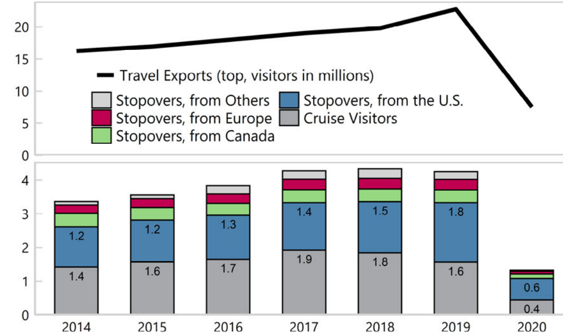
Falling aluminum exports...

Mining Exports
(In US$ millions and percent of GDP)



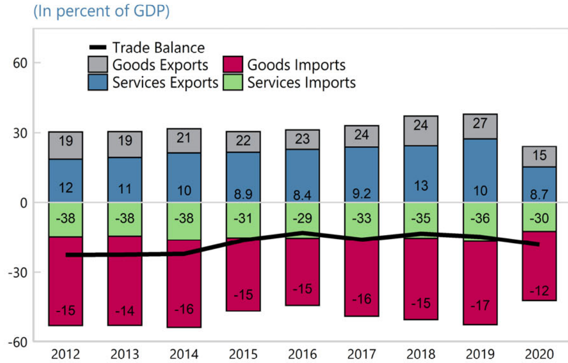
...and plummeting tourist arrivals...

Total Visitor Arrivals and Travel Exports
(Visitors in millions and percent of GDP)



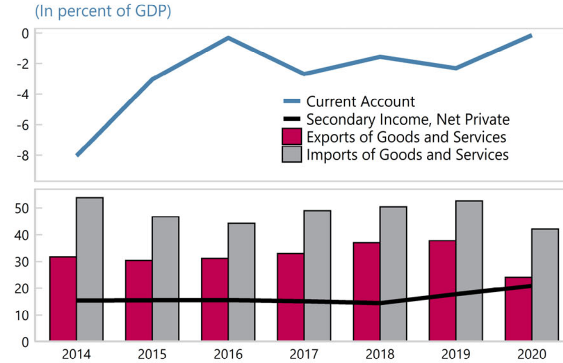
...markedly deteriorated the trade balance...

Trade Balance
(In percent of GDP)



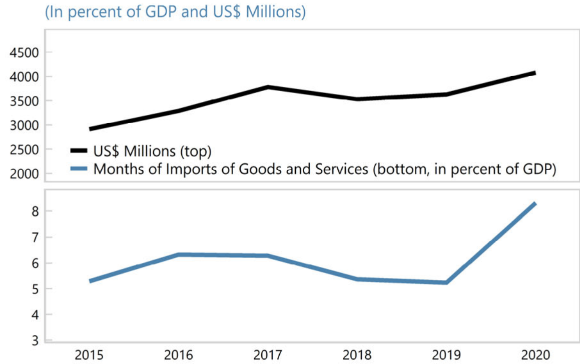
...but this was more than offset by a major increase in remittances.

Selected Components of Current Account Balance
(In percent of GDP)



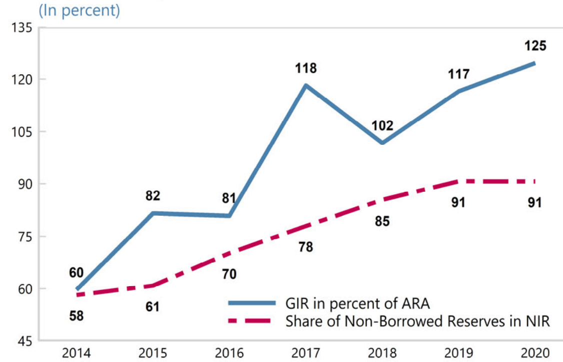
The improvement in the current account sustained reserves accumulation.

Gross International Reserves
(In percent of GDP and US$ Millions)



Reserve adequacy expanded, and the composition of reserves improved further.

Size and Composition of Reserves
(In percent)



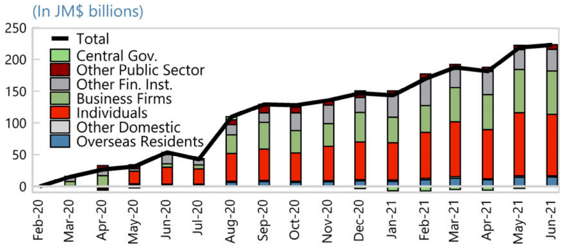
Sources: Bank of Jamaica and IMF staff calculations.

Figure 9. Jamaica: Monetary and Financial Sector Developments

Banking system deposits have remained remarkably robust with minimal government drawdowns.

Commercial Bank Deposits

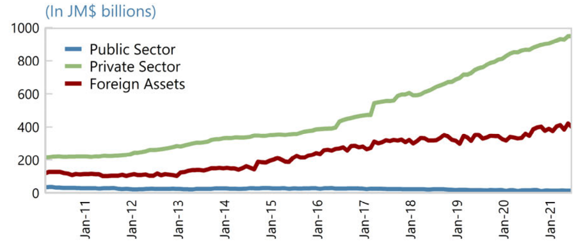
(In JM$ billions)



Private credit has grown strongly over the past decade, with domestic private credit growth dominating.

Evolution of Credit and Foreign

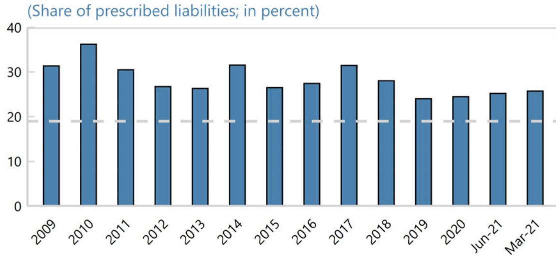
(In JM$ billions)



The Depository Institutions retain liquidity above required minimum…

Domestic Currency Liquid Assets

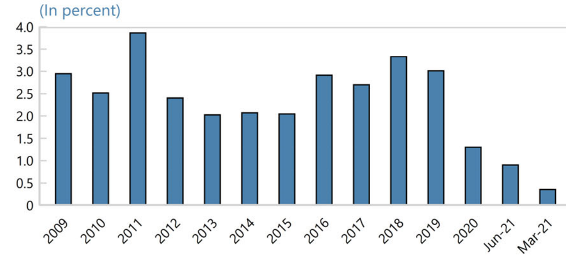
(Share of prescribed liabilities; in percent)



… with moderate profitability.

Profit Margin and Return on Assets

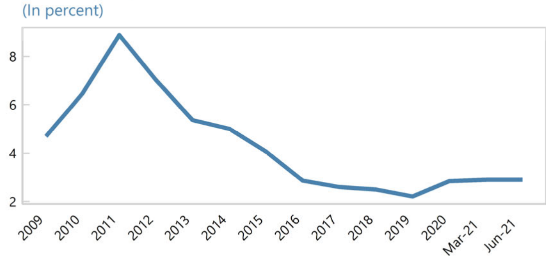
(In percent)



The NPL ratio is very low…

Asset Quality: NPLs/Loans

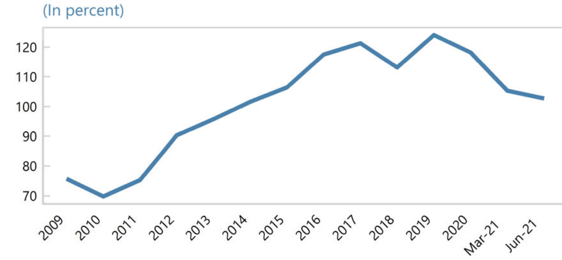
(In percent)



…with sufficient provisioning.

Asset Quality: Provision for Loan Losses/NPLs

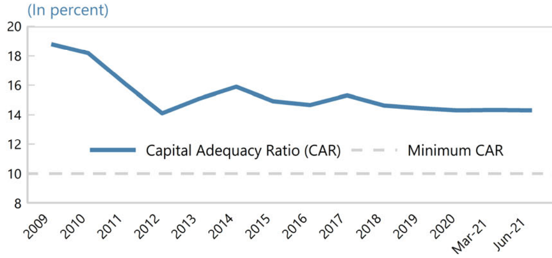
(In percent)



Capital buffers are well above the regulatory minimum…

Asset Quality: Capital Adequacy

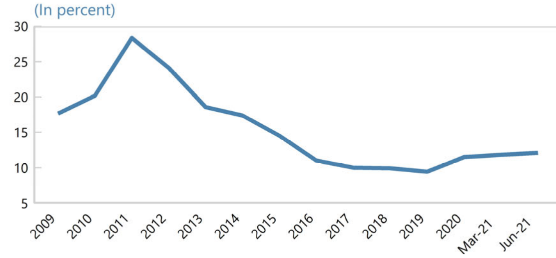
(In percent)



…with sufficient coverage for potential losses.

Asset Quality: NPLs/Capital + Provision for Loan Losses

(In percent)



Sources: Country authorities and IMF staff calculations.
Note: The minimum Capital Adequacy Ratio (CAR) is 10%, and the minimum share of prescribed liabilities is 19%.

Table 1a. Jamaica: Selected Economic Indicators 1/

Population (2019): 2.73 million
Quota (current; millions SDRs/% of total): 382.9/0.08%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite

Per capita GDP (2019): US$5729
Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Unemployment rate (Jan. 2020): 7.3%

					Projections						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	(Annual percent change, unless otherwise indicated)										
GDP and prices											
Real GDP	1.4	0.9	1.9	-0.1	-11.1	8.2	3.5	2.5	2.1	1.9	1.7
Nominal GDP	5.9	7.9	6.5	3.3	-6.8	17.1	10.0	8.2	7.3	7.0	6.8
Consumer price index (end of period)	4.1	3.9	3.4	4.8	5.2	8.2	6.3	5.5	5.1	5.0	5.0
Consumer price index (average)	2.4	4.6	3.3	4.6	5.0	6.7	7.2	5.9	5.3	5.1	5.0
Exchange rate (end of period, J$/US$)	128.7	126.0	126.5	134.0	146.6	…	…	…	…	…	…
End-of-period REER (appreciation +) (INS) 2/	-1.4	-1.5	6.6	-2.2	-5.0	…	…	…	…	…	…
Treasury bill rate (end-of-period, percent)	6.3	3.2	2.2	1.8	0.8	…	…	…	…	…	…
Unemployment rate (percent) 2/	12.7	9.6	8.0	7.3	8.9	…	…	…	…	…	…
	(In percent of GDP)										
Government operations											
Budgetary revenue	28.1	29.1	30.6	30.6	29.1	30.5	29.1	28.6	28.3	28.1	27.6
Of which: Tax revenue	25.7	25.8	26.4	27.3	25.6	26.0	26.4	26.1	25.9	25.7	25.6
Budgetary expenditure	28.2	28.6	29.4	29.7	32.2	30.2	28.8	28.3	28.0	25.7	25.2
Primary expenditure	20.4	21.6	23.2	23.5	25.6	24.6	23.7	23.7	23.7	22.0	22.0
Of which: Wages and salaries	9.3	9.2	8.9	9.2	10.5	9.8	9.5	9.7	9.9	10.1	10.1
Interest payments	7.8	7.0	6.3	6.2	6.5	5.7	5.1	4.6	4.3	3.7	3.2
Budget balance	-0.1	0.5	1.2	0.9	-3.1	0.3	0.3	0.3	0.3	2.4	2.4
Of which: Central government primary balance	7.7	7.5	7.5	7.1	3.5	5.9	5.4	5.0	4.6	6.1	5.6
Public entities balance	2.0	0.6	0.6	0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.9	1.0	1.8	1.0	-3.5	0.3	0.3	0.3	0.3	2.4	2.4
Public debt (FRL definition) 3/	113.7	101.2	94.4	94.3	108.1	91.6	84.7	78.4	75.4	66.7	63.3
External sector											
Current account balance	-1.2	-3.1	-1.6	-2.2	-1.1	1.1	-2.3	-3.8	-3.5	-4.1	-4.4
Of which: Exports of goods, f.o.b.	8.8	9.7	12.8	9.7	8.8	9.9	12.0	12.8	12.8	12.8	12.8
... of services	23.0	24.0	25.2	26.6	11.3	17.5	20.1	22.5	23.9	24.2	24.5
Imports of goods, f.o.b.	30.1	33.8	35.8	34.6	29.7	30.5	32.2	35.6	36.2	36.6	36.8
... of services	15.6	15.6	15.9	16.3	11.7	13.5	15.4	16.2	16.3	16.5	16.6
Net international reserves (US$ millions)	2,769	3,075	3,085	3,227	3,093	4,147	4,775	4,706	4,452	4,153	3,931
of which: non-borrowed	1,944	2,398	2,634	2,927	2,807	4,001	4,649	4,689	4,435	4,136	3,914
Gross international reserves (US$ millions)	3,324	3,657	3,605	3,688	4,015	5,028	5,545	5,161	4,564	4,163	3,931
	(Percent of GDP)										
Money and credit											
Net foreign assets	13.5	16.1	15.9	18.7	22.1	27.6	26.7	24.9	22.3	19.7	17.8
Net domestic assets	33.1	33.0	33.7	36.1	41.8	36.9	37.8	39.3	42.3	45.4	47.8
Of which: Credit to the private sector	35.5	36.6	39.3	43.9	49.4	51.2	50.6	51.2	53.0	55.2	57.2
Credit to the central government	11.8	12.1	13.2	12.2	18.2	18.4	15.6	13.5	12.4	10.8	10.2
Broad money	46.6	49.1	49.5	54.8	63.9	64.5	64.5	64.2	64.6	65.1	65.5
Memorandum item:											
Nominal GDP (J$ billions)	1,788	1,928	2,053	2,121	1,978	2,315	2,546	2,754	2,957	3,165	3,381

Sources: Jamaican authorities; and Fund staff estimates and projections.

1/ Fiscal years run from April 1 to March 31. Authorities' budgets presented according to IMF definitions.

2/ As of January in each period.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 1b. Jamaica: Selected Economic Indicators (Calendar year basis) 1/

Population (2018): 2.73 million
Quota (current; millions SDRs/% of total): 382.9/0.08%
Main products and exports: Alumina, tourism, chemicals, mineral fuels, bauxite

Per capita GDP (2018): US$5733
Literacy rate (2015)/Poverty rate (2017): 87%/12.6%
Unemployment rate (Jan. 2020): 7.3%

				Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026
	(Annual percent change, unless otherwise indicated)								
GDP and prices									
Real GDP	1.8	1.0	-10.0	4.7	4.3	2.8	0.9	1.8	1.6
Nominal GDP	7.0	4.1	-6.2	13.3	10.9	8.5	6.1	7.0	6.8
Consumer price index (end of period)	2.4	6.2	5.2	8.8	6.6	5.5	5.1	5.0	5.0
Consumer price index (average)	3.7	3.9	5.2	6.7	7.2	5.9	5.3	5.1	5.0
Exchange rate (end of period, J$/US$)	127.7	131.2	146.6	...	...	...	...	...	...
End-of-period REER (appreciation +) (INS)	1.0	-0.2	-5.7	...	...	...	...	...	...
Treasury bill rate (end-of-period, percent)	2.1	1.6	0.9	...	...	...	...	...	...
Unemployment rate (percent)	9.1	7.7	...	...	...	...	...	...	...
	(In percent of GDP)								
Government operations 1/									
Budgetary revenue	30.6	30.6	29.1	30.5	29.1	28.6	28.3	28.1	27.6
Of which: Tax revenue	26.4	27.3	25.6	26.0	26.4	26.1	25.9	25.7	25.6
Budgetary expenditure	29.4	29.7	32.2	30.2	28.8	28.3	28.0	25.7	25.2
Primary expenditure	23.2	23.5	25.6	24.6	23.7	23.7	23.7	22.0	22.0
Of which: Wages and salaries	8.9	9.2	10.5	9.8	9.5	9.7	9.9	10.1	10.1
Interest payments	6.3	6.2	6.5	5.7	5.1	4.6	4.3	3.7	3.2
Budget balance	1.2	0.9	-3.1	0.3	0.3	0.3	0.3	2.4	2.4
Of which: Central government primary balance	7.5	7.1	3.5	5.9	5.4	5.0	4.6	6.1	5.6
Public entities balance	0.6	0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.8	1.0	-3.5	0.3	0.3	0.3	0.3	2.4	2.4
Public debt (FRL definition) 2/	94.4	94.3	108.1	91.6	84.7	78.4	75.4	66.7	63.3
External sector									
Current account balance	-1.6	-2.3	-0.1	-0.1	-4.7	-2.0	-3.8	-4.5	-4.5
Of which: Exports of goods, f.o.b.	12.5	10.4	8.7	9.8	11.2	12.9	13.0	13.0	13.0
... of services	24.5	27.4	15.4	15.3	19.1	22.5	23.9	24.5	24.8
Imports of goods, f.o.b.	35.0	36.0	29.7	31.2	33.4	34.1	36.7	37.5	37.4
... of services	15.4	16.7	12.5	13.2	15.1	16.0	16.5	16.7	16.8
Net international reserves (US$ millions)	3,181	3,181	3,146	4,068	4,232	4,633	4,409	4,044	3,825
of which: non-borrowed	2,839	2,839	2,860	3,921	4,106	4,616	4,392	4,028	3,808
Gross international reserves (US$ millions)	3,631	3,631	4,080	4,952	5,022	5,177	4,601	4,058	3,825
	(Changes in percent of beginning of period broad money)								
Money and credit									
Net foreign assets	1.2	5.9	-0.1	15.4	5.6	1.0	-1.0	-1.8	-1.3
Net domestic assets	7.8	2.8	26.3	-13.6	6.1	7.3	9.0	9.7	8.9
Of which: Credit to the private sector	7.9	12.4	5.0	11.9	9.0	7.4	8.5	9.3	9.1
Credit to the central government	5.8	-3.4	15.6	-0.7	-0.3	-1.7	-0.5	-1.1	-0.3
Broad money	10	9.3	18.3	1.8	11.7	8.2	8.0	7.9	7.6
Memorandum item:									
Nominal GDP (J$ billions)	2,027	2,110	1,979	2,242	2,486	2,698	2,862	3,061	3,268

Sources: Jamaican authorities; and Fund staff estimates and projections.

1/ Government operations presented on a fiscal-year basis. Fiscal year runs from April 1 to March 31.
2/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 2a. Jamaica: Summary of Central Government Operations

(In millions of Jamaica dollars)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
				Projections						
Budgetary revenue and grants	560,901	628,849	649,759	575,404	706,197	740,429	788,358	837,693	889,948	933,952
Tax	497,022	542,919	579,397	505,685	602,341	671,717	718,034	766,353	814,253	865,778
Of which:										
Income and profits	131,111	143,519	159,726	161,428	169,439	181,187	191,100	203,058	215,496	228,540
Of which: Other companies	61,507	61,323	68,283	66,049	69,758	75,918	81,941	87,557	92,894	98,486
PAYE	53,662	58,037	66,670	67,956	73,819	78,303	82,414	86,920	92,218	97,770
Production and consumption	175,339	190,846	200,644	171,980	203,167	217,913	234,744	251,563	267,965	286,463
Of which: GCT (Local)	90,817	100,695	109,304	91,192	111,245	117,237	124,744	132,295	138,758	147,599
International Trade	186,814	204,503	214,810	168,130	224,633	267,011	286,131	305,229	323,834	343,329
Of which: GCT (Imports)	78,925	87,202	92,498	76,074	100,672	120,820	129,727	138,611	147,060	155,913
Non-tax 1/	58,137	75,382	65,705	62,539	93,666	63,574	65,043	65,969	69,997	62,133
Grants	5,614	10,547	4,657	7,180	10,191	5,138	5,282	5,371	5,699	6,042
Budgetary expenditure	552,050	604,597	630,354	635,911	700,063	733,554	780,096	828,824	813,997	852,816
Primary expenditure	416,869	475,409	498,867	506,873	568,663	602,654	652,196	701,484	696,129	745,007
Compensation of employees	192,284	200,125	211,618	222,996	246,626	261,637	288,560	315,366	344,080	366,639
Wage and salaries	177,366	183,506	195,936	207,912	226,649	242,014	267,315	292,871	319,806	341,635
Employer contributions	14,917	16,620	15,681	15,084	19,977	19,623	21,245	22,495	24,274	25,004
Programme expenditure	177,779	209,080	216,857	234,693	267,779	277,822	289,134	293,233	257,805	285,357
Capital expenditure	46,806	66,204	70,393	49,184	54,201	63,090	73,752	92,885	94,244	93,011
Interest	135,181	129,188	131,487	129,038	131,400	130,900	127,900	127,340	117,867	107,809
Domestic	63,783	51,026	49,931	50,339	102,844	109,259	103,816	104,652	102,313	100,782
External	71,398	78,162	89,200	78,699	80,000	76,300	76,000	74,131	66,997	58,470
Budget balance	8,851	24,251	19,405	-60,507	6,135	6,874	8,263	8,870	75,952	81,136
Of which: Primary budget balance	144,032	153,439	150,892	68,530	137,591	137,880	136,912	136,210	193,819	188,945
Public entities balance	11,394	12,441	1,123	-9,000	0	0	0	0	0	0
Public sector balance	20,245	36,692	20,528	-69,507	6,135	6,874	8,263	8,870	75,952	81,136
Principal repayments	232,290	132,990	169,047	159,086	148,671	188,306	141,774	308,265	181,826	184,775
Domestic	168,628	80,008	70,481	112,778	64,422	136,511	41,934	179,576	55,097	60,500
External	63,662	52,982	98,566	46,307	84,250	51,795	99,840	128,689	126,729	124,275
Other Outflows (incl. BOJ recap)	14,261	35,040	37,933	0	0	0	0	0	0	0
o/w BOJ recap	0	31,400	22,500	0	0	0	0	0	0	0
Gross financing needs 2/	237,827	143,779	187,575	228,593	149,859	189,110	150,272	318,395	145,874	143,639
Gross financing sources 2/	237,827	143,642	187,575	228,593	149,859	189,110	150,272	318,395	145,874	143,639
Domestic	72,894	76,553	74,979	135,140	93,802	120,051	52,143	223,225	62,021	44,606
External	134,239	37,627	51,081	0	50,673	43,459	81,676	79,746	77,512	99,033
Cash resources	19,294	1,567	-42,660	88,500	0	0	0	0	0	0
Other Inflows (incl. PCDF)	11,400	27,895	104,175	4,953	5,385	25,599	16,453	15,424	6,340	0
Memorandum items:										
Nominal GDP (billion J$)	1,928	2,053	2,121	1,978	2,315	2,546	2,754	2,957	3,165	3,381
Public sector debt (FRL definition, billion J$) 3/	1,952	1,938	1,999	2,138	2,120	2,156	2,160	2,230	2,112	2,140

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ From 2015/16, includes interest receipts from the PetroCaribe Development Fund to reimburse funds from the PetroCaribe debt buyback.

2/ Gross financing needs and sources are for the central government.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 2b. Jamaica: Summary of Central Government Operations

(In percent of GDP)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
				Projections						
Budgetary revenue and grants	29.1	30.6	30.6	29.1	30.5	29.1	28.6	28.3	28.1	27.6
Tax	25.8	26.4	27.3	25.6	26.0	26.4	26.1	25.9	25.7	25.6
Of which:										
Income and profits	6.8	7.0	7.5	8.2	7.3	7.1	6.9	6.9	6.8	6.8
Of which: Other companies	3.2	3.0	3.2	3.3	3.0	3.0	3.0	3.0	2.9	2.9
PAYE	2.8	2.8	3.1	3.4	3.2	3.1	3.0	2.9	2.9	2.9
Production and consumption	9.1	9.3	9.5	8.7	8.8	8.6	8.5	8.5	8.5	8.5
Of which: GCT (Local)	4.7	4.9	5.2	4.6	4.8	4.6	4.5	4.5	4.4	4.4
International Trade	9.7	10.0	10.1	8.5	9.7	10.5	10.4	10.3	10.2	10.2
Of which: GCT (Imports)	4.1	4.2	4.4	3.8	4.3	4.7	4.7	4.7	4.6	4.6
Non-tax 1/	3.0	3.7	3.1	3.2	4.0	2.5	2.4	2.2	2.2	1.8
Grants	0.3	0.5	0.2	0.4	0.4	0.2	0.2	0.2	0.2	0.2
Budgetary expenditure	28.6	29.4	29.7	32.2	30.2	28.8	28.3	28.0	25.7	25.2
Primary expenditure	21.6	23.2	23.5	25.6	24.6	23.7	23.7	23.7	22.0	22.0
Compensation of employees	10.0	9.7	10.0	11.3	10.7	10.3	10.5	10.7	10.9	10.8
Wage and salaries	9.2	8.9	9.2	10.5	9.8	9.5	9.7	9.9	10.1	10.1
Employer contribution	0.8	0.8	0.7	0.8	0.9	0.8	0.8	0.8	0.8	0.7
Programme expenditure	9.2	10.2	10.2	11.9	11.6	10.9	10.5	9.9	8.1	8.4
Capital expenditure	2.4	3.2	3.3	2.5	2.3	2.5	2.7	3.1	3.0	2.8
Interest	7.0	6.3	6.2	6.5	5.7	5.1	4.6	4.3	3.7	3.2
Domestic	3.3	2.5	2.4	2.5	4.4	4.3	3.8	3.5	3.2	3.0
External	3.7	3.8	4.2	4.0	3.5	3.0	2.8	2.5	2.1	1.7
Budget balance	0.5	1.2	0.9	-3.1	0.3	0.3	0.3	0.3	2.4	2.4
Of which: Primary budget balance	7.5	7.5	7.1	3.5	5.9	5.4	5.0	4.6	6.1	5.6
Public entities balance	0.6	0.6	0.1	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Public sector balance	1.0	1.8	1.0	-3.5	0.3	0.3	0.3	0.3	2.4	2.4
Principal repayments	12.0	6.5	8.0	8.0	6.4	7.4	5.1	10.4	5.7	5.5
Domestic	8.7	3.9	3.3	5.7	2.8	5.4	1.5	6.1	1.7	1.8
External	3.3	2.6	4.6	2.3	3.6	2.0	3.6	4.4	4.0	3.7
Gross financing needs /2	12.3	7.0	8.8	11.6	6.5	7.4	5.5	10.8	4.6	4.2
Gross financing sources 2/	12.3	7.0	8.8	11.6	6.5	7.4	5.5	10.8	4.6	4.2
Domestic	3.8	3.7	3.5	6.8	4.1	4.7	1.9	7.5	2.0	1.3
External	7.0	1.8	2.4	0.0	2.2	1.7	3.0	2.7	2.4	2.9
Cash resources	1.6	1.4	2.9	4.7	0.2	1.0	0.6	0.5	0.2	0.0
Memorandum items:										
Nominal GDP (billion J$)	1,928	2,053	2,121	1,978	2,315	2,546	2,754	2,957	3,165	3,381
Public sector debt (FRL definition, billion J$) 3/	1,952	1,938	1,999	2,138	2,120	2,156	2,160	2,230	2,112	2,140
Public sector debt (FRL definition, %GDP) 3/	101.2	94.4	94.3	108.1	91.6	84.7	78.4	75.4	66.7	63.3

Sources: Jamaican authorities and Fund staff estimates and projections.

1/ From 2015/16, includes interest receipts from the PetroCaribe Development Fund to reimburse funds from the PetroCaribe debt buyback.

2/ Gross financing needs and sources include a global bond debt buyback in FY2019/20 and the recapitalization of the Bank of Jamaica in FY2018/19 and FY2019/20.

3/ Consolidated central government and public bodies' debt, consistent with the Fiscal Responsibility Law.

Table 3. Jamaica: Summary Balance of Payments
(In millions of U.S. dollars)

						Projections					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Current account	-174	-462	-254	-350	-153	165	-376	-649	-622	-753	-841
Trade balance	-3,014	-3,639	-3,619	-3,908	-2,867	-3,158	-3,265	-3,846	-4,118	-4,372	-4,594
Exports (f.o.b.)	1,246	1,456	2,007	1,515	1,218	1,522	1,929	2,165	2,253	2,346	2,444
Imports (f.o.b.)	4,260	5,095	5,626	5,423	4,085	4,679	5,194	6,011	6,370	6,719	7,038
o/w Fuel (cif)	1,083	1,441	1,666	1,585	1,047	1,656	1,820	1,966	2,062	2,221	2,392
Services (net)	1,044	1,260	1,464	1,607	-51	604	753	1,077	1,337	1,415	1,515
o/w Travel (net)	2,305	2,631	2,940	3,127	391	1,670	2,094	2,554	2,895	3,053	3,231
Primary income (net)	-594	-474	-555	-472	-430	-534	-664	-737	-758	-774	-802
Secondary income (net)	2,390	2,391	2,455	2,423	3,196	3,252	2,800	2,857	2,916	2,979	3,039
Government (net)	174	178	208	137	145	156	156	156	156	156	156
Private (net)	2,216	2,213	2,247	2,286	3,051	3,096	2,644	2,701	2,760	2,823	2,883
Capital account (net)	27	16	-2	-29	-29	-23	-30	-30	-28	-29	-29
Financial account (net)	-627	-1,316	-928	-201	-693	662	-406	-679	-650	-782	-870
Direct investment (net)	-585	-908	-715	-123	-188	-413	-476	-533	-596	-665	-741
Portfolio investment (net)	-367	-1,190	16	-544	-457	-284	-665	-537	-421	-452	-537
Financial derivatives (net)	25	14	-32	-97	4	-19	-28	-36	-27	-23	-27
Other investment (net)	-54	444	-145	479	-379	364	247	811	991	759	666
Reserve assets (change)	354	324	-52	83	327	1,013	516	-383	-597	-401	-232
Net errors and omissions	-480	-871	-672	178	-511	520	0	0	0	0	0
				(In percent GDP)							
Current account	-1.2	-3.1	-1.6	-2.2	-1.1	1.1	-2.3	-3.8	-3.5	-4.1	-4.4
Trade balance	-21.3	-24.1	-23.0	-24.9	-20.8	-20.6	-20.3	-22.8	-23.4	-23.8	-24.0
Exports (f.o.b.)	8.8	9.7	12.8	9.7	8.8	9.9	12.0	12.8	12.8	12.8	12.8
Imports (f.o.b.)	30.1	33.8	35.8	34.6	29.7	30.5	32.2	35.6	36.2	36.6	36.8
Services (net)	7.4	8.4	9.3	10.2	-0.4	3.9	4.7	6.4	7.6	7.7	7.9
o/w Travel (net)	16.3	17.5	18.7	19.9	2.8	10.9	13.0	15.1	16.4	16.6	16.9
Primary income (net)	-4.2	-3.1	-3.5	-3.0	-3.1	-3.5	-4.1	-4.4	-4.3	-4.2	-4.2
Secondary income (net)	16.9	15.9	15.6	15.4	23.2	21.2	17.4	16.9	16.6	16.2	15.9
o/w Private (net)	15.7	14.7	14.3	14.6	22.1	20.2	16.4	16.0	15.7	15.4	15.1
Capital account (net)	0.2	0.1	0.0	-0.2	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Financial account (net)	-4.4	-8.7	-5.9	-1.3	-5.0	4.3	-2.5	-4.0	-3.7	-4.3	-4.6
o/w Direct investment (net)	-4.1	-6.0	-4.5	-0.8	-1.4	-2.7	-3.0	-3.2	-3.4	-3.6	-3.9
Memorandum items:											
Gross international reserves	3,324	3,657	3,605	3,688	4,015	5,028	5,545	5,161	4,564	4,163	3,931
(in months of next year's imports of GNFS)	6.2	5.9	5.3	5.5	8.5	8.9	8.7	7.1	5.9	5.1	4.6
Net international reserves (NIR)	2,769	3,075	3,085	3,227	3,093	4,147	4,775	4,706	4,452	4,153	3,931
of which: non-borrowed	1,944	2,398	2,634	2,927	2,807	4,001	4,649	4,689	4,435	4,136	3,914
Current account (percent of GDP)	-1.2	-3.1	-1.6	-2.2	-1.1	1.1	-2.3	-3.8	-3.5	-4.1	-4.4
Exports of goods (percent change)	5.7	16.8	37.9	-24.5	-19.6	24.9	26.7	12.3	4.0	4.2	4.2
Imports of goods (percent change)	0.1	19.6	10.4	-3.6	-24.7	14.5	11.0	15.7	6.0	5.5	4.7
Oil prices (composite, fiscal year basis)	47.9	55.7	67.3	58.6	48.2	71.1	75.8	70.3	66.9	64.6	63.4
GDP (US$ millions)	14,129	15,070	15,727	15,688	13,778	15,350	16,111	16,861	17,611	18,373	19,117
Jamaican dollar/USD, period average	127	128	131	135	144	…	…	…	…	…	…

Sources: Jamaican authorities; and Fund staff estimates.

Table 4. Jamaica: Summary Accounts of the Bank of Jamaica 1/ 2/

	2016/17	2017/18	2018/19	2019/20	Projections 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	(In billions of Jamaican dollars)										
Net foreign assets	**277**	**304**	**317**	**367**	**408**	**596**	**635**	**643**	**616**	**580**	**556**
Net domestic assets	**-76**	**-70**	**-27**	**-41**	**90**	**-154**	**-151**	**-120**	**-52**	**29**	**98**
Net domestic claims	-99	-101	-12	25	170	-109	-105	-75	-6	74	144
Net claims on central government	55	75	100	106	188	258	225	197	182	173	171
Claims on rest of public sector	0	0	0	0	0	0	0	0	0	0	0
Claims on private sector	2	2	2	2	2	2	2	2	2	2	2
Net claims on other depository corporations	-158	-179	-115	-84	-21	-370	-334	-275	-191	-102	-30
Claims on other financial corporations	2	1	1	0	1	1	1	1	1	1	1
Capital account	-17	-23	20	72	85	50	50	50	50	50	50
Of which: Valuation adjustment	0	1	5	12	…	…	…	…	…	…	…
Other items (net)	6	9	6	5	5	5	5	5	5	5	5
Monetary base	**201**	**234**	**290**	**325**	**374**	**441**	**485**	**522**	**565**	**609**	**654**
Currency in circulation	88	104	116	146	182	207	230	243	255	264	273
Liabilities to other depository corporations	109	129	165	174	186	229	250	273	304	339	376
Liabilities to other sectors	3	2	9	6	6	6	6	6	6	6	6
	(Change in percent)										
Net foreign assets	26.1	9.7	4.1	15.8	11.4	45.9	6.7	1.2	-4.1	-5.9	-4.1
Net domestic assets	87.3	-8.6	-61.9	55.4	-317.1	-272.1	-2.4	-20.0	-57.1	-155.6	241.9
Monetary base	12.2	16.7	23.7	12.2	14.8	18.1	9.9	7.7	8.1	7.9	7.5
Currency in circulation	10.1	18.3	11.7	25.2	24.7	13.8	11.0	5.9	4.8	3.7	3.3
Liabilities to other depository corporations	10.4	17.7	27.9	5.4	7.2	22.9	9.1	9.6	11.2	11.4	10.9
Liabilities to other sectors		-0.6	5.0	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
	(Percent of GDP)										
Net foreign assets	12.3	14.4	14.8	14.9	18.5	17.6	23.4	23.1	21.7	19.5	17.2
Net domestic assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Monetary base	10.0	10.4	11.4	13.7	16.5	16.1	17.3	17.6	17.7	17.8	18.0
Currency in circulation	4.5	4.6	5.1	5.5	7.4	7.9	8.1	8.3	8.2	8.0	7.8
Liabilities to other depository corporations	5.5	5.7	6.3	7.8	8.8	8.0	9.0	9.1	9.2	9.6	10.0
Liabilities to other sectors	0.0	0.2	0.1	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Memorandum items:											
Exchange rate (end-of-period)	128.7	126.0	126.5	134.0	146.6	155.1	161.0	165.7	170.0	174.5	179.2
Exchange rate (average)	126.5	128.0	130.6	135.2	143.5	150.8	158.0	163.4	167.9	172.2	176.8
Net international reserves (US$ millions)	2,769	3,075	3,085	3,227	3,093	4,147	4,775	4,706	4,452	4,153	3,931

Sources: Bank of Jamaica; and Fund staff estimates.

1/ The authorities also compile and diseminate monetary data on the basis of the 2016 MFSMCG.

2/ Fiscal year runs from April 1 to March 31. The authorities compile and disseminate monetary data on the basis of the 2000 MFS manual, which reflects a different methodology and coverage.

Table 5. Jamaica: Summary Monetary Survey 1/ 2/

	2016/17	2017/18	2018/19	2019/20	Projections 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
(In billions of Jamaican dollars)											
Net foreign assets	241.1	311.4	325.9	397.5	437.1	656.9	736.1	785.8	805.3	820.9	855.0
Net domestic assets	591.3	635.5	691.4	765.7	827.5	836.8	907.3	989.7	1,118.8	1,257.5	1,386.7
Net domestic claims	1,027.3	1,088.0	1,231.9	1,353.4	1,396.5	1,678.5	1,758.2	1,858.0	2,015.4	2,178.8	2,373.9
Net claims on central government	211.2	232.6	270.3	259.6	360.1	425.3	397.1	367.9	361.9	337.8	338.9
Claims on rest of public sector	22.6	21.5	17.0	13.1	14.7	14.7	14.7	14.7	14.7	14.7	14.7
Claims on private sector	706.6	784.2	902.7	1,039.1	977.7	1,185.3	1,288.6	1,412.2	1,568.6	1,748.1	1,933.9
Of which: Credit to private sector	635.5	706.0	807.0	930.6	977.0	1,184.6	1,287.9	1,411.4	1,567.9	1,747.3	1,933.2
Claims on other financial corporation	86.9	49.7	41.9	41.6	44.0	53.2	57.8	63.3	70.2	78.2	86.4
Capital account	202.3	211.1	294.0	360.1	385.5	350.7	350.7	350.7	350.7	350.7	350.7
Of which: Valuation adjustment	3.4	3.9	9.9	7.5	…	…	…	…	…	…	…
Other	-162.5	-167.2	-159.1	-133.9	-183.5	-491.0	-500.3	-517.7	-546.0	-570.6	-636.6
Broad money (M3)	832.4	946.9	1,017.2	1,163.2	1,264.5	1,493.7	1,643.4	1,775.5	1,924.1	2,078.4	2,241.7
Narrow money (M2)	645.3	725.1	822.6	957.4	1,044.3	1,232.1	1,355.9	1,464.2	1,585.5	1,710.9	1,843.5
Other liabilities	187.1	221.8	194.5	205.8	220.2	261.6	287.5	311.3	338.7	367.5	398.2
(Percent change)											
Net foreign assets	-1.9	29.2	4.6	22.0	10.0	50.3	12.1	6.7	2.5	1.9	4.2
Net domestic assets	5.5	7.5	8.8	10.7	8.1	1.1	8.4	9.1	13.0	12.4	10.3
Net domestic claims	26.4	5.9	13.2	9.9	3.2	20.2	4.7	5.7	8.5	8.1	9.0
Of which: Credit to private sector	27.5	11.1	14.3	15.3	5.0	21.2	8.7	9.6	11.1	11.4	10.6
Claims on other financial corporations	85.2	-42.8	-15.7	-0.6	5.7	20.9	8.6	9.5	11.0	11.3	10.5
Capital account	4.6	4.3	39.3	22.5	7.1	-9.0	0.0	0.0	0.0	0.0	0.0
Other	177.5	2.9	-4.9	-15.8	37.0	167.6	1.9	3.5	5.5	4.5	11.6
Broad money (M3)	3.2	13.8	7.4	14.4	8.7	18.1	10.0	8.0	8.4	8.0	7.9
Narrow money (M2)	201.7	12.4	13.4	16.4	9.1	18.0	10.0	8.0	8.3	7.9	7.8
Other liabilities	-68.4	18.6	-12.3	5.8	7.0	18.8	9.9	8.3	8.8	8.5	8.3
(Percent of GDP)											
Net foreign assets	13.5	16.1	15.9	18.7	22.1	28.4	28.9	28.5	27.2	25.9	25.3
Net domestic assets	33.1	33.0	33.7	36.1	41.8	36.1	35.6	35.9	37.8	39.7	41.0
Net domestic claims	57.5	56.4	60.0	63.8	70.6	72.5	69.1	67.5	68.2	68.8	70.2
Of which: Credit to private sector	35.5	36.6	39.3	43.9	49.4	51.2	50.6	51.2	53.0	55.2	57.2
Claims on other financial corporations	4.9	2.6	2.0	2.0	2.2	2.3	2.3	2.3	2.4	2.5	2.6
Capital account	11.3	10.9	14.3	17.0	19.5	15.1	13.8	12.7	11.9	11.1	10.4
Other	0.2	0.2	0.5	0.4	…	…	…	…	…	…	…
Broad money (M3)	46.6	49.1	49.5	54.8	63.9	64.5	64.5	64.5	65.1	65.7	66.3
Narrow money (M2)	36.1	37.6	40.1	45.1	52.8	53.2	53.3	53.2	53.6	54.1	54.5
Other liabilities	10.5	11.5	9.5	9.7	11.1	11.3	11.3	11.3	11.5	11.6	11.8

Sources: Bank of Jamaica; and Fund staff estimates and projections.
1/ The authorities also compile and diseminate monetary data on the basis of the 2016 MFSMCG.
2/ Fiscal year runs from April 1 to March 31. The authorities compile and disseminate monetary data on the basis of the 2000 MFS

Table 6. Jamaica: Financial Sector Indicators 1/

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Mar-21	Jun-21	Aug-21
Balance sheet growth (y/y)														
Capital	5.1	5.3	4.0	18.3	7.4	9.0	12.6	8.1	12.1	8.8	13.9	14.3	11.8	8.8
Loans	-1.4	4.8	12.9	14.1	6.6	9.3	18.3	7.2	15.5	17.2	10.9	10.1	11.3	9.5
NPLs	36.1	44.0	-10.8	-12.9	0.2	-11.6	-16.9	-2.6	10.6	4.0	41.9	31.4	13.2	17.8
Liquidity														
Domestic currency liquid assets 2/	36.2	30.5	26.7	26.3	31.5	26.5	27.4	31.5	28.0	24.0	24.5	25.7	25.2	25.3
Asset Quality														
Prov. for loan losses/NPLs	69.9	75.2	90.3	95.7	101.6	106.4	117.5	121.3	113.1	124.1	117.7	105.3	102.7	105.0
NPLs/Loans	6.5	8.9	7.0	5.4	5.0	4.1	2.9	2.6	2.5	2.2	2.8	2.9	2.9	2.9
Capital Adequacy														
NPLs/Capital+Prov. for loan losses	20.2	28.4	24.1	18.6	17.4	14.5	11.0	10.0	9.9	9.5	11.5	11.8	12.1	12.0
Capital Adequacy Ratio (CAR)	18.2	16.1	14.1	15.1	15.9	14.9	14.7	15.3	14.6	14.4	14.3	14.3	14.3	14.3
Profitability (calendar year) 3/														
Pre-tax profit margin	21.1	30.8	21.4	19.0	18.9	19.8	26.8	24.9	28.6	26.6	13.3	14.6	32.2	28.9
Return on average assets	2.5	3.9	2.4	2.0	2.1	2.0	2.9	2.7	3.3	3.0	1.3	0.4	0.9	0.5

Source: Bank of Jamaica.

1/ Deposit taking institutions supervised by the BoJ: commercial banks, building societies, and merchant banks.

2/ Percent of prescribed liabilities.

3/ The significant increase in profitability for 2011 is due to an up-stream dividend from one insurance subsidiary to its parent bank.
Without such dividend pre-tax profit margin and return on average assets would be 18.1 and 2.3 percent, respectively.
Calendar year, sum of intra-quarter values, or for quarters (i.e. March etc.) values for the quarter.

Table 7. Jamaica: Indicators of Fund Credit, 2020–27
(In millions of SDRs, unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Existing and prospective Fund arrangements (SDR million)							
Disbursements	382.9	…	…	…	…	…	…
Stock of existing and prospective Fund credit	651.5	558.4	381.0	133.5	9.4	0.0	0.0
Obligations	0.9	100.2	183.4	394.6	316.5	57.6	0.2
Principal (repayments/repurchases)	0.0	93.1	177.5	391.1	315.5	57.3	0.0
Charges and interest	0.9	7.1	5.9	3.5	1.0	0.3	0.2
Fund Obligations (Repurchases and Charges) as a percent of:							
Quota	0.2	26.2	47.9	103.0	82.7	15.0	0.1
GDP	0.0	1.0	1.7	3.5	2.7	0.5	0.0
Exports of goods and services	0.0	3.3	5.2	9.2	6.5	1.1	0.0
Gross international reserves	0.0	2.8	5.0	11.3	9.2	1.6	0.0
Government Revenue	0.0	3.3	5.8	11.7	9.0	1.6	0.0
External debt service	0.2	23.0	44.8	82.0	65.8	12.3	0.0
Fund Credit Outstanding as a percent of:							
Quota	170.2	145.8	99.5	34.9	2.5	0.0	0.0
GDP	6.8	5.5	3.6	1.2	0.1	0.0	0.0
Exports of goods and services	34.0	18.7	10.8	3.1	0.2	0.0	0.0
Gross international reserves	23.7	15.7	10.4	3.8	0.3	0.0	0.0
Government Revenue	23.5	18.5	12.0	4.0	0.3	0.0	0.0
External debt	10.4	9.1	6.5	2.3	0.2	0.0	0.0
Memorandum items:							
Quota (SDR million)	382.9	382.9	382.9	382.9	382.9	382.9	382.9
Exports of goods and services (USD million)	2,774	4,364	5,196	6,344	7,170	7,479	7,839
Gross international reserves (USD million)	3,980	5,202	5,400	5,125	5,090	5,256	5,353
External debt service (USD million)	485	634	600	708	710	694	704
Total external debt (USD million)	9,035	8,943	8,649	8,441	8,313	8,172	7,983

Source: IMF staff calculations.

Annex I. Progress on 2018 Article IV Policy Recommendations

Recommendations	Policy Actions
Growth agenda	
Improve **social outcomes and foster inclusive growth** by addressing **structural bottlenecks** and enabling **private sector led growth.**	Ongoing. Increased allocations have been made to prevent crime, enhance information network and mobility for security units. Additional resources have been allocated for youth education, training and development and women's programs to address deficiencies in social outcomes.
Fiscal sector	
Maintain a **tight fiscal stance** to preserve debt sustainability.	The fiscal rule was suspended for one year in FY 2020/21 because of the pandemic. The FY 2021/22 budget maintains tight fiscal discipline and debt is on a downward trajectory.
Reduce the **wage bill** and **reprioritize spending** toward growth-enhancing projects.	Ongoing. Reevaluation of non-wage benefits would be part of the planned overhaul of the compensation structure that the Government aims to put in place by FY21/22, before the next round of wage negotiations.
Improve **public sector efficiency through divestments** and addressing duplication and inefficiencies in government functions.	Ongoing. Several public bodies have been closed, merged, and reintegrated into central government; earmarked revenues from several entities have been directed into the Consolidated Fund.
Monetary and Financial sector	
Formalize the current **inflation targeting** regime to help entrench macroeconomic stability and promote growth. Monetary policy to be guided by price stability; strengthen **BOJ's governance and operational autonomy**.	The revised BOJ independence Act was passed in April 2021.The reforms include clarifying BOJ's primary objective to be price stability. The new act strengthens BOJ's institutional independence and accountability, putting in place an effective Board with decision-making structure, and restores autonomy to the central bank.
Maintain **exchange rate flexibility**	The BOJ continues to shrink its role in FX markets. Exchange rate flexibility continues, with FX intervention limited to periods of excessive volatility.
Preserve **financial sector stability** to promote growth.	Ongoing. Prudential and supervisory improvements are being enhanced for systemic stability with MCM TA. Changes to investment limits for non-banks is being considered to safeguard financial stability with MCM TA, along with the introduction of a Special Resolution Regime for financial institutions.
Address weaknesses in **AML/CFT** framework.	Work is ongoing with TA from LEG/MCM.

Annex II. Risk Assessment Matrix[1]

Source and Direction of Risk	Likelihood	Impact if Realized	Policy Response
External Risks			
Unexpected shifts in the Covid-19 pandemic.			
• **Uncontrolled Covid-19 local outbreaks** (↓). Possibly due to limited deployment of vaccines or new virus variant.	High	Medium. Weaker growth and lower fiscal expenses.	Extend pandemic relief measures while designing/communicating a medium-term plan to preserve fiscal sustainability.
• **Global resurgence of pandemic** (↓). Local outbreaks lead to global resurgence prompting persistent behavioral changes.	Medium	Medium. Weaker growth and lower fiscal expenses.	Extend current pandemic relief measures while designing and communicating a medium-term plan to preserve fiscal sustainability.
De-anchoring of U.S. inflation expectations leads to rise in global risk premia (↓). Fast recovery in demand, combined with Covid-19-related supply constraints, leads to sustained above-target inflation readings and a de-anchoring of expectations. Monetary tightening response results in higher risk premia.	Medium	Medium. Financing difficulties for government, firms/households, erode banks' capital.	Provide fiscal support to affected sectors within a sustainable medium-term fiscal plan. Intensify surveillance of financial institutions.
Rising oil prices amid bouts of volatility (↓). Oil prices increase against a weaker U.S. dollar, post-pandemic pent-up demand, and/or OPEC decisions.	Medium	Medium	Accelerate transition to local renewable energy sources.
Structural/Domestic Risks			
Faster pandemic containment (↑). Due to the rapid vaccination and global containment.	Medium	Medium. Higher growth and lower fiscal expenses.	End pandemic relief measures, continue supporting recovery; eventually rebuild fiscal buffers.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon

Source and Direction of Risk	Likelihood	Impact if Realized	Policy Response
Structural/Domestic Risks			
Higher frequency and severity of natural disasters related to Climate Change (↓)	Medium	**High.** Severe damage to infrastructure and agriculture.	Invest in resilient infrastructure. Leverage private sector solutions linking agriculture with tourism and manufacturing sectors. Develop self-insurance and ex-ante mitigation strategies.
Cyber-attacks (↓), on critical infrastructure, institutions, and financial systems trigger systemic financial instability or widespread disruptions in socio-economic activities and remote work arrangements	Medium	**Low.** Relatively low dependence on cybernetics.	Upgrade risk management capacity in financial institutions and infrastructure (payments and settlement system); Strengthen cyber security measures.
Financial sector weakness (↓) The pandemic triggers large losses by adding to pre-existing vulnerabilities.	Medium	Medium	Formalize crisis management plans and undertake reforms to support asset recovery. Ensure financial sector linkages and channels of contagion during market stress episodes are both well understood and regulated.

Annex III. External Sector Assessment

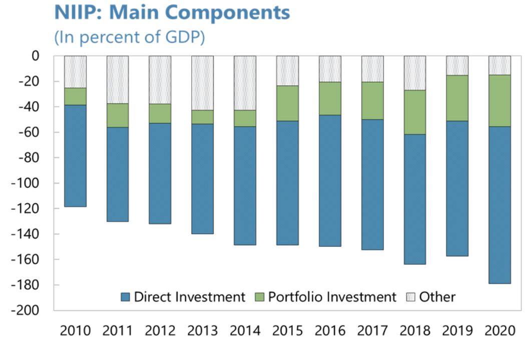
Overall Assessment: *In 2020, Jamaica's external position was in line with the level consistent with fundamentals and desirable policy settings. The current account deficit in 2020 (0.8 percent of GDP) is (even after adjustments for the Covid-19 pandemic) well below the current account norm of around 7.6 percent of GDP, suggesting an exchange rate undervaluation of 15 percent. However, a current account deficit in line with the norm would be difficult to finance. Moreover, the Net International Investment Position has deteriorated sharply in the past decade (from -120 percent of GDP in 2010 to -176 percent in 2020), and current account deficits in line with the norm would lead to sharp further deteriorations which could make the NIIP unsustainable. The current level of the real exchange rate would keep the NIIP sustainable according to the External Sustainability Approach.*

The Covid-19 pandemic led to a sizable contraction in tourism but import compression and an increase in remittances more than offset its impact on the current account balance and contributed to an accumulation of gross international reserves. These shocks, all linked to the pandemic, are expected to gradually revert in the medium run. In the past decade and a half, the current account has seen a sharp improvement. But this was the result of an increase in remittances and a recent decline in interest payments and oil prices, while exports contracted as a share of GDP. Moreover, external debt is high and the NIIP highly negative.

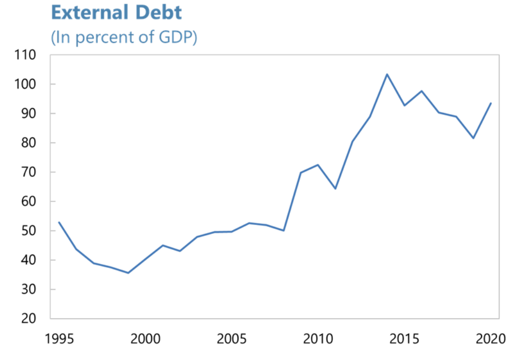
Potential Policy Responses: *Beyond the positive assessment on external sustainability, Jamaica could address several constraints to its export development, including by fostering currently low tertiary education, enhancing trade facilitation, strengthening its logistics, lowering crime, and advocating in CARICOM for lower import barriers and free trade agreement with other countries outside the region.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The net international investment position (NIIP) deteriorated sharply in the last decade and a half, from -118 percent of GDP in 2010 to –178 in 2020. This reflects a sharp increase in both portfolio investment and FDI. On the liability side, FDI was by far the largest liability in 2020, followed by portfolio investment and other investment. On the asset side, reserve assets were the largest asset category followed by portfolio and other investment. External debt rapidly increased after the late 1990s, until fiscal consolidation led to a reversal in the mid-2010s. Most of the external debt by end-2020 consisted of government long-term bonds (55 percent of external debt). Loans to the private sector were also a major component.



Sources: Bank of Jamaica and IMF staff calculations.
Note: Components of Jamaica's Net International Investment Position (NIIP).

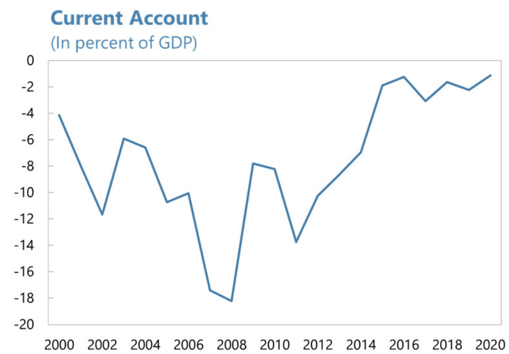


Sources: UN Comtrade and IMF staff estimates.

Assessment. Although the NIIP is sizeable, it is projected to decline in the future given the projected reduction in government external debt and low current account deficits. According to the External Sustainability approach, under the current baseline scenario (which assumes constant real exchange rates), the NIIP would not deteriorate further in net present value terms and is therefore assessed to be sustainable.

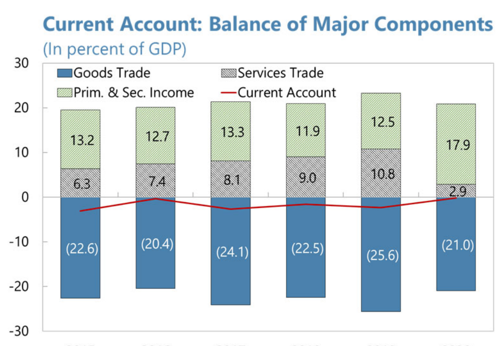
2020 (% GDP)	NIIP: -176.5	Gross Assets: 72.1	Debt Assets:	Gross Liab.: -248.6	Debt Liab.: -- 97.6

Current Account

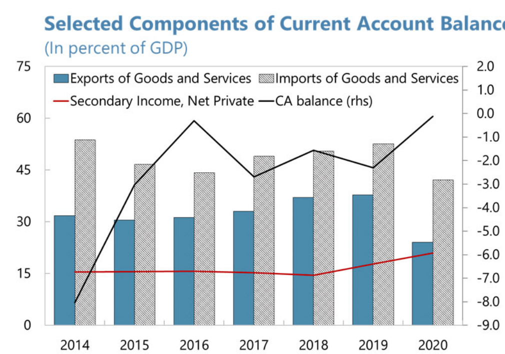


Sources: UN Comtrade and IMF staff estimates.

Background. After a rapid deterioration in the early 2000s, the current account balance improved sharply over the last two decades, the result of growing remittances and, more recently, declining interest payments and oil import prices. The export to GDP ratio, on the other hand, has declined sharply in recent decades. According to BOJ estimates, the current account deficit declined from 2.3 percent of GDP in 2019 to 0.1 percent in 2020. This improvement occurred despite a sharp, tourism-related decline in service exports (12.1 percentage points of GDP), as this was more than offset by a decline of imports (10.5 percentage points) and higher remittances (5.5 percentage points). The reduction in international fuel prices contributed to the decline in imports.



Sources: Bank of Jamaica and IMF staff calculations.



Sources: Bank of Jamaica and IMF staff calculations.

Jamaica: Model Estimates for 2020 (In percent of GDP)		
	CA model	**REER model**
CA-Actual	**-0.1**	
Cyclical contributions (from model) (-)	1.1	
COVID-19 adjustor (+) 1/	-2.3	
Adjusted CA	**-3.4**	
CA Norm (from model) 2/	**-7.6**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-7.6**	
CA Gap	**4.2**	**4.4**
o/w Relative policy gap	3.5	
Elasticity	-0.28	
REER Gap (in percent)	**-15.1**	**-15.8**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on oil trade balances (-1.9 percent of GDP), on tourism (2.9 percent of GDP), and on remittances (-2.3 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

Assessment. According to both the CA and iREER models, the external position was substantially stronger than the level consistent with medium-term fundamentals and desirable policy settings. However, a current account deficit in line with the norm would be difficult to finance. Moreover, the Net International Investment Position has deteriorated sharply in the past decade (from -120 percent of GDP in 2010 to -176 percent in 2020), and current account deficits in line with the norm would lead to sharp further deteriorations which could make the NIIP unsustainable. The Covid-19 shock led to an improvement in the current account mainly because of a related increase in remittances, which is reflected in a Covid-19 adjustor of -2.3 percent of GDP. Adding a cyclical adjustor leads to an adjusted CA of -3.4 percent of GDP, which is higher than the CA norm of -7.6 percent of GDP. The gap between the adjusted CA and CA norm implies a -15 percent gap in the REER. The REER gap was estimated at 16 percent under the iREER model, broadly in line with the CA model estimate.

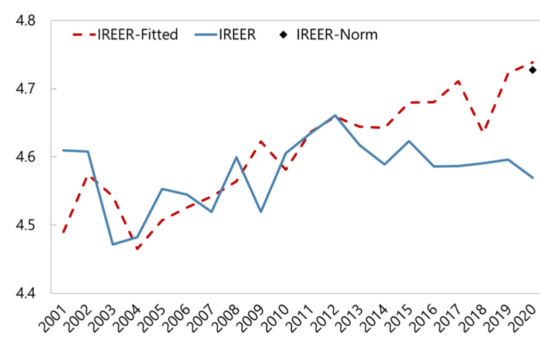
The high norm for Jamaica's current account deficit is the result of its large outward migration and associated remittances inflows. According to EBA-Lite the 40 percent share of the population living abroad raises the norm for the current account deficit by 5 percent of GDP.

Real Exchange Rate

Background. The REER has remained stable in recent years and depreciated by 2.7 percent in 2020.

Assessment. The real exchange rate has been stable in recent years, while the REER norm has increased according to the iREER model. The appreciating trend in the norm is mainly explained by an increasing dependency ratio that the model expects to lead to an appreciation of the REER.

IREER: Actual, Fitted, and Norm



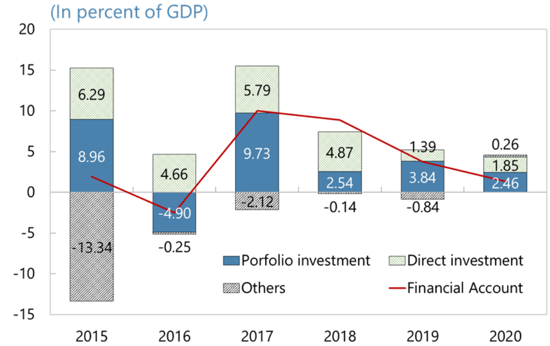
Sources: WEO database, April 2021; and IMF staff calculations.

Capital and Financial Accounts: Flows and Policy Measures

Background. Capital inflows have declined in recent years. Both portfolio and direct investment are the major sources of external financing.

Assessment. The lower reliance on external borrowing improves the external sustainability outlook. However, direct investment is relatively low as a share of GDP and should be strengthened to promote export and economic development.

Financial Account: Major Components
(In percent of GDP)



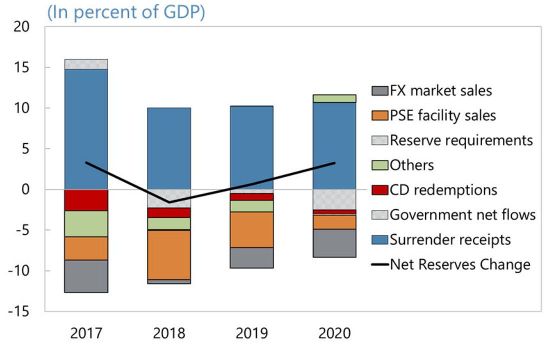
Sources: Bank of Jamaica and IMF staff calculations.

FX Intervention and Reserves Level

Background. The BOJ has accumulated foreign reserves in recent years, as it has sold only part of its surrender receipts through its PSE facility and FX sales.

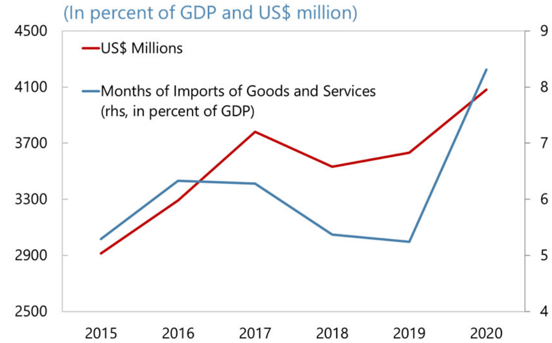
Assessment. Foreign reserves in recent years have fluctuated between 5 and 6 months of imports of goods and services, exceeding the typical benchmark of 3 months of imports. The recent increase in this ratio, up to 8 months of imports, is mainly the result of the Covid-19 related import compression.

Reserve Changes by Component
(In percent of GDP)



Sources: Bank of Jamaica and IMF staff calculations.
Note: Includes an RFI disbursement of 3.3 percent of GDP in 2020.

Gross International Reserves
(In percent of GDP and US$ million)



Sources: Bank of Jamaica and IMF staff calculations.
Note: Excluding net PSE sales.

Annex IV. Debt Sustainability Analysis

Jamaica's public debt is sustainable. The debt-to-GDP ratio increased to 108 percent of GDP in FY 2020/21 due to the severe impact of the pandemic, the related sharp contraction of GDP and a weak currency. Underpinned by the authorities sustained efforts in fiscal consolidation, debt is projected to be on a downward trajectory in line with the Fiscal Responsibility Law debt target of 60 percent of GDP by FY2027/28. The authorities have been proactive in reducing near-term gross financing needs. However, debt dynamics remain vulnerable to the uncertainties surrounding the COVID-19 outbreak, natural disasters, and the realization of contingent liabilities from public bodies.[1]

1. **Prior to the pandemic, Jamaica's debt had been declining steadily as a result of strong fiscal consolidation efforts, low interest rates and good debt management**. Jamaica's public debt fell from 114 percent of GDP in FY 2016/17 to 94.3 percent in FY 2019/20. Major rating companies upgraded Jamaica's credit ratings in 2019. However, in FY 2020, public debt is now estimated at 108 percent of GDP due to sharp economic contraction, weak currency and counter-cyclical fiscal policies in response to Covid-19. The primary surplus declined to 3.5 percent of GDP in FY 2020/21 (from 7.1 percent in FY 2019/20). Debt reduction efforts are expected to resume as the pandemic wanes. Despite the severe impact of the COVID-19 crisis, the authorities are committed to bringing public debt below 60 percent of GDP by FY2027/28, although with a modest (two-year) delay from the original FY2025/26 target date under the Fiscal Responsibility Law.

2. **The baseline scenario of the DSA reflects the medium-term macroeconomic assumptions, and fiscal targets stipulated under the fiscal rule.** Real GDP growth is projected to recover from -10 percent in 2020 to 4.7 percent in 2021 as tourism has rebounded to near 70 percent of pre-crisis levels, and other sectors have picked up as well. While inflation has risen above the central bank's target range as a result of result of rising global food and energy prices, and global supply-chain shortages, it is expected to recede to 5 percent over the medium-term. Fiscal balance is expected to be around 0.3 percent of GDP in the near term, in line with the FRL. Over the medium-term fiscal balances are projected to rise to 1.5-2 percent of GDP to bring debt down to the FRL target of 60 percent of GDP by FY 2027/28. Interest rates are assumed to increase by 200 basis points in FY 2022/23 to bring them in line with the monetary policy recommendations. Interest payments are projected to fall in line with retiring of maturing bonds. Publicly guaranteed debt is projected at 2.5 percent of GDP at end-2020 and is expected to decline as a percent of GDP through 2026. External debt projections are based on projected increases in the current account deficit of around 2.5 percent of GDP over the medium term and planned disbursements of project loans by multilateral and bilateral creditors

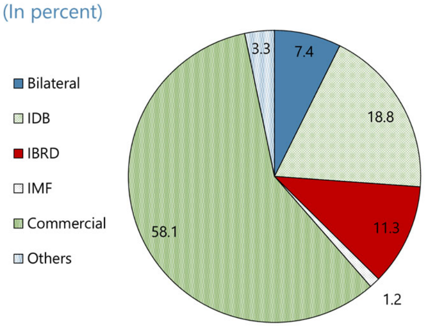
3. **The public debt trajectory remains susceptible to macro-fiscal risks**. All the standard shocks to key economic indicators and contingent liabilities embedded in the standard stress tests

[1] The analysis refers to the consolidated public sector debt, which includes direct debt by the central government, guaranteed debt and net debt not guaranteed by the government of public bodies, excluding the central bank.

are projected to alter the public debt adjustment path, with projections ranging between 76 and 94 percent of GDP by FY2025/26 depending on the shock scenario (Figure 5). In the near term, public debt could deviate from the baseline path by 5.6 to 11.9 percent of GDP in FY2022/23 under the standard stress tests, with relatively larger impacts under the foreign exchange shock, contingent liabilities shock, and the combined macro shock. Susceptibility to macro-fiscal shocks is also confirmed by fan charts around the baseline debt projections with the upper quartile of the confidence interval pointing to debt of 74 percent of GDP by FY2025/26 (Figure 1). Nevertheless, there are also upsides from potential asset divestments, which are not included under the baseline.

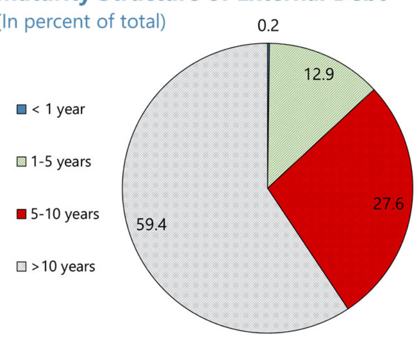
4. Jamaica faces modest near-term gross financing needs. External debt stood at 61 percent of GDP at end of FY 2020/21 and is predominantly owed to private creditors (58 percent). Most of the external debt is denominated in US dollars (98 percent). In terms of maturity profile, 13 percent of the external debt is medium term (1-5 years) and 87 percent is long-term (over 5 years), and as such the rollover risks remain contained and gross financing needs over the medium-term are modest. The MAC DSA heatmap points to low liquidity risks with the gross financing needs-to-GDP ratio staying below the 15 percent threshold across standard stress tests. The debt-profile vulnerabilities tool suggests that Jamaica's FX-denominated debt in percent of total public debt exceeds the 75th percentile of peers (61 percent) by a small margin, while other key indicators do not flag high-risk signals for now (Figure 1).

Composition of External Debt at End FY 2020/21
(In percent)



Sources: Jamaican authorities and IMF staff calculations.

Maturity Structure of External Debt
(In percent of total)



Sources: Jamaican authorities and IMF staff calculations.

5. Nevertheless, there are downside risks to the baseline scenario. In the combined macro fiscal shock scenario, debt would initially increase to about 112 percent of GDP in the near term and then decline to 93.4 percent in FY 2025/26. Gross financing needs would increase to 16 percent of GDP over the near term and then decline and stays below the GFN benchmark of 15 percent.

6. The authorities have been proactive in their debt management strategy to mitigate market-related costs and risks. In 2019, the Government of Jamaica conducted buybacks of outstanding global bonds coming due in 2022, 2025, and 2028, totaling around US$1 billion. These buybacks together with new bond issuances through the reopening of the global bond coming due in 2045 led to substantial maturity extension. As part of their medium- term debt strategy, the authorities plan to continue to conduct opportunistic liability management operations (LMOs) to further mitigate costs and risks in public debt portfolio. The public debt risk profile would also benefit from plans to reduce reliance on FX-denominated borrowing, while further developing the local currency bond market over the medium term.

7. Jamaica's debt is assessed to be sustainable. The projected debt trajectory remains vulnerable to the high degree of uncertainty from the size and duration of the COVID-19 shock and the associated risks to growth, interest rates, exchange rate and fiscal revenues. However, the strong policy track record, together with the authorities' commitment to meet the medium-term debt target sooner should growth overperform, and prudent debt management mitigate potential risks.

Figure 1. Jamaica: Public Sector Debt Sustainability Analysis (DSA) – Baseline Scenario

(In percent of GDP unless otherwise indicated)

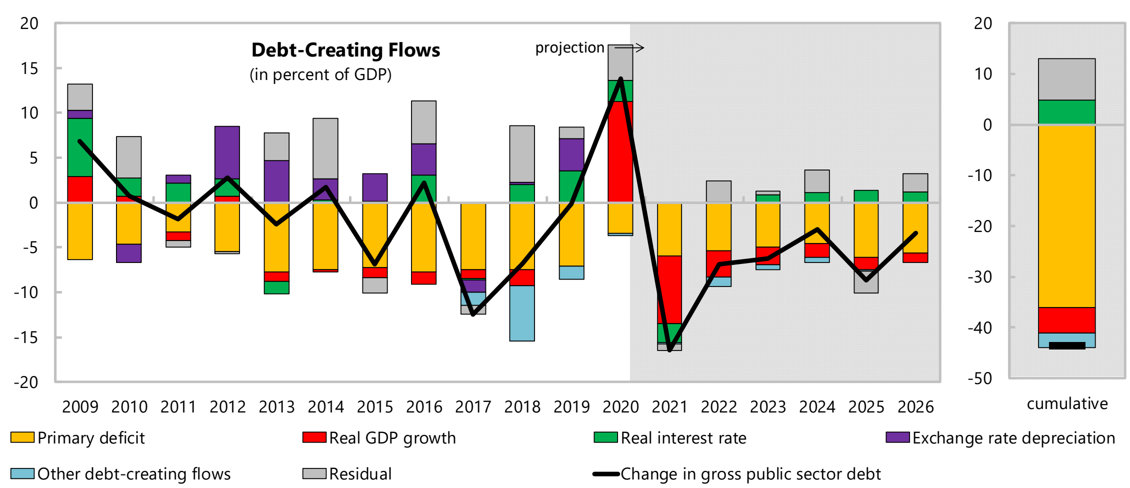
Debt, Economic and Market Indicators [1/]

	Actual			Projections						
	2009-2017 [2/]	2018	2019	2020	2021	2022	2023	2024	2025	2026
Nominal gross public debt	114.7	94.4	94.3	108.1	91.6	84.7	78.4	75.4	66.7	63.3
o/w: Net public bodies & Fund credit	0.2	0.5	3.1	2.4	0.3	0.5	0.2	0.1	0.1	0.1
Public gross financing needs	13.1	5.3	7.1	11.1	6.5	7.4	5.5	10.8	4.6	4.2
Real GDP growth (in percent)	0.1	1.9	-0.1	-11.1	8.2	3.5	2.5	2.1	1.9	1.7
Inflation (GDP deflator, in percent)	7.3	4.4	3.4	4.9	8.2	6.3	5.5	5.1	5.0	5.0
Nominal GDP growth (in percent)	7.4	6.5	3.3	-6.8	17.1	10.0	8.2	7.3	7.0	6.8
Effective interest rate (in percent) [4/]	8.8	6.7	6.8	6.7	6.6	6.6	6.7	6.8	7.1	7.0

As of Jan 10, 2022		
Sovereign Spreads		
EMBIG (bp) 3/		290
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	B2	B2
S&Ps	B+	B+
Fitch	B+	B+

Contribution to Changes in Public Debt

	Actual			Projections								
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	cumulative	debt-stabilizing primary balance [10/]
Change in gross public sector debt	-1.0	-6.8	-0.1	13.8	-16.5	-6.9	-6.3	-3.0	-8.7	-3.4	-27.5	
Identified debt-creating flows	-3.1	-13.2	-1.4	9.9	-15.8	-9.3	-6.7	-5.5	-6.3	-5.5	-33.7	
Primary deficit	-6.4	-7.5	-7.1	-3.5	-5.9	-5.4	-4.9	-4.6	-6.1	-5.6	-30.5	-0.2
Primary (noninterest) revenue and grants	27.1	30.6	30.6	29.1	30.5	29.1	28.6	28.3	28.1	27.6	173.8	
Primary (noninterest) expenditure	20.7	23.2	23.5	25.6	24.6	23.7	23.7	23.7	22.0	22.0	143.3	
Automatic debt dynamics [5/]	3.4	0.4	7.1	13.6	-9.6	-2.9	-1.1	-0.4	0.0	0.1	-0.4	
Interest rate/growth differential [6/]	1.5	0.2	3.6	13.6	-9.6	-2.9	-1.1	-0.4	0.0	0.1	-0.4	
Of which: real interest rate	1.6	2.0	3.5	2.3	-2.1	0.1	0.8	1.1	1.4	1.2	3.6	
Of which: real GDP growth	-0.2	-1.8	0.1	11.3	-7.5	-2.9	-2.0	-1.5	-1.3	-1.1	-4.0	
Exchange rate depreciation [7/]	2.0	0.2	3.5	…	…	…	…	…	…	…	…	
Other identified debt-creating flows	-0.2	-6.1	-1.4	-0.3	-0.2	-1.0	-0.6	-0.5	-0.2	0.0	-2.8	
Compensatory flows from PCDF 8/	-0.2	-4.9	-2.3	-0.3	-0.2	-1.0	-0.6	-0.5	-0.2	0.0	-2.8	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bank Recapitalization	0.0	-1.2	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes 9/	2.1	6.3	1.3	4.0	-0.7	2.4	0.4	2.5	-2.4	2.1	6.1	



Source: IMF staff.

1/ Fiscal data are on fiscal year basis. Public sector is defined as central government and includes public guarantees, defined as Outstanding amount of loans guaranteed by the central government and Fund credit outstanding (budget support only).

2/ Based on available data.

3/ EMBIG.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

6/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

8/ The compensatory flows from Petrocaribe Development Fund (PCDF) arise from the estimated net revenue from PCDF assets that can be used by the government to repay debt.

9/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period. For FY2020/21 includes asset sales as announced in GOJ's 2020/21 Budget .

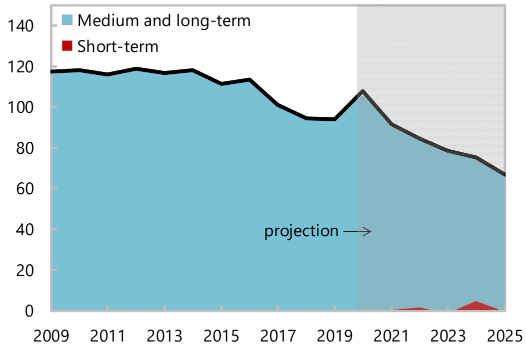
10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 2. Jamaica: Public DSA – Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

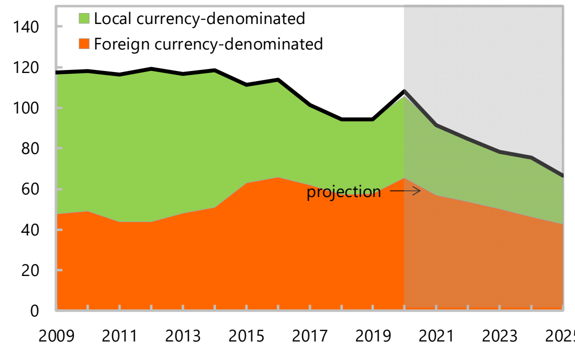
By Maturity

(in percent of GDP)



By Currency

(in percent of GDP)

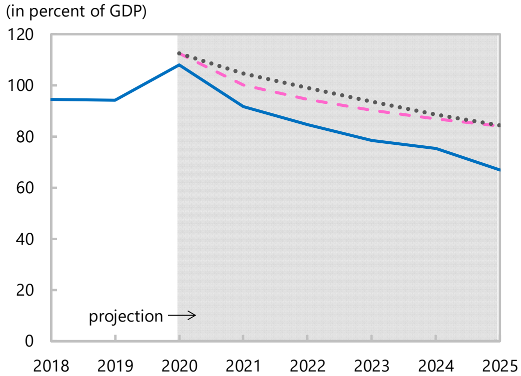


Alternative Scenarios

Baseline Historical Constant Primary Balance

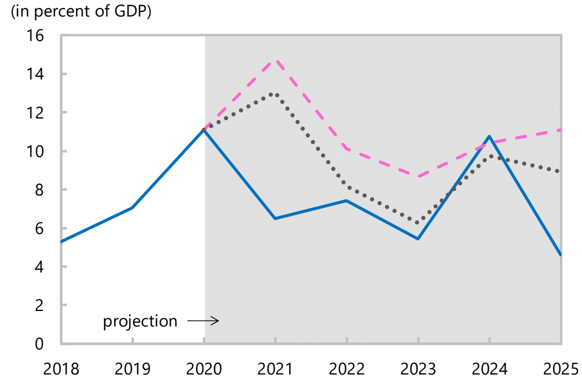
Gross Nominal Public Debt

(in percent of GDP)



Public Gross Financing Needs

(in percent of GDP)



Underlying Assumptions

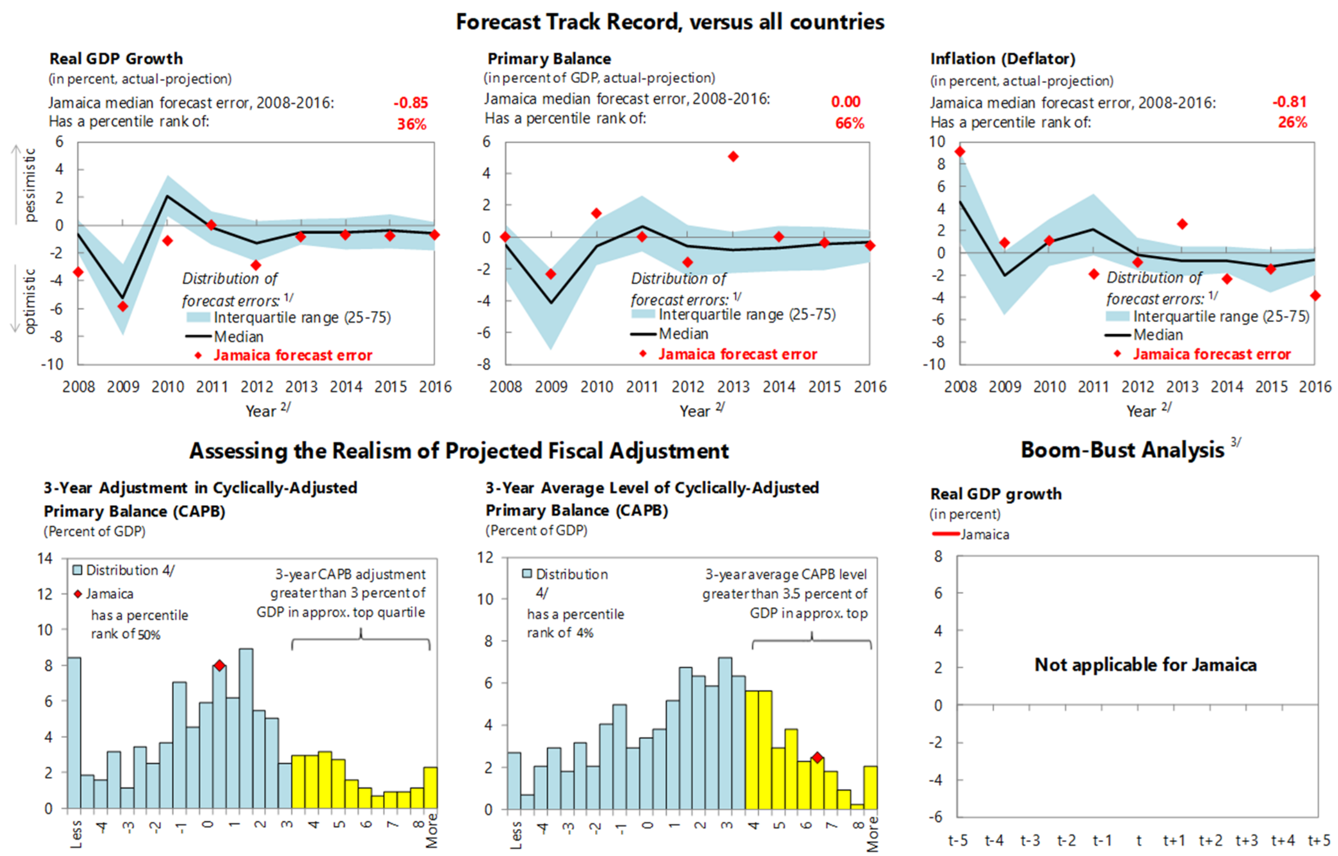
(in percent)

Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-11.1	8.2	3.5	2.5	2.1	1.9
Inflation	4.9	8.2	6.3	5.5	5.1	5.0
Primary Balance	3.5	5.9	5.4	4.9	4.6	6.1
Effective interest rate	6.7	6.6	6.6	6.7	6.8	7.1
Constant Primary Balance Scenario						
Real GDP growth	-11.1	8.2	3.5	2.5	2.1	1.9
Inflation	4.9	8.2	6.3	5.5	5.1	5.0
Primary Balance	3.5	3.5	3.5	3.5	3.5	3.5
Effective interest rate	6.7	6.4	6.3	6.5	6.5	6.8

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-11.1	0.6	0.6	0.6	0.6	0.6
Inflation	4.9	8.2	6.3	5.5	5.1	5.0
Primary Balance	3.5	6.6	6.6	6.6	6.6	6.6
Effective interest rate	6.7	6.4	6.4	6.7	6.7	7.1

Source: IMF staff.

Figure 3. Jamaica: Public DSA – Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

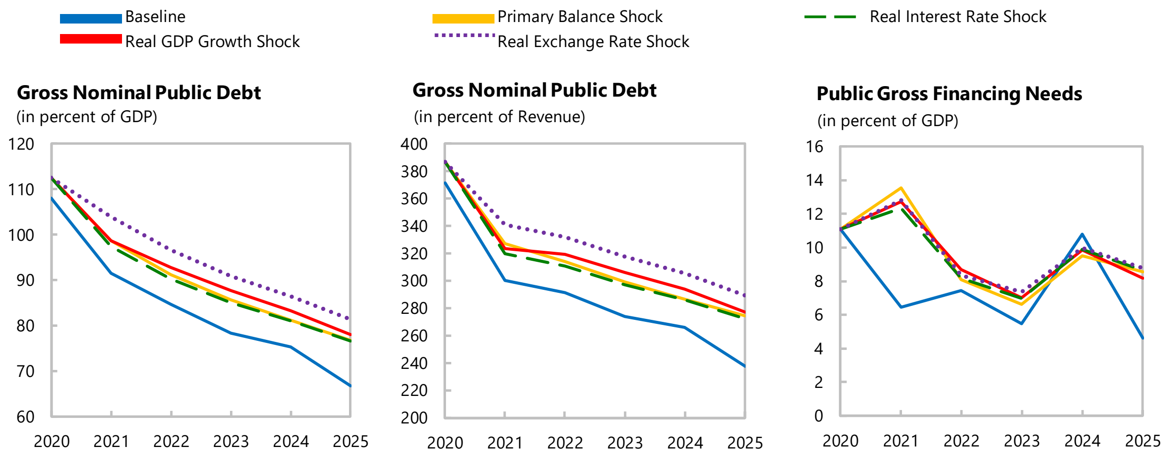
2/ Projections made in the spring WEO vintage of the preceding year.

3/ Not applicable for Jamaica, as it meets neither the positive output gap criterion nor the private credit growth criterion.

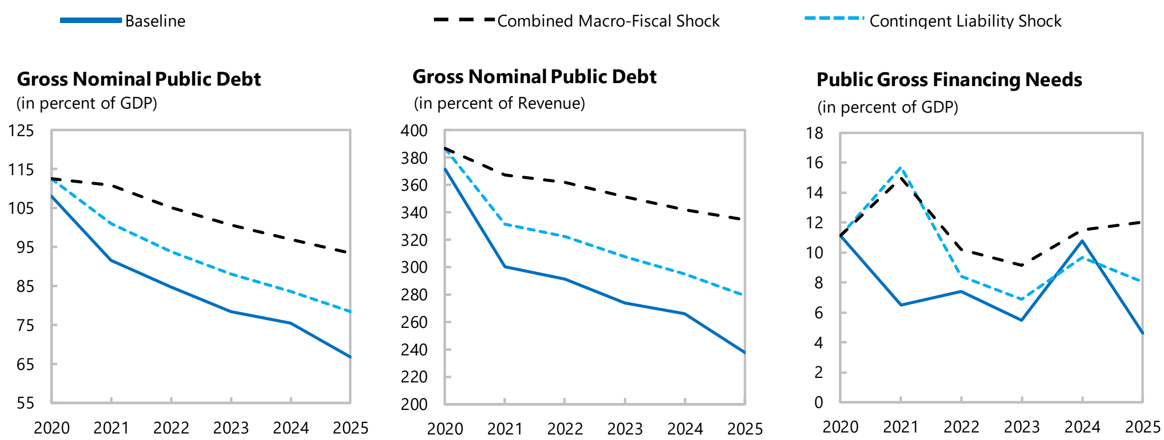
4/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 4. Jamaica: Public DSA- Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions

(in percent)

Primary Balance Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	-11.1	8.2	3.5	2.5	2.1	1.9
Inflation	4.9	8.2	6.3	5.5	5.1	5.0
Primary balance	3.5	4.7	5.4	4.9	4.6	5.4
Effective interest rate	6.7	6.4	6.4	6.6	6.6	6.9
Real Interest Rate Shock						
Real GDP growth	-11.1	8.2	3.5	2.5	2.1	1.9
Inflation	4.9	8.2	6.3	5.5	5.1	5.0
Primary balance	3.5	5.9	5.4	4.9	4.6	6.1
Effective interest rate	6.7	6.4	6.7	7.1	7.2	7.8
Combined Shock						
Real GDP growth	-11.1	7.3	2.6	2.0	2.0	1.9
Inflation	4.9	8.0	6.1	5.4	5.1	5.0
Primary balance	3.5	4.7	4.9	4.9	4.6	5.4
Effective interest rate	6.7	7.0	6.6	7.0	7.1	7.7

Real GDP Growth Shock	2020	2021	2022	2023	2024	2025
Real GDP growth	-11.1	7.3	2.6	2.0	2.0	2.0
Inflation	4.9	8.0	6.1	5.4	5.1	5.1
Primary balance	3.5	5.7	4.9	4.9	4.6	6.1
Effective interest rate	6.7	6.4	6.4	6.6	6.6	6.9
Real Exchange Rate Shock						
Real GDP growth	-11.1	8.2	3.5	2.5	2.1	1.9
Inflation	4.9	12.7	6.3	5.5	5.1	5.0
Primary balance	3.5	5.9	5.4	4.9	4.6	6.1
Effective interest rate	6.7	7.0	6.3	6.5	6.5	6.8
Contingent Liability Shock						
Real GDP growth	-11.1	8.0	3.3	2.5	2.1	1.9
Inflation	4.9	8.2	6.3	5.5	5.1	5.0
Primary balance	3.5	2.9	5.4	4.9	4.6	6.1
Effective interest rate	6.7	6.7	6.4	6.6	6.6	6.9

Source: IMF staff.

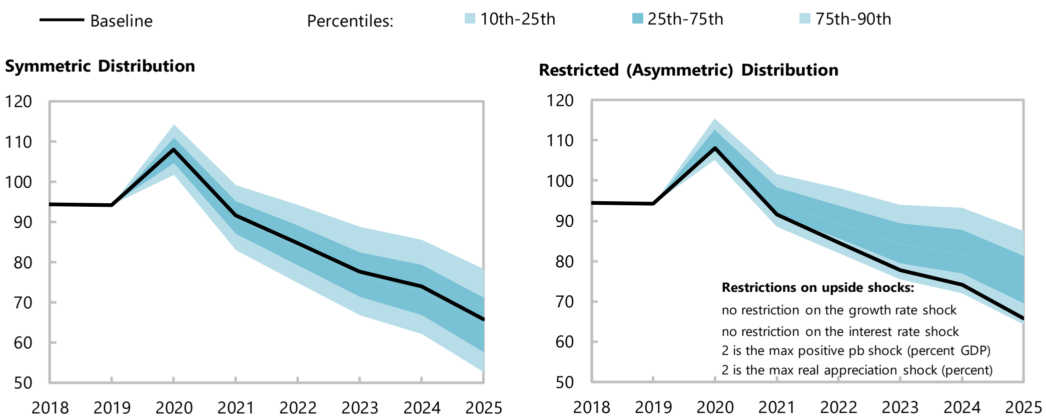
Figure 5. Jamaica: Public DSA Risk Assessment

Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

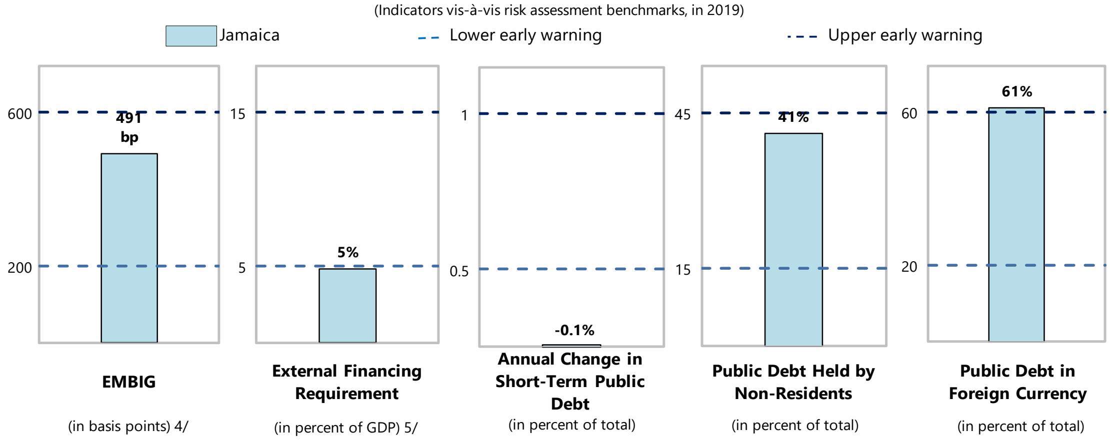
Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.

Lower and upper risk-assessment benchmarks are:

200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG, an average over the last 3 months, 01-Feb-20 through 01-May-20.

5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Annex V. Policy Measures to Counter Impact of COVID-19 on Financial Sector

Policy area	Measures Taken By: Recommended[1]	Measures Taken By: A. Bank of Jamaica	Current Status
Monetary Policy	Ease monetary policy, including: unconventional monetary policy tools	Accommodative stance—policy rate (PR) @0.5%. Direct sale of US$344 million to public and other approved entities. Sales of US$292 million to authorized dealers and cambios via flash auctions through the Bank of Jamaica's FX Intervention Trading Tool. Re-sale of these funds allowed at a specified spread. Set up an intermediation facility to help eligible participants avoid counterparty risk present in peer-to-peer lending. Facility to repurchase of GOJ and early redemption of BOJ instruments injected JM$51.1 billion. Occasional Term Repurchase Operation to provide credit for six-months against an expended pool of securities used as collateral injected JN$11billion	PR raised in the face of inflationary pressures One time measure. One-time measure. Based on the Bank's assessment of market conditions, the Bank augments US$ Liquidity to maintain orderly market conditions. This remains in place and available. One-time measure All repos via this facility have been repaid.
Liquidity Support to Core Funding Markets	Provide support to maintain market functioning and liquidity	Reduction of FX cash reserve requirement for DTIs by 2% (to 13%) from mid- May 2020 injected US$70 million BoJ FX Swap Arrangement injected US$167 million. FX repurchase ops to financial institutions injected US$137 million in May 2020. Unlimited and penalty free DTIs borrowing via the overnight repurchase facility. Reactivated 2015 Emergency Liquidity Facility.	One-time measure; FX CRR remains at 13%. Repaid @end 2020. Repaid by March 2021 Remains in place Remains in place

[1] IMF staff policy recommendations provided since the outbreak of the crisis. See Box 1 in Monetary and Capital Market Special Series on COVID-19: "Unwinding COVID-19 Policy Interventions for Banking Systems" available at https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes#mfp.

Policy area	Measures Taken By:		Current Status
	Recommended[1]	A. Bank of Jamaica	
Measures to Maintain the Flow of Credit	Release macroprudential buffers, allow the use of capital and liquidity buffers, and apply regulatory flexibility as appropriate Suspend the distribution of banks' profits (dividend payouts and share buybacks)	Increased limit on the FX net open positions of FX dealers by 5.0 percentage points (to 25% of regulatory capital), injected US$1.0 billion. Cut of local cash reserve requirement to 5 from 7 % from mid-May 2020 injected JM$14 billion. In May 2020, at BoJ request the financial holding companies and the DTIs limited dividend distributions in favor of preservation of capital. In December, DTIs agreed not to declare or pay any dividend until June 2021 excepting payments to shareholders with 1% or less of stock.	In July 2020, FX NOP limits adjusted to ST & LT limits of 25% and 15%, respectively. They remain at these levels. One time measure remains at 5 percent. Payments to large shareholders resumed in April 2021
Problem Assets Debt Restructuring for Borrowers	Provide guidance on asset classification and provisioning and introduce repayment moratoria	DTIs, encouraged by BoJ used loan moratoria, payment holidays and changes in loan covenants, to reduce the COVID shock on households and businesses. DTIs extended moratoriums for 3-6 months. Loans under the moratoriums were not classified as NPLs. At end Jun-2021, JM $27.6 billion (or less than 3% of total loans) represented loans that remained under moratorium. The overall stock of loans that have benefitted from these arrangements has been on the decline since end-2020, contracting at an average monthly rate of 13%.	Granting of moratoria stopped in May 2021
Financing Support to Business	Provide credit guarantees (or other risk mitigation) and term funding to support new lending	Designation of CUs as FIs for financial stability purposes under the Bank of Jamaica Act and establishing a repurchase facility JM$4 billion to provide liquidity support from July to December 2020.	Expired @end-2020.

Regulatory Area	**Measures Taken By:** **B. Financial Services Commission**	**Current Status**
Surveillance	Frequency of reporting of liquidity pressures for insurance companies and securities dealers (SD) increased. SD required to file daily and weekly liquidity positions and cash flow activities including collective investment schemes (CIS) and on balance sheet obligations.	Ongoing for SDs. Insurance companies submit quarterly reports unless under enhanced monitoring.
Prudential requirements	Exercised regulatory forbearance regarding: i. investment and funding limits for CISs ii. large exposures above the transitional limit of 95% reviewed on a case-by-case basis. Suspended the implementation of the retail mismatch ratio. Relaxed the requirement to present an action plan for breaches of the early warning limits for the Capital to Risk Weighted Assets ratio of 14 per cent required by law. Required insurance companies and securities dealers to notify the FSC 10 days before any dividend payments and granted extensions for the submission of the routine periodic statutory filings.	Ongoing with the following exceptions and amendments: - Large exposure transitional limit lowered to 55% - Forbearance for Capital to risk weighted assets expired September 30, 2021. Insurance companies were allowed to apply for regulatory forbearance as it relates to investment opportunities and possible breaches in their Minimum Capital Test. Two ICs applied and received approval. Extension requests must be submitted in writing and appropriately justified.
Business continuity	Insurance companies, pension administrators and investment managers required to submit business continuity plans and the SDs a liquidity recovery plan for the FSC review and revision thereafter.	The Insurance Division requested BCPs in early 2020 when the pandemic started. The companies have been implementing those plans. The FSC has been monitoring their performance and conducted stress testing of their balance sheets for any deficiencies. The entities tested appear resilient to the plausible risks.

Regulatory Area	Measures Taken By:	Current Status
	B. Financial Services Commission	
Communication	Issued guidance, tips and notices including via social media and directly to industry and provided guidance on the purchase of annuities for pension plans of members retiring during the pandemic. Maintained open communication with stakeholders to provide more feedback while tracking the possible impacts of the pandemic on the industry: i. Consultation with pension stakeholders on a number of proposed legislative amendments to alleviate the financial burden due to the COVID-19 on members and sponsors of pension plans. From these consultations, the Pensions (Superannuation Funds and Retirement Schemes) (Repeal and Replacement) Bill now includes proposals to ease financial obligations for members and sponsors of pension plans related to the payment of contributions ii. A special advisory group of the FSC and pension stakeholders established for collaboration and dialogue to respond effectively to challenges from the pandemic.	Completed for Item (i) On-going for item (ii)

INTERNATIONAL MONETARY FUND

JAMAICA

January 25, 2022

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By Western Hemisphere Department

CONTENTS

FUND RELATIONS

(As of December 31, 2021)

Membership Status: Joined: February 21, 1963, Article VIII

General Resources Account:	**SDR Million**	**% Quota**
Quota	382.90	100.00
Fund holdings of currency	1007.12	263.02
Reserve tranche position	27.35	7.14

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	628.64	100.00
Holdings	487.49	77.55

Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
Extended Arrangements	268.62	70.15

Latest Financial Arrangements:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
SBA	Nov 11, 2016	Nov 10, 2019	1,195.30	0.00
EFF	May 1, 2013	Nov. 10, 2016	615.38	558.73
Stand-By	Feb. 4, 2010	May 3, 2012	820.50	541.80

Outright Loans:

Type	Date of Arrangement	Date Drawn	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	May 15, 2020	May 19, 2020	382.90	382.90

Overdue Obligations and Projected Payments to Fund 1/ (SDR Millions; Based on Existing Use of Resources and Present Holdings of SDRs)					
	Forthcoming				
	2022	2023	2024	2025	2026
Principal	93.12	177.45	247.47	124.05	9.44
Charges/Interest	6.87	5.79	3.40	0.92	0.19
Total	100.00	183.25	250.86	124.96	9.63

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Exchange Rate Arrangements:

Jamaica's de facto and de jure exchange rate arrangements are floating. On January 10, 2022 the Jamaican dollar was trading at around J$154.53 to the U.S. dollar. Jamaica has accepted the obligations of Article VIII, Sections 2, 3, and 4, of the IMF's Articles of Agreement. Jamaica does not maintain exchange restrictions on the making of payments and transfers for current international transactions, subject to IMF approval under Article VIII, Section 2(a) of the IMF's Articles of Agreement. Jamaica maintains a multiple currency practice, subject to IMF approval under Article VIII, Section 3 of the IMF's Articles of Agreement, due to the absence of a mechanism to prevent the exchange rates used for the resale of foreign exchange auction funds (capped with a specified spread) by participants and the exchange rates at which such participants sell foreign exchange other than from the foreign exchange auction funds, from deviating by more than 2 percent.

Last Article IV Consultation and Program Relations:

Jamaica RFI, SDR 382.90 million (100 percent of quota) Rapid Financing Instrument (RFI) was approved by the IMF Executive Board on May 15, 2020. The last Article IV consultation was completed by the Executive Board in June 2018. Jamaica is on the standard 12-month consultation cycle. Jamaica's capacity to repay the Fund remains adequate, with risks mitigated by its strong track record of policy implementation and past use of Fund resources. Fund credit outstanding will reach about 5.5 percent of GDP or 18.7 percent of exports by end FY2021/2022.

Safeguards Assessment:

The 2017 update safeguards assessment found relatively strong safeguards in place, particularly in the financial reporting and audit mechanisms. Annual financial statements continue to be prepared and audited in accordance with international standards. The BOJ Act was amended towards the end of 2020, giving significant autonomy to the central bank and further strengthened governance arrangements.

Technical Assistance (Since 2015):

Department	Dates	Purpose
FAD	April 2021	Discretionary tax waivers
	January 2018	International Taxation
	January 2018	Revenue Administration – taking stock and next steps
	July 2017	Public Bodies Reform Action Plan
	April 2017	Organizational Restructuring of Ministry of Finance
	December 2016	Property Tax
	Nov 2016-December 2016	Treasury Single Account and Review of Financial Management
	July 2016	Tax Reform follow-up
	June 2016-July 2016	Social Protection Reform
	October 2015	Treasury Restructuring
	October 2015	TADAT diagnostic assessment
	Sep 2015 – October 2015	Public Bodies Reform
	September 2015	Tax Reform and Tax Expenditures
	April 2015	Public-Private Partnerships (PPPs) and Fiscal Risks Workshop
	April 2015	Rationalizing the Government Wage Bill
LEG/MCM	July 2017	Central Bank Governance Reform
	July 2017	Resolution Framework for Banks
	December 2015	Resolution Framework for Banks and Securities Dealers
	June 2015	Resolution Framework for Securities Dealers
	July 2017-March 2018	Pension Fund Stress Tests and Indicators (CARTAC)
MCM		
	September 2017	Bank Financial Analysis (CARTAC)
	April-August 2017	Foreign Exchange Operations
	July 2017	Macro Prudential Framework and Toolkit (CARTAC)
	June 2017	Non-Bank Regulation and Supervision
	May 2017	Primary Dealer System Reforms
	January 2017	Bank Restructuring and Crisis Management
	August 2016-October 2016	Liability Management
	June 2016-October 2017	Central Bank Modelling and Forecasting
	May 2016-March2017	Strengthening Securities Supervision
	February 2016-March 2018	Supervisory Framework for SDs and Insurance
	December 2016	Risk Based Supervision (CARTAC)
	June 2015-July 2016	Securities and Insurance Supervision (CARTAC)
	December 2015	Designing Resolution Framework

	October 2015	Debt Management, Monetary and FX Operations
	April 2014-July 2015	Securities Supervision (CARTAC)
	June 2015	Transition to the Retail Repo Trust
	April 2015	Resolution Framework for the Securities Sector and other Non-Bank Financial Institutions
	March 2015	National Crisis Management Framework
	February 2015	TOR for a Review of the BOJ's Readiness for IT
STA	January 2018	National Accounts Statistics (CARTAC)
	October 2017	Government Finance Statistics
	October 2017	Price Statistics (CARTAC)
	April 2017	Balance of Payments Statistics (CARTAC)
	November 2016	Real Sector Statistics (CARTAC)
	October 2016	Consumer/Producer Prices (CARTAC)
	October 2016	Financial Soundness Indicators (CARTAC)
	January 2016	National Accounts Statistics (CARTAC)
	August 2015	Institutional Sectoral Accounts (CARTAC)
	April 2015 – May 2015	Balance of Payments Statistics (CARTAC)

CARTAC Technical Assistance to Jamaica in FY2020 and FY2021

In FY2020 and FY2021, CARTAC delivered approximately -- field person weeks of TA to Jamaica in customs and tax administration, public financial management, statistics, and financial markets.

Description	Start Date	End Date
Macroeconomic Management		
Financial Programming and Policies	12/15/2020	12/18/2020
Statistics		
National Accounts - Review of Implementation of SNA 2008 Concepts and Methods	10/12/20	11/3/20
Financial Markets		
Liquidity Risk Management and Capital Requirements - Securities Firms	7/1/20	7/3/20
Liquidity Risk Management and Capital Requirements - Securities Firms	7/26/20	8/14/20
Liquidity Risk Management and Capital Requirements - Securities Firms	7/31/20	8/14/20
Management of Credit Risk Supervisory Process and Conducting Credit Risk Reviews	7/8/2019	7/12/2019
Financial stability – Monitoring and detection of systemic risks	02/08/2021	02/21/2021
Basel II/III (Pillar I) Implement Follow-Up Mission	10/2/20	10/15/20
Basel II/III (Pillar I) Implement Follow-Up Mission	2/22/21	2/26/21

Basel II/III (Pillar 1) Implementation Follow-Up Mission	2/23/21	2/25/21
Bank of Jamaica - To conduct Risk-Based Supervision	4/14/21	4/19/21
To Conduct Risk-Based Supervision	4/14/21	4/19/21
Consolidated Supervision of Insurance Groups	4/19/21	4/28/21
Systemic Risk Monitoring - Monitoring Detecting System Risks (FSR Writing)	4/27/21	4/30/21
Systemic Risk Monitoring - Monitoring Detecting System Risks (FSR Writing)	4/28/21	5/07/21
Strengthening Risk-Based Supervision BOJ	3/15/21	3/19/21

COLLABORATION WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

As of November 31, 2021, Jamaica has collaborations with The World Bank Group, Inter-American Development Bank, and Caribbean Development Bank.

Further information can be obtained from the following hyperlinks.

International Financial Institution	Hyperlink
The World Bank Group	https://projects.worldbank.org/en/projects-operations/projects-summary?lang=en&countrycode_exact=JM
Inter-American Development Bank	https://www.iadb.org/en/countries/jamaica/projects-glance
Caribbean Development Bank	https://www.caribank.org/countries-and-members/borrowing-members/jamaica

STATISTICAL ISSUES

As of November 31, 2021

I. Assessment of Data Adequacy for Surveillance

General: Data provision has some shortcomings but is broadly adequate for surveillance. In early 2003, Jamaica started participating in the Fund's General Data Dissemination System (GDDS), which provides participants with a framework for the development of the statistical system.

Key Websites for Statistics on Jamaica:

Bank of Jamaica:	http://www.boj.org.jm/
Ministry of Finance and Planning:	http://www.mof.gov.jm/
Planning Institute of Jamaica:	http://www.pioj.gov.jm/
Statistical Institute of Jamaica:	http://www.statinja.gov.jm/

National Accounts: The Statistical Institute of Jamaica (STATIN) provides annual estimates of GDP by economic activity and by expenditure at current and constant 2007 prices, as well as quarterly current and constant estimates for GDP by economic activity. Progress with addressing data gaps, compiling the supply and use tables (SUT) and rebasing the GDP estimates to 2014 has been slow due to high staff turnover and the staff having to concentrate on producing the ongoing annual and quarterly GDP estimates. Assistance on national accounts methodology has been provided by Statistics Canada, STA, and CARTAC.

Price statistics: The CPI expenditure weights and item basket are based on the 2004/2005 household expenditure survey (HES) and therefore unlikely to be representative of current expenditure patterns. The 2020/21 HES is now underway, the results of which will be used to derive the expenditure weights for the rebased CPI and update the product group and outlet selection. Substantial progress has been made in the development of the export and import price indexes (XMPIs) by minimizing the reliance on volatile unit value indices from Customs. The STATIN compiles and disseminates the producer price index (PPI) on a monthly basis covering mining and manufacturing industries (base 2005 =100). There are plans to improve the scope of the PPI by covering other industries like electricity, gas, services, etc.

Government finance statistics: Budgetary central government operations and public debt data (with the exception of non-guaranteed debt by public entities) are updated on a monthly basis. Budgetary data also excludes the revenues and expenditures financed by Appropriations in Aid, and therefore provides an incomplete picture of budgetary central government revenue and expenditures. Also, data on operations of public entities outside the consolidated fund (which includes all public bodies that are fully financed through the state budget) are only available with lag of more than a month, making the assessment of the overall balance of the public sector challenging.

Government finance statistics are available at:

Debt: http://www.mof.gov.jm/dmu/

Budget: http://www.mof.gov.jm/programmes/em/fpmu/default.shtml

Monetary and financial statistics: The BOJ initiated the submission of monetary and financial statistics based on standardized report forms (SRFs) in March 2007. The BoJ's monetary and financial statistics (MFS) generally conform to the concepts and definitions of the *2000 Monetary and Financial Statistics Manual (MFSM)* and its *Compilation Guide*. However, there is room to improve the quality of data provided in the BoJ's balance sheet. The BoJ does not yet compile and report data for the Other Financial Corporations sector, which holds a significant portion of the financial system's assets. The BoJ does not currently report Financial Soundness Indicators (FSIs) to the Fund for dissemination on the Fund's website. The BoJ needs to update their action plan related to compilation of FSIs.

Balance of Payments: The BOJ reports quarterly balance of payments (BOP) and international investment position (IIP) in the format of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*), and monthly International Reserves and Foreign Currency Liquidity data. In addition, the BOJ participates in the World Bank's Quarterly External Debt Statistics (QEDS) database with data on Gross External Debt Position. The quality and dissemination of external sector statistics has significantly improved; however, there are shortcomings for direct investment data and the coverage of nonfinancial sector needs to be further improved. External debt data does not include intercompany debt.

II. Data Standards and Quality

Participant in the General Data Dissemination System (GDDS) since February 28, 2003. No data ROSC is available**.**

III. Reporting to STA (Optional)

No data on industrial production, wholesale or producer prices, import volumes, or export and import prices have been reported for publication in the *International Financial Statistics (IFS)* in recent years.

Detailed annual balance of payments and international investment position (IIP) data are reported by the BOJ for publication in the *Balance of Payments Statistics Yearbook (BOPSY)* and the *IFS*. In September 2007, Jamaica reported for the first time IIP data to STA; annual IIP data since 2005 are now available in *BOPSY* and *IFS*. Monthly data are reported for the balance sheet of the Bank of Jamaica and Other Depository Corporations with short lags.

Fiscal data for the budgetary central government, some extrabudgetary government units and the National Insurance Fund has historically been reported by the MOF for inclusion in the Government Finance Statistics Yearbook and Database, This data is being substantially revised and improved following the October 2017 STA GFS TA Mission.

Jamaica: Table of Common Indicators Required for Surveillance

(As of December 10, 2021)

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	1/2022	1/2022	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	09/2021	10/2021	M	M	M
Reserve/Base Money	09/2021	11/2021	M	M	M
Broad Money	09/2021	11/2021	M	M	M
Central Bank Balance Sheet	09/2021	11/2021	M	M	M
Consolidated Balance Sheet of the Banking System	09/2021	11/2021	M	M	M
Interest Rates[2]	1/2022	1/2022	D	D	D
Consumer Price Index	11/2021	12/2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Selected Public Bodies[4]	10/2021	12/2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	10/2021	12/2021	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	10/2021	12/2021	M	M	M
External Current Account Balance	Q2/2021	07/2021	Q	Q	Q
Exports and Imports of Goods and Services	Q2/2021	07/2021	M	M	M
GDP/GNP	Q2/2021	08/2021	Q	Q	Q
Gross External Debt	07/2021	08/2021	M	M	M
International Investment Position	Q2/2021	08/2021	Q	Q	Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] Selected public bodies are self-financed public entities.
[5] Including currency and maturity composition.
[6] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I); Not Available (NA).

Statement by the Staff Representative on Jamaica
February 9, 2022

This statement provides a factual update on developments since the issuance of the staff report on January 27, 2022. The additional information does not change the thrust of the staff appraisal.

1. **The latest Covid-19 wave has peaked, and new cases are declining rapidly.** As of January 31, the 7-day moving average of new cases was down 62 percent from the peak on January 17. As of January 31, about 25 percent of the population has received at least one vaccine dose while 21 percent of the population is fully vaccinated.

2. **International flight arrivals recovered further in the fourth quarter**, to 87 percent of pre-crisis levels, up from 75 percent in the third quarter. Tourism stopover visitors in November were 3.08 times as high as in November 2020 and have now rebounded to 75 percent of pre-crisis levels.

3. **Inflation in December came in lower-than-expected, but inflation expectations have increased further.** In December, the CPI index was 7.3 percent higher than a year earlier (compared with a peak of 8.5 percent in October) and below the projections in the staff report. The decline in inflation was largely due to a decline in food prices—the result of strong domestic agricultural production. Nevertheless, 12-month ahead inflation expectations have increased further, from 8.2 percent in October to 8.9 percent in November.[1]

4. **A second supplementary budget for FY 2021/22 was approved by parliament**. The supplementary budget includes additional spending for public-sector wages (0.4 percent of GDP) and higher interest payments (0.2 percent of GDP), the latter reflecting the effects of rising domestic borrowing costs and adverse exchange rate movements. The additional spending will be financed through higher-than-expected revenues (0.5 percent of GDP). The overall fiscal position is expected to remain in line with the fiscal responsibility law.

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[1] No indicators exist of inflation expectations beyond twelve months ahead.

**Statement by Philip Jennings. Executive Director for Jamaica
and Rose Cunningham, Senior Advisor to the Executive Director
February 9, 2022**

Introduction

On behalf of the authorities of Jamaica, we thank Mr. Bas Bakker and his team for the constructive and candid discussions during the Article IV mission.

Overall, the authorities broadly agree with staff's assessment of the economy and risks, including concerns about above-target inflation. The government has responded to the pandemic by providing significant support to the economy in a manner consistent with Jamaica's Fiscal Responsibility Law (FRL). Authorities agree with staff's emphasis on putting debt on a downward path, and they are strongly committed to reducing debt to 60 percent of GDP by FY2027/28.

Recent Developments, Economic Outlook, and Risks

Jamaica has been severely affected by the pandemic with GDP contracting by 10 percent in 2020 (-11% in FY20/21), mainly reflecting the sharply negative impact on tourism and related industries of widespread travel restrictions. This occurred despite the swift reaction of the Jamaican authorities who introduced lockdowns and other public health actions and provided significant macroeconomic policy support and measures to protect the financial system. Fiscal support has funded additional spending on medical supplies and health care workers, as well as the COVID Allocation of Resources for Employees (CARE) program. CARE provided direct transfers to employees and grants to businesses, as well as social assistance payments. Other fiscal measures included a cut to the General Consumption Tax and temporary tax credits for small and medium-sized businesses.

The economy experienced a rebound in 2021, in part due to the government's "tourist corridors", which facilitated a safe reopening of designated tourist areas. By late 2021, tourism indicators had recovered 75 percent or more of their pre-pandemic levels. Other sectors, including construction, have also been recovering strongly although resurgent waves of COVID-19 infections amid low vaccination rates have slowed the re-opening of the economy.

Vaccine supply improved significantly over the course of 2021, and vaccination rates have picked up in recent months. As of late January, over a quarter of the population has received one dose and a fifth have had two doses. Health authorities continue to target vaccinating 65 percent of the population by March 2022.

In 2021, GDP is estimated to have grown by 4.7 percent and is projected to grow at 4.3 percent in 2022. Record remittance inflows and low import demand have strengthened the external balance, despite reduced tourism, resulting in the current account being close to balance in 2020 and 2021.

As elsewhere, inflation has picked up in recent months as global commodity prices, shipping costs, and food prices increased. It reached a peak of 8.5 percent in October but has since declined to 7.3 percent. The central bank has responded by raising the monetary policy rate by 200 basis points.

Authorities broadly agree with staff's outlook and the prevalence of downside risks to growth, especially the risks related to the pandemic. Uncertainty also remains very high. Since the time of the mission meetings, the Omicron variant has led to a renewed spike in infections and required some restrictions to be extended. While infections appear to have peaked, authorities are closely monitoring developments and adjusting health policies accordingly.

Fiscal Policy Priorities

The pandemic fiscal package amounted to about 3 percent of GDP, spread over FY20/21 and FY21/22. Most of this, equivalent to about 2.5 percent of GDP, was disbursed in FY20/21. In FY21/22, some measures have been wound down or scaled back as fiscal support became more targeted, amounting to 0.5 percent of GDP.

The additional spending on pandemic-related measures has been funded by increasing the fiscal deficit, drawing down existing deposits and support from IFIs. The Fiscal Responsibility Law (FRL) allowed authorities to suspend FRL rules for one year, and the fiscal balance was lowered from 0.9 to -3.1 percent of GDP in FY20/21. Authorities are working within the FRL rules and have begun the required adjustment by targeting fiscal surpluses of 0.3 percent of GDP per year over four fiscal years, from 21/22 through 24/25.

Recent data show revenues have been higher than expected in FY21/22, which has allowed authorities to fund additional spending for public-sector wages (0.4 percent of GDP) and higher interest payments (0.2 percent of GDP), due to the increase in domestic borrowing costs and adverse exchange rate movements. The overall fiscal position is expected to remain in line with the FRL.

Authorities fully agree with staff that further fiscal consolidation is needed over the medium-term to reduce debt. Prior to the pandemic, authorities had been reducing debt and are strongly committed to bringing debt to 60 percent of GDP by FY27/28. To do so, they expect to be able to overperform their fiscal surplus targets, as they have done prior to the pandemic. Larger primary surpluses will be required in later years, but some debt repayment can also be funded by several divestment projects currently nearing completion. Favorable debt maturity profiles and the completion of some infrastructure projects will also create fiscal space and support the achievement of fiscal targets.

Jamaica's debt is sustainable with the baseline scenario, but there are important vulnerabilities. Staff suggest that a smoother, more front-loaded fiscal consolidation path would have important benefits. However, given the high degree of uncertainty surrounding the outlook, a slower adjustment process in the near-term can help to support growth and allow the recovery to become fully entrenched. [1]

Public sector wage reform is a key priority for the government and will be a focus of the upcoming budget for FY22/23. Improved public sector compensation is needed to address large, long-standing gaps in wages relative to the private sector. These gaps have persisted for many years and have reached more than 45 percent in some sectors. This has led to low morale and difficulties attracting and retaining highly qualified staff across the public sector. While implementation will be effective as of April 2022, reductions in the wage gap will span possibly three fiscal years, and the extent to which the wage gap is closed remains to be determined, as negotiations are still ongoing. Authorities acknowledge these reforms will increase the government's wage bill as a share of GDP, but they have emphasized that the additional expenditures are fiscally prudent and sustainable.

Monetary and Financial Sector Policies

The Bank of Jamaica (BoJ) played an important role in supporting the economy during the pandemic with accommodative monetary policy and liquidity injections to the financial system. Loan moratoria and regulatory forebearance also helped contain financial stability risks. The BoJ has also allowed the exchange rate to adjust flexibility and help absorb shocks.

Since October, the BoJ has been removing monetary policy accommodation in response to elevated inflation. The policy rate has been increased by 200 basis points to bring inflation back to its target range of 4 to 6 percent and to contain inflation expectations. Authorities agree with staff that further monetary policy tightening may be needed. They have also clearly signaled this view to the public.

As Jamaica remains susceptible to shocks, the record-high foreign reserves (which includes the SDR allocation) provides a welcome buffer.

Many of the emergency measures to support the financial sector have been wound down, and loan moratoria have been phased out gradually, avoiding a sharp increase in NPLs. Financial system indicators show the system has remained resilient and is well-capitalized and liquid. Authorities concur with staff's analysis that systemic financial risks are limited and contained, although uncertainty remains elevated amid rising interest rates and elevated inflation.

The financial sector's complexity, concentration, and connectedness pose important risks, including contagion risks. Substantial work is underway to improve oversight of financial conglomerates, most notably a pilot project on consolidated supervision and working groups to facilitate greater cooperation among regulators. Legislation to include non-deposit taking institutions in consolidation supervision has been drafted. Authorities have prioritized the special resolution regime legislation, given its importance in ensuring financial stability. They

[1] The IEO's June 2021 assessment of the growth impacts of IMF programs, which included a case study of Jamaica, has also emphasized the importance of ensuring a durable recovery with sustained growth while undertaking fiscal adjustment.

acknowledge that capacity constraints in the legislative process have led to delays but expect it to be adopted soon.

Further strengthening of the AML/CFT framework is ongoing, and authorities have made substantial progress in implementing the Action Plan agreed to with FATF. In this regard, a key item was the adoption of the 2021 National Risk Assessment (NRA) that was recently completed, and authorities have committed to implement the policy recommendations contained in the NRA. In addition, further work is underway to ensure full compliance with remaining Action Plan items.

The BoJ successfully completed its pilot of a central bank digital currency (CBDC) at the end of December, and a national rollout is planned for the first quarter of 2022. The CBDC will support increased financial inclusion and digitalization in Jamaica and has been designed to be compliant with AML/CFT requirements. The CBDC is issued on a wholesale basis to regulated financial institutions and payment services providers who are Wallet Providers, and they in turn offer CBDC wallets to customers.

Structural and Governance Reforms

Jamaican authorities have continued to make progress on governance reforms, including some past IMF recommendations. Two timely and important improvements to Jamaica's macroeconomic policy governance framework were put in place over the past year. The Amended Bank of Jamaica Act came into effect in April 2021; it gives the Bank of Jamaica significant autonomy to focus on its inflation target and financial stability mandates, with a priority on inflation control. In addition, an Independent Fiscal Council was approved by Parliament; it will further strengthen Jamaica's fiscal framework and promote sound fiscal management to sustain fiscal discipline and macro-economic stability. Authorities welcome staff's analysis and recommendations regarding productivity growth reforms and the detailed analysis of supply-side constraints to longer-term growth. They note that while Jamaica's policy focus over the past decade has been on macroeconomic stability reforms, further attention on structural reforms is needed. Authorities and staff are in agreement on the structural factors contributing to low productivity growth and the related policy recommendations. To tackle Jamaica's high energy costs, the government aims to triple the share of energy generated by green energy sources, to 30 percent by 2030.

Concluding Remarks

Jamaica continues to benefit from IMF technical support and policy advice. Previous program reforms strengthened macroeconomic policy frameworks and facilitated building buffers. This has served Jamaica well in dealing with the pandemic shock. Authorities are working within the fiscal rules to support the recovery while containing inflation and managing other risks. They are confident they can meet their fiscal and debt reduction goals while continuing to make progress on financial and structural reforms, including the improvements in public sector compensation. Recent fiscal and monetary policy governance reforms will facilitate maintaining Jamaica's hard- won financial and economic stability.