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Regional

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Economic Alert: Jamaica: IMF Staff Concluding Statement of the 2018 Article IV and Third Review under the Stand-By Arrangement

- Following the conclusion of the recent mission of the 2018 Article IV to Jamaica, the IMF continues to express optimism for the economy highlighting with broad-based social and political support for reforms, the Jamaican government, over two administrations, has embarked on a path of fiscal discipline, monetary and financial sector reforms, and wide-ranging structural improvements to break a decades-long cycle of high debt and low growth.
- With employment at historic highs, modest inflation and the current account deficit, international reserves at a comfortable level, and external borrowing costs at historical lows, considerable strides have been made towards managing fiscal discipline.
- However, the IMF believes economic growth continues to disappoint, averaging only 0.9% since the reforms began in 2013. Obstacles such as crime, bureaucratic processes, insufficient labor force skills, and poor access to finance continue to negatively affect productivity and growth.
- The IMF stressed that more expenditure is needed for infrastructure, citizen security, building agricultural resilience, health, education, and the social safety net. Key recommendations put forward include:
 - (i) overhaul the compensation structure to retain skills and reward performance
 - (ii) streamlining the vast and inequitable allowances structure
 - (iii) prioritizing key government functions and shed those activities that the government can no longer afford to undertake
 - (iv) Changing the capital-labor mix through technological upgrades, including a better monitoring of (and accountability for) government spending.

- Additionally, policies to support productive private investments, including improving lending to smaller businesses and reducing lending-deposit interest spreads, will help fuel such an upswing.
- With inflation likely to remain in the lower end of the central bank's target range (4%-6%), the IMF supports the policy of an accommodative monetary stance adopted by the BOJ.
- The statement further states that continued development of the foreign exchange (FX) market, liquidity management and forecasting toolkit, along with upgrading the BOJ's communication practices, will improve policy signaling and enhance credibility.
- Continued reform implementation will remain essential as it will deliver stronger growth and job creation. After 5 years of reforms and fiscal consolidation, the IMF pointed out that risks from reform fatigue and loss of social support are high, especially as growth remains weak and crime escalates.
- The mission reached preliminary staff-level agreement with the authorities on a package of measures to complete the third review under the Stand-By Arrangement (SBA). Consideration by the IMF's Executive Board is tentatively scheduled for April 2018. Upon approval, an additional USD233 million would be made available to Jamaica, bringing the total accessible credit to about USD1.033 billion.



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