



Jamaica's Economic Programme in a Global Perspective.

Presented By: Bert van Selm, IMF Resident Representative in Jamaica



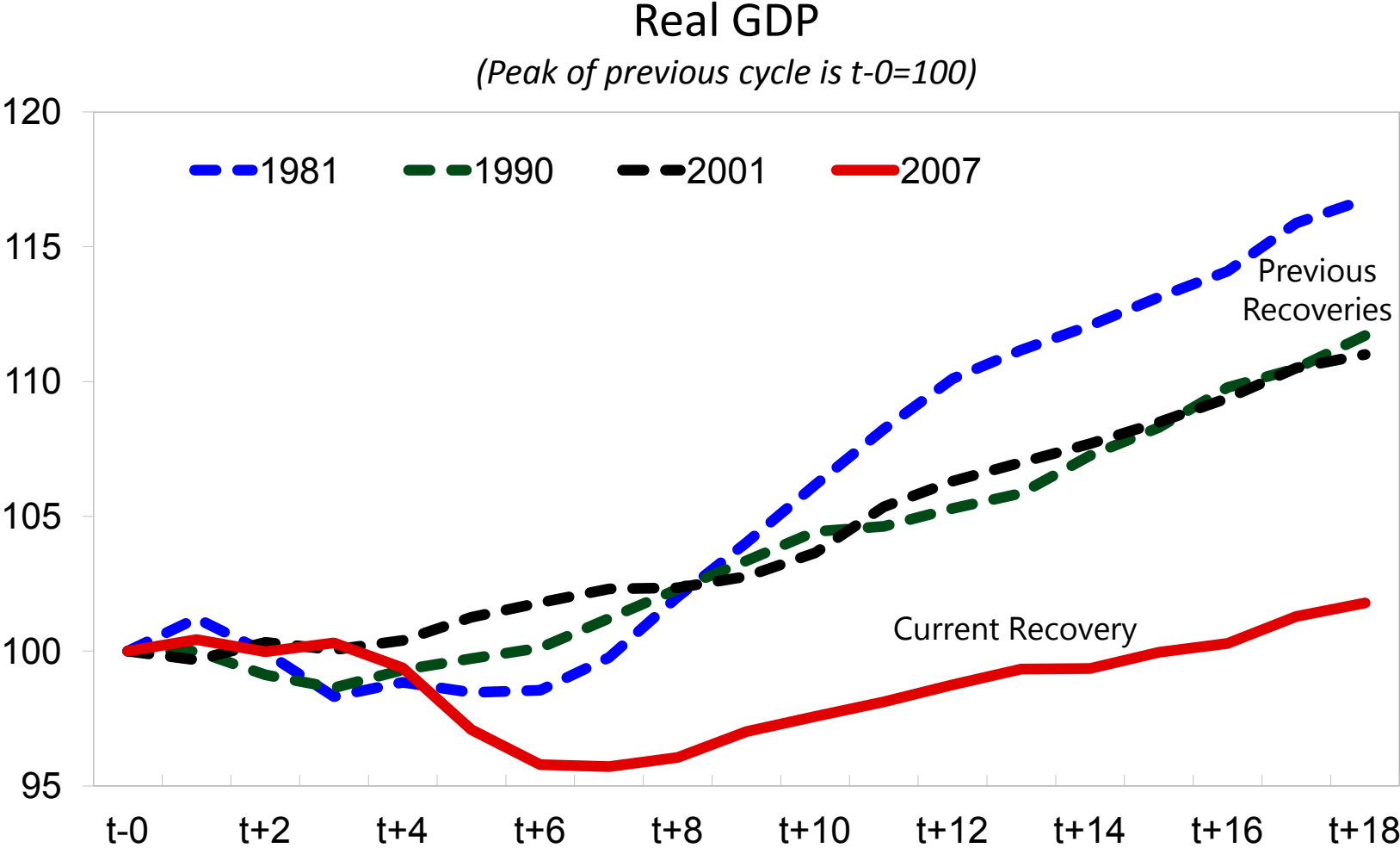
Television Jamaica



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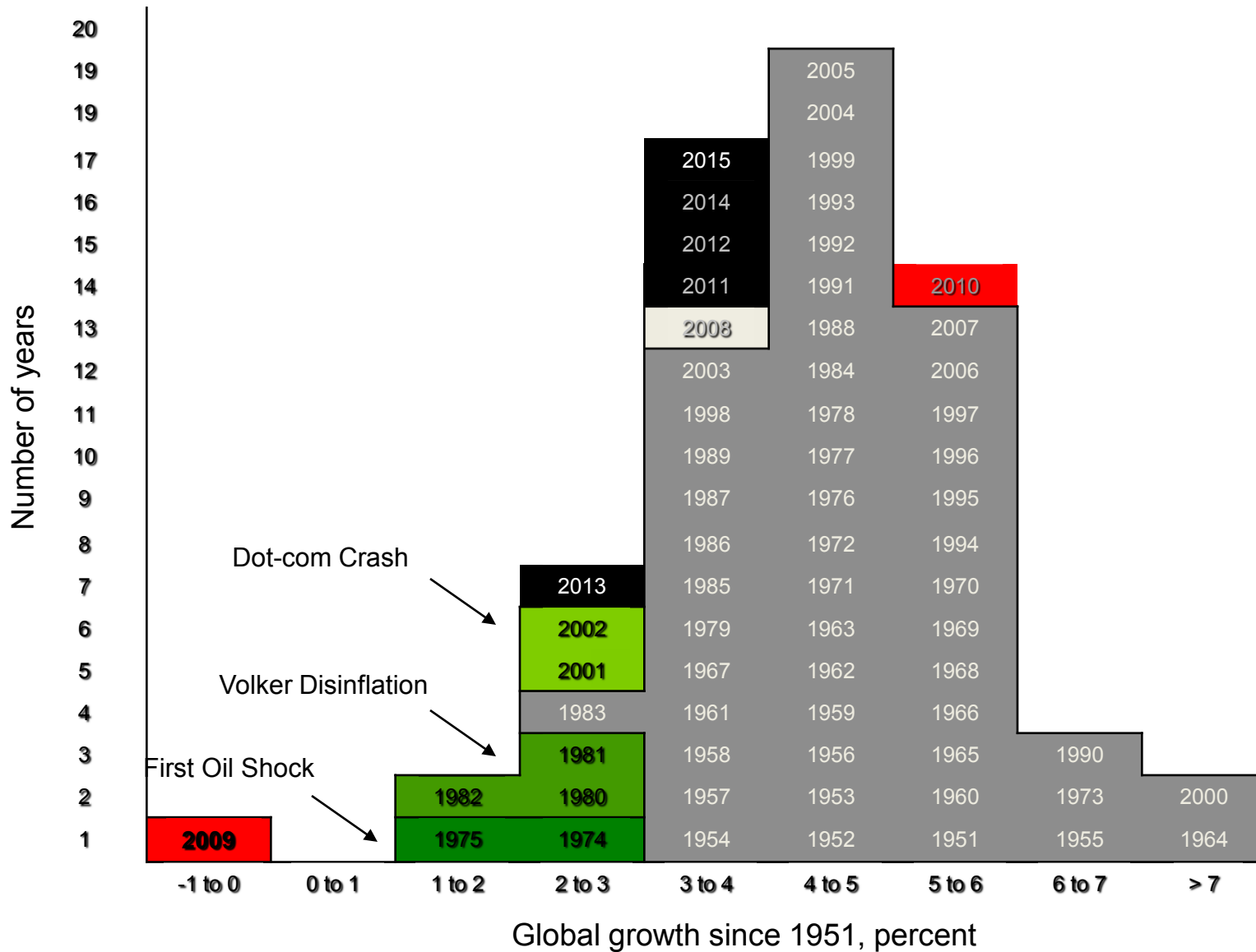


The global recovery is expected to strengthen...



Sources: Haver Analytics; and IMF staff calculations.

... with moderate global growth in 2014 and 2015.

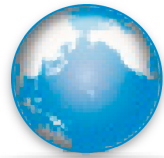


Source: WEO, Maddison

Is the Tide Rising?

WEO Real GDP Growth Projections (January 2014 update)

(percent change from a year earlier)



World



U.S.



Area



Japan



Brazil



Russia



India

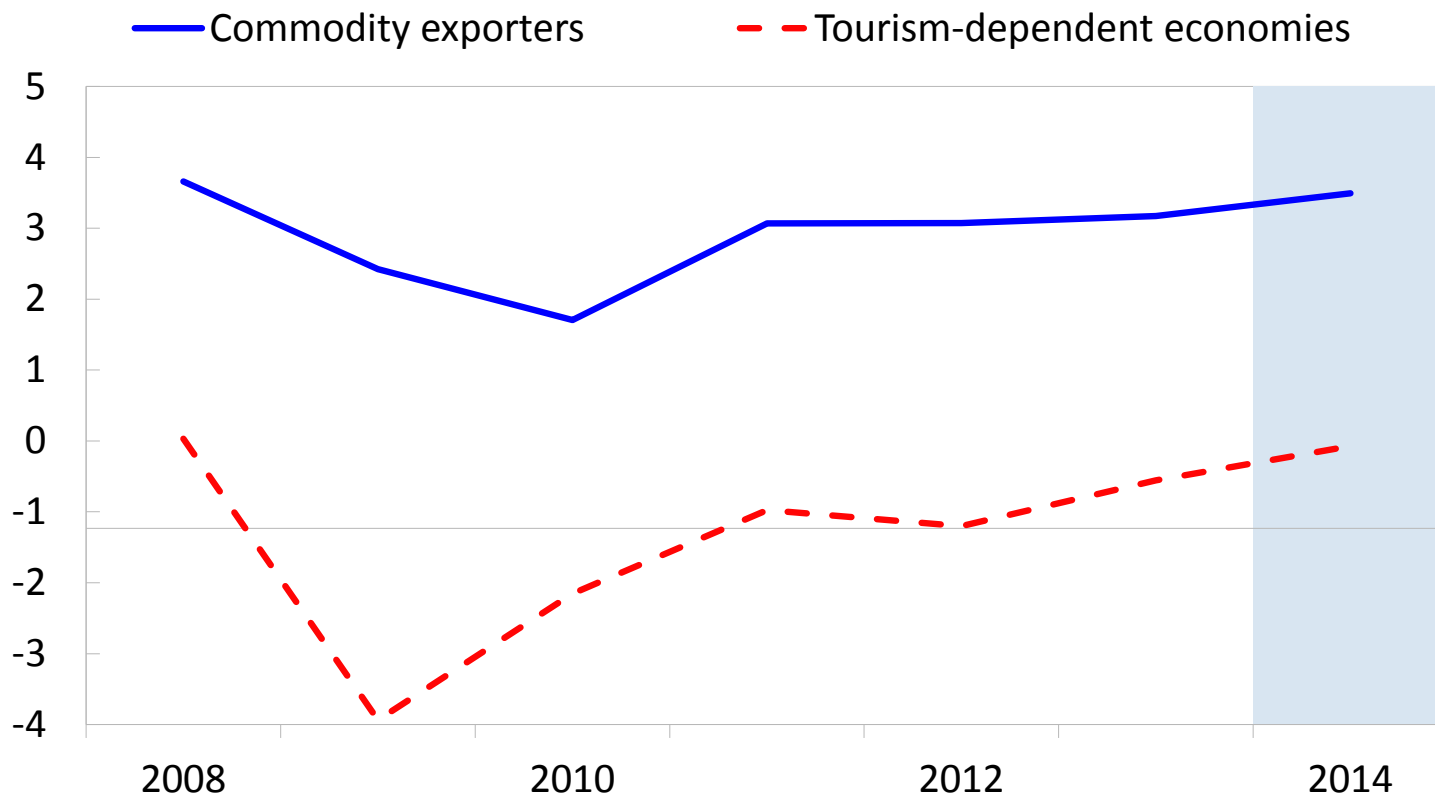


China

2013	3.0	1.9	-0.4	1.7	2.3	1.5	4.4	7.7
2014	3.7	2.8	1.0	1.7	2.3	2.0	5.4	7.5
2015	3.9	3.0	1.4	1.0	2.8	2.5	6.4	7.3

Growth in the Caribbean is expected to remain subdued.

Real GDP Growth (Percent change)

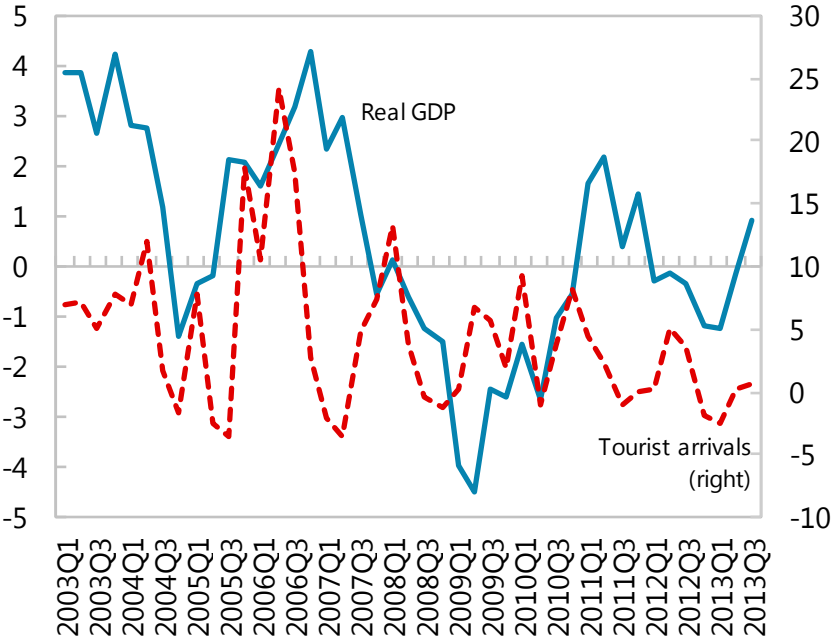


Source: IMF, *World Economic Outlook*.

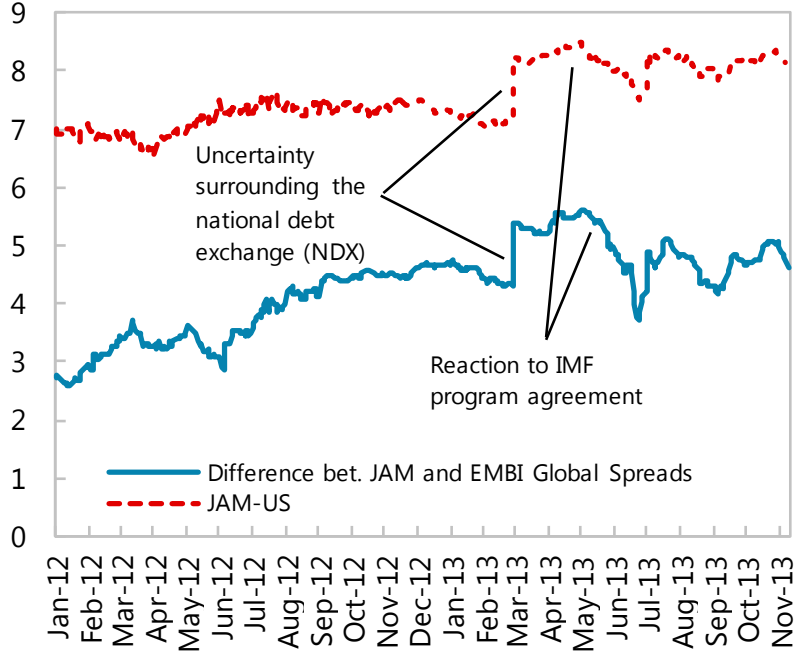
Note: Commodity exporters include Belize, Guyana, Suriname and Trinidad and Tobago; tourism-dependent economies include Antigua and Barbuda, the Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and Grenadines.

In spite of this difficult global economic environment, Jamaica's Economic Reform Programme is off to a good start....

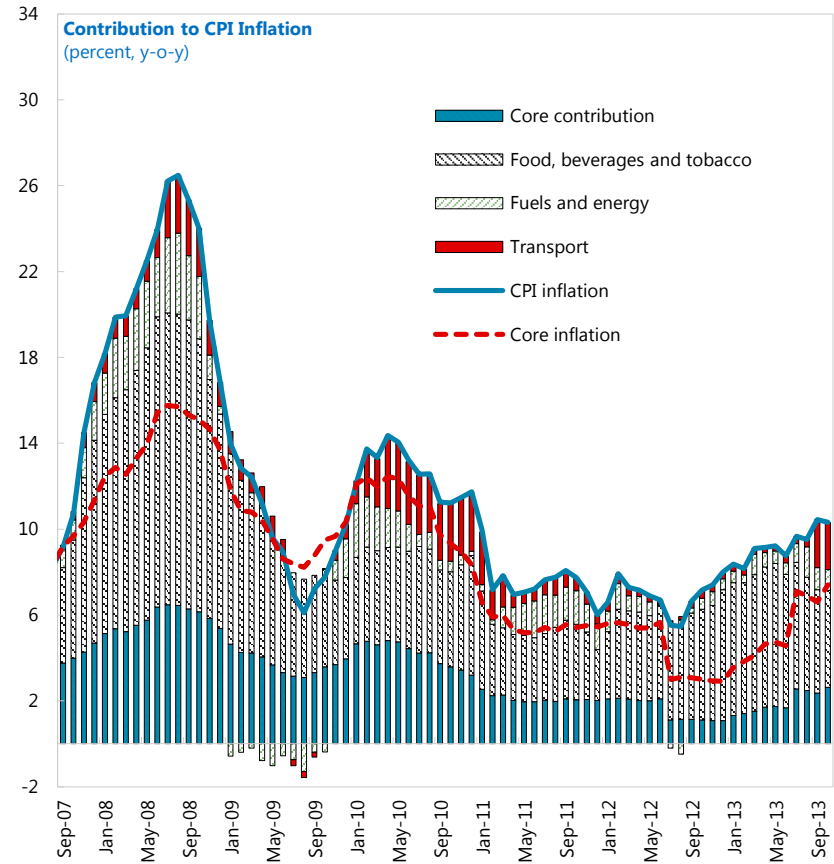
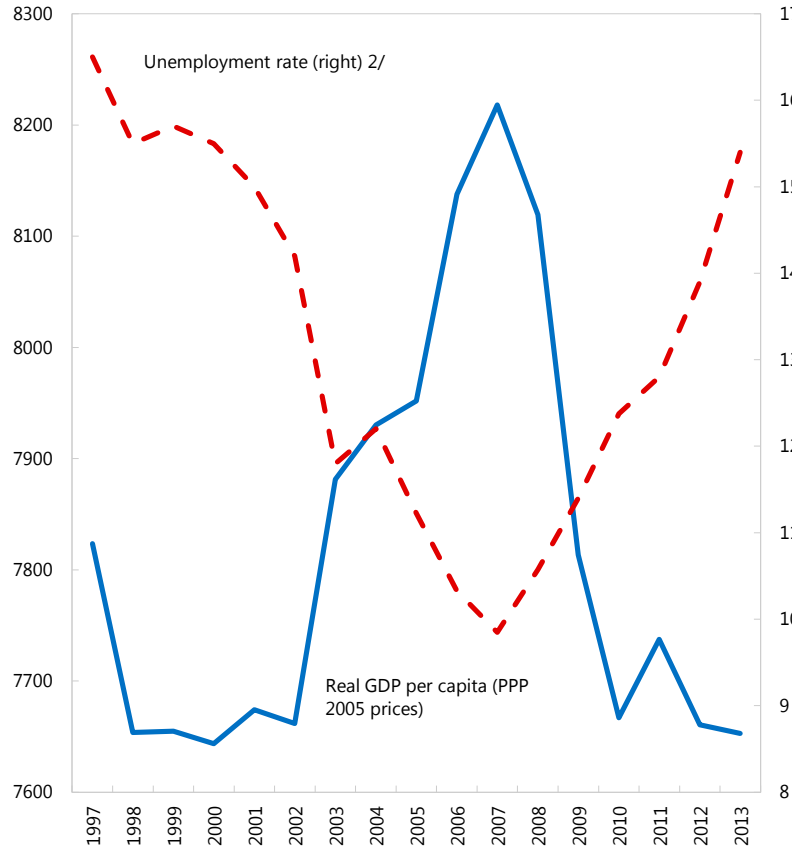
Real GDP and Tourist Arrivals Growth
(percent change)



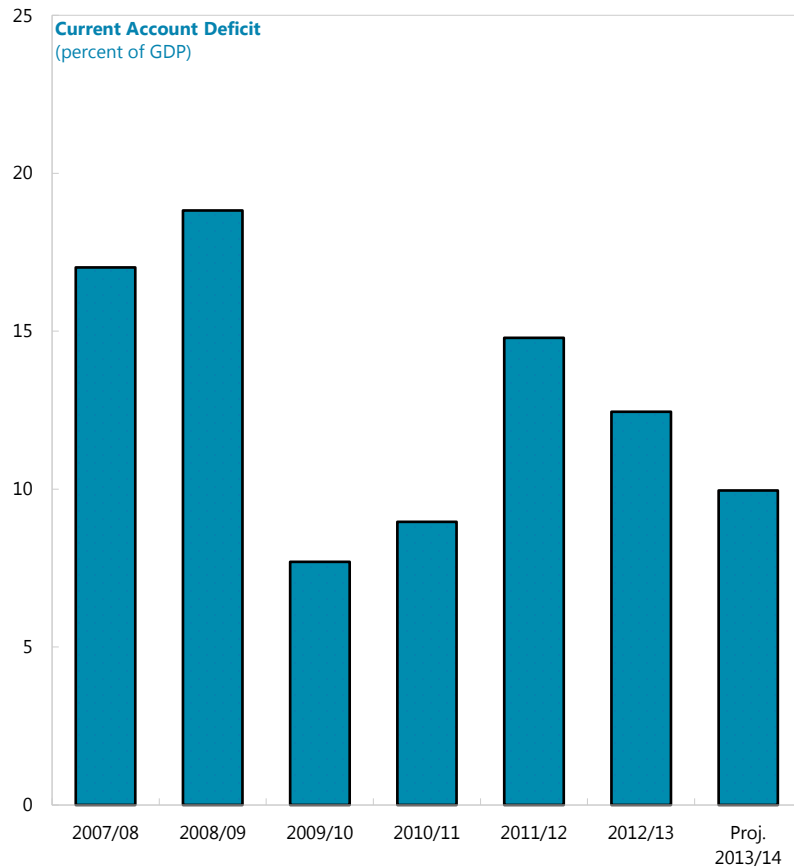
Sovereign Spreads
(percentage points)



...but unemployment and inflation remain elevated.

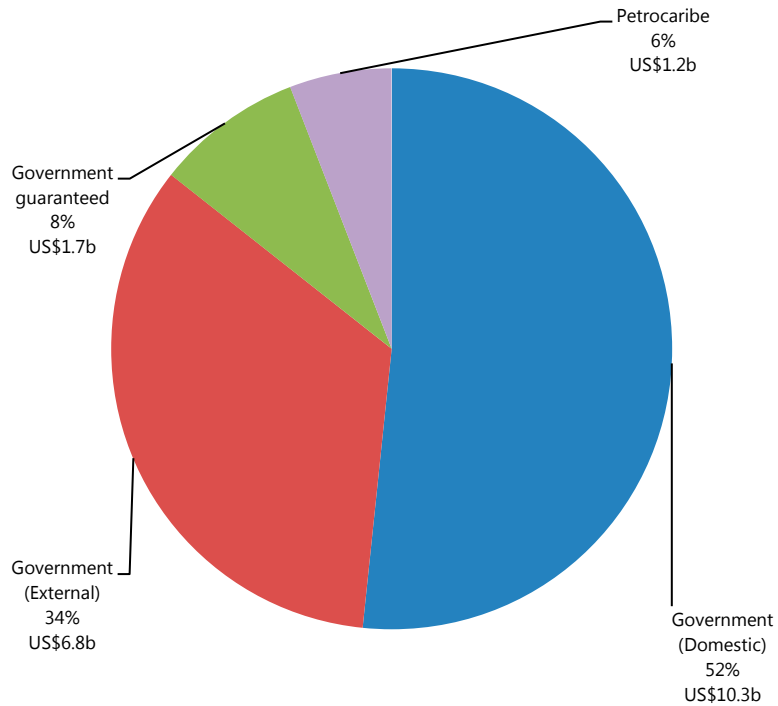


The current account deficit is narrowing, and reserves are increasing...

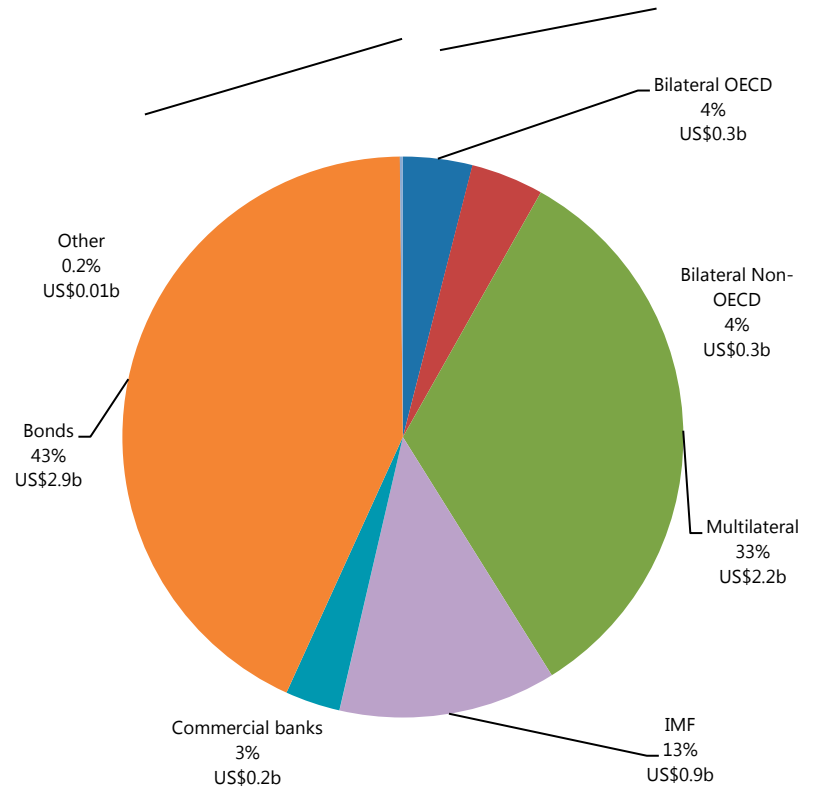


....but public debt is still very high.

Total Public Debt, March 2013
(percent of total public debt)



Central Government (CG) External Debt, March 2013
(percent of CG external debt)



Bringing Debt to GDP to a more manageable level

- Critical to improve confidence and reduce crisis risks
- Critical also to reduce debt service and increase fiscal space, for countercyclical policy, public investment, social spending
- The numerator: fiscal consolidation and restraint...
- ... as well as sound debt management (rates and maturities matter)...
- ... and the denominator: growth!

Jamaica's Economic Reform Programme: Key elements

- Tax reform
- Fiscal rule
- Growth
- Financial sector
- Social protection

Tax Reform

- Broadening the base and reducing rates
- Eliminating ministerial discretion in granting incentives
- Revenue neutral
- Effective from the start of FY2014/15
- Fiscal incentive legislation approved, November 2013.
- CIT: employment tax credit, increased initial capital allowances reduce effective tax rates

Fiscal Rule

- Limit annual budgeted deficits of the public sector to reduce debt to 60 percent of GDP by 2025/26.
- Automatic correction mechanism triggered by substantive cumulative deviations from the annual overall balance target
- Escape clause, limited to major adverse shocks and triggered only with parliamentary approval
- Coverage to include all fiscal activities associated with the public sector, as well as PPPs.
- Enforcement and compliance regime: transparency and accountability through parliamentary hearings

Boosting Growth

- Demand side: replacing domestic demand by net external demand
- Reducing electricity costs
- Speed up construction permits
- Improve the ease of paying taxes
- Strategic investments to establish Jamaica as a logistics hub
- Reducing crime

Financial Sector

- Tight conditions, owing to introduction of Central Treasury Management System, inactive secondary markets for government securities...
- ...will require close monitoring.
- Phasing out the retail repo model over time:
 - (1) Making alternative business models available to the sector;
 - (2) Securities underlying the retail repo to be transferred to a trust that will be responsible for their custody;
 - (3) A mix of regulatory measures to be applied to reduce the attractiveness of retail repos.

Social Protection

- Increase in PATH benefits in August 2013, to maintain their real value
- Better targeting of PATH benefits through re-certification of 38,000 PATH households
- Floor for social spending under the EFF program (including for example conditional cash transfers, school feeding programs etc.)

...supported by the IMF, IFIs, other donors.

- IMF Extended Fund Facility, approved May 1, 2013
- Four year, US\$930 million program (225 percent of quota)
- First review completed, September 30
- Second review completed, December 18
- Review mission for the Third review, mid-February
- In total, 15 reviews are scheduled.

Thank you!

- Questions?