

Institute of Chartered Accountants of Jamaica
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The Jamaican Economy in 2015: Prospects are Looking Up



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Global Cross Currents

WEO Real GDP Growth Projections (January 2015)

(percent change from a year earlier)



World



U.S.



Area



Japan



Brazil



Russia



India



China

2013	3.3	2.2	-0.5	1.6	2.5	1.3	5.0	7.8
2014	3.3	2.4	0.8	0.1	0.1	0.6	5.8	7.4
2015	3.5	3.6	1.2	0.6	0.3	-3.0	6.3	6.8

Lower global oil prices—impact on Jamaica's economy

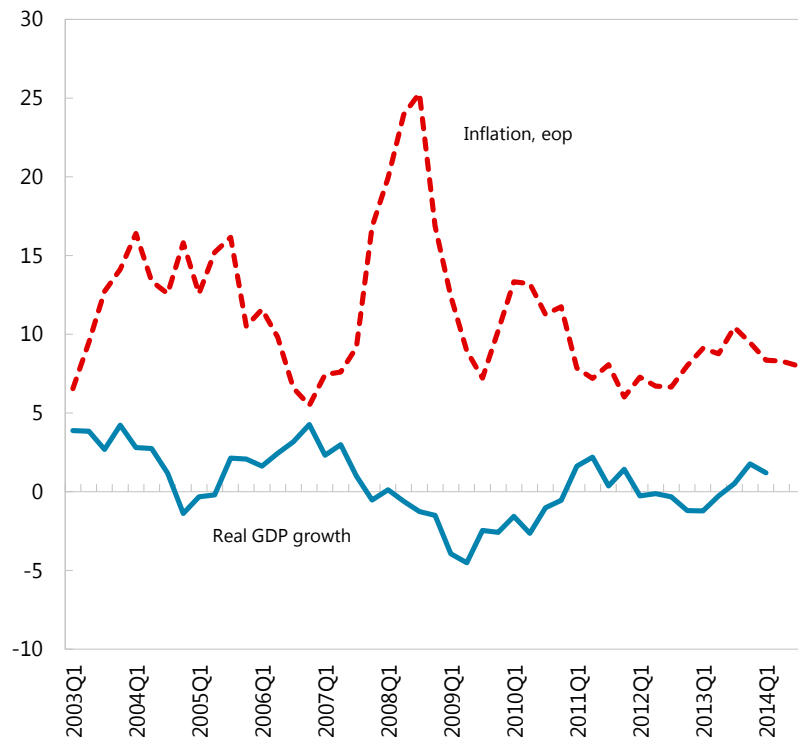
- Higher growth
- Lower inflation
- Lower current account deficit
- Fiscal accounts: lower revenue, lower expenditures

Jamaica's Economic Reform Programme: Objectives and Strategy

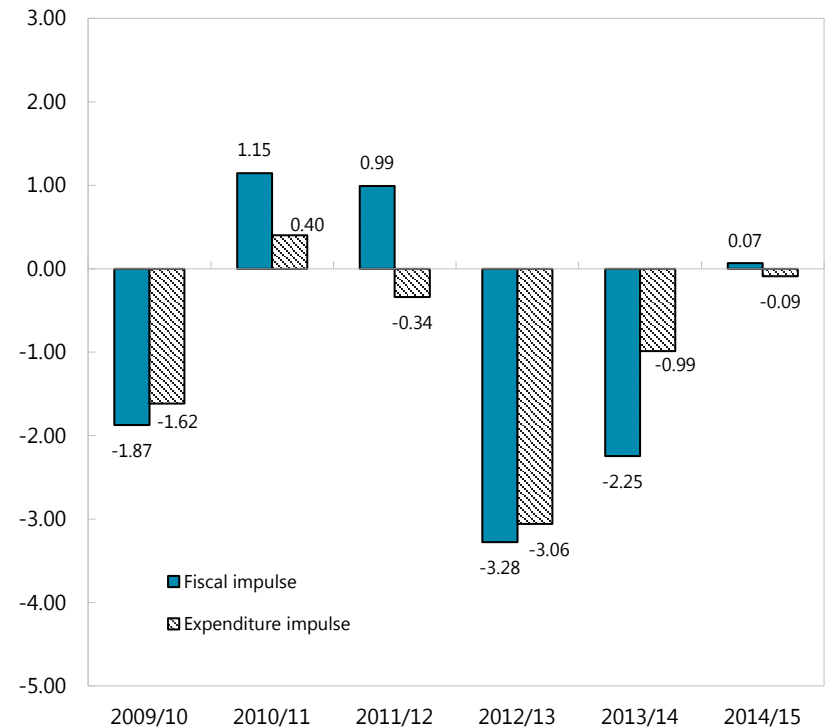
- Raising economic growth by restoring fiscal and debt sustainability...
- ... by improving the business climate....
- ... and by pursuing strategic investments in infrastructure...
- ... supported by broad agreement on the need to reform the economy...
- ... and policies to protect the most vulnerable.

Tentative signs of a recovery, in spite of the negative fiscal impulse....

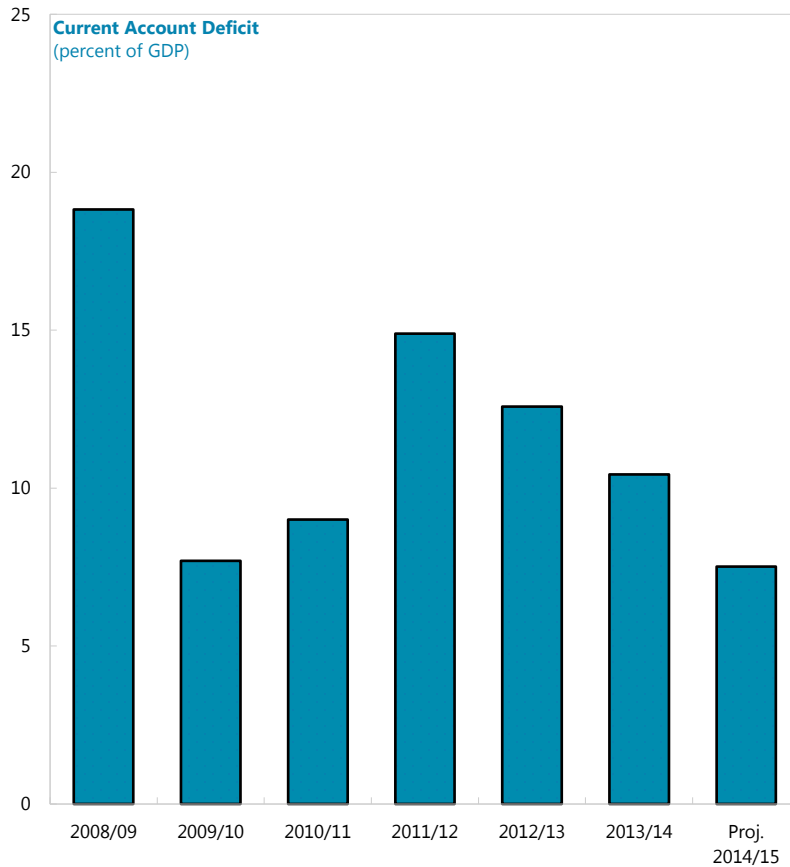
Real GDP Growth and Inflation
(percent change)



Fiscal and Expenditure Impulses: Initial Contributions to Growth in Aggregate Demand
(percent of previous year's GDP)

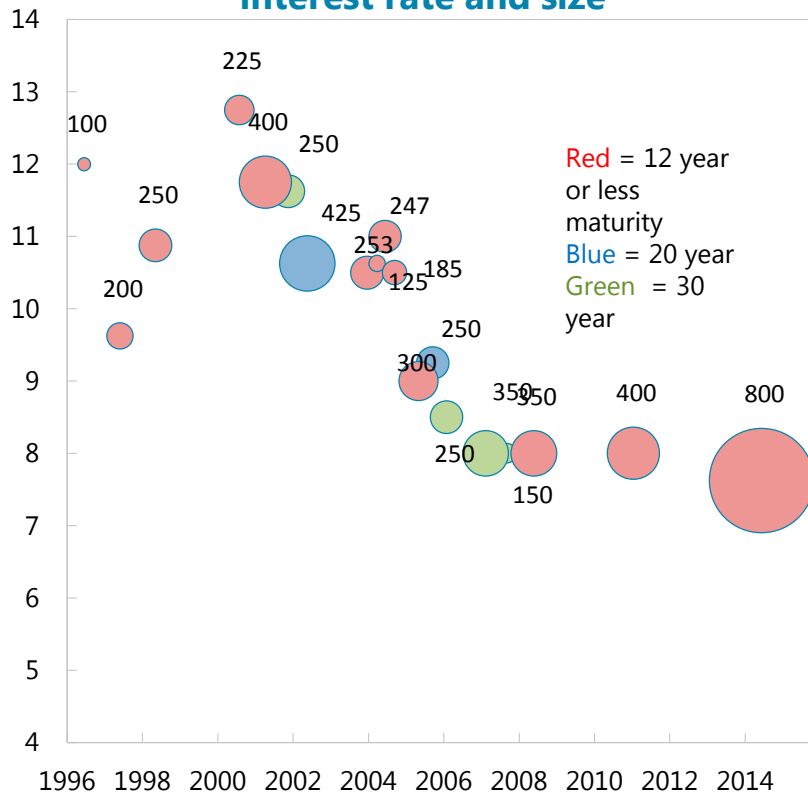


...increasing reserves, and a lower current account deficit.



The July 2014 External Bond—a Vote of Confidence

Jamaican international US\$ bonds by interest rate and size¹



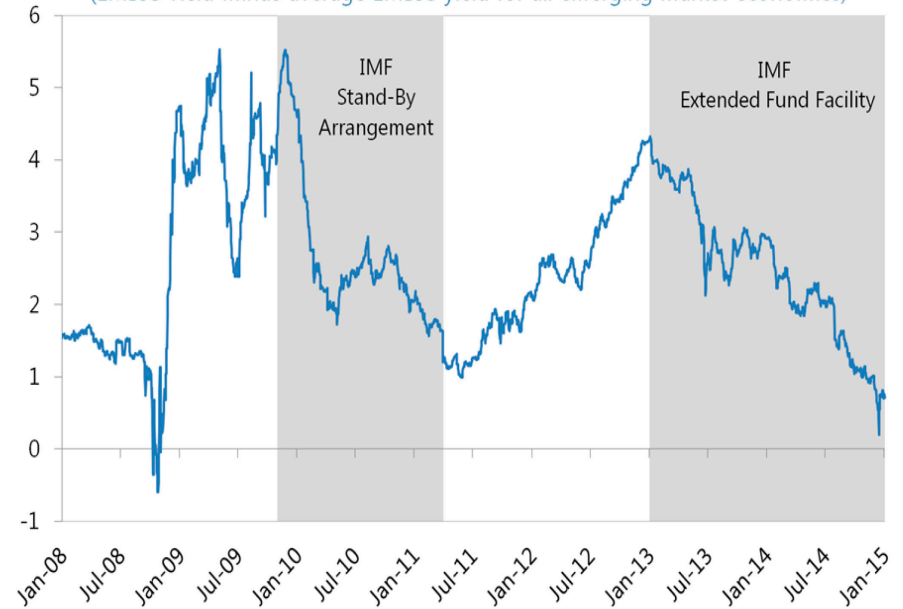
1996 1998 2000 2002 2004 2006 2008 2010 2012 2014

¹The issuance in 2011 reflect re-opened terms for the 2008 bond.

Source: Bloomberg; Dealogic.

Jamaican Bond Spreads

(EMBIG Yield minus average EMBIG yield for all emerging market economies)



Source: Bloomberg.

Jamaica's Economic Reform Programme: Key elements

- Tax reform
- Fiscal rule
- Public sector transformation
- Promoting 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
- GCT: broaden the base by eliminating the zero-rating of government purchases
- Upcoming reforms: property tax
- Further improvements in tax administration also very important

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 (using IPSAS 32 for government-funded PPPs).
- Enforcement and compliance regime: transparency and accountability through parliamentary hearings
- Adopted by parliament in March 2014.

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

- IMF Extended Fund Facility, approved May 1, 2013
- Four year, US\$950 million program (225 percent of quota)
- Sixth review completed, December 19, 2014
- Team to visit Jamaica for 7th review later this month
- In total, 15 reviews are scheduled.

Thank you!

- Questions?