Economic Alert iQ

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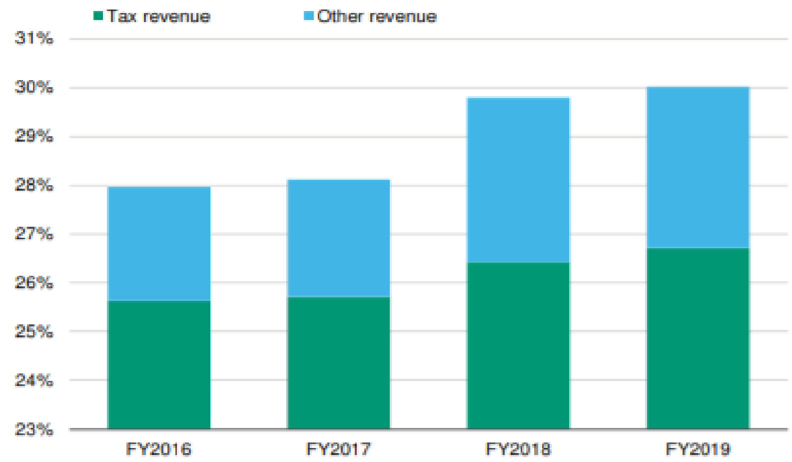
Jamaica's successful IMF program review demonstrates commitment to fiscal consolidation, a credit positive

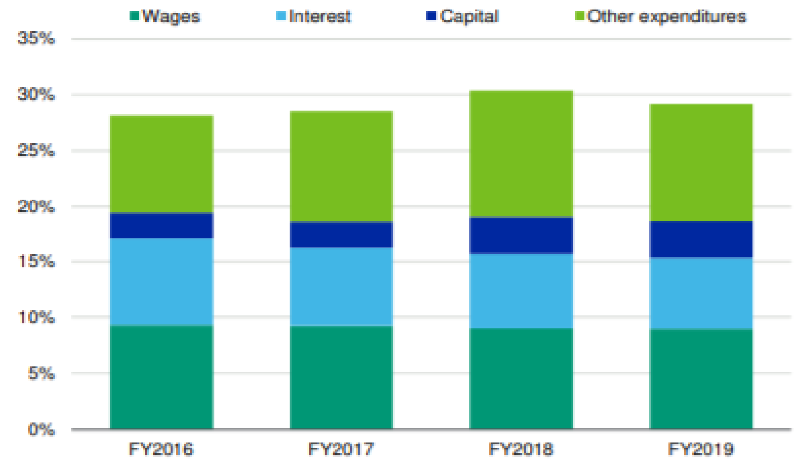
- The IMF completed its fifth review of a precautionary Stand-By Arrangement (SBA) with Jamaica on the 8th of March, indicating that all quantitative benchmark criteria for December 2018 were met.
- The SBA has been a key support for Jamaica's fiscal consolidation efforts and successful completion of the review shows that the government remains on track to achieve the structural reforms mandated under the program.
- Completion of the review, which is pending the IMF executive board's approval, unlocks an additional US$224 million in financial aid, bringing the total accessible credit line to US$1.4 billion.
- However, the government has indicated that it does not intend to draw down the funds nor initiate a new program once the current SBA expires in November 2019.
- Jamaica's fiscal consolidation has been driven by a mix of tight fiscal controls and revenue-raising measures.
- Structural fiscal reforms reduced wage and interest payments, while the elimination of tax exemptions and widening of the tax base increased revenue collection.

- These measures have yielded annual primary surpluses averaging 7.4% of GDP over the past five years, with the budget balanced over the same period, averaging -0.1% of GDP. Thus reducing the government debt burden to around 96% of GDP in 2018, from 128% in 2014.
- Based on data available, Jamaica's central government primary and fiscal balances are likely to exceed budgeted targets for fiscal 2018, which ends 31st March 2019.
- Compared to FY 2017, the government estimates FY 2018 full-year tax revenue will increase by 8.2% and total revenue by 11.3%.
- The increase in tax revenue reflects improved tax compliance, with the Tax Authority of Jamaica expanding electronic filings for various types of taxpayers.
- Spending is also likely to increase by 11.9%, reflecting a shift in its composition, with capital expenditure increasing by 47%, which the government estimates will result in a fiscal surplus of 0.3% of GDP.
- In its budget for FY 2019, announced on 14 February, the government targets a 7.0% of GDP primary surplus and an overall fiscal surplus of 0.7% of GDP.
- On the 7th of March, the government announced a series of tax cuts including a reduction in financial turnover taxes and an increase in the general consumption tax threshold, the primary surplus should remain around 6.5% of GDP and the fiscal surplus at around 0.2% of GDP.
- Despite significant fiscal challenges, a high tolerance for fiscal austerity among the public and business community along with a broad consensus on economic policies are key support factors for Jamaica's credit profile.

Jamaica's structural fiscal reforms have increased the government's revenue intake...
Percent of GDP



...and decreased spending on wages and interest payments
Percent of GDP



Source: Ministry of Finance – Jamaica / Moody's Investor Services

Jamaica's Credit Rating Profile

Jamaica

Moody's		Fitch	
1) Outlook	POS	17) Outlook	STABLE
2) CC LT Foreign Bank Depst	Caa1	18) LT Issuer Default Rating	B+
3) CC LT Foreign Curr Debt	Ba3	19) LT LC Issuer Default	B+
4) CC ST Foreign Bank Depst	NP	20) Foreign Currency LT Debt	B+
5) CC ST Foreign Curr Debt	NP	21) Local Currency LT Debt	B+
6) Long Term Rating	B3	22) ST Issuer Default Rating	B
7) LC Curr Issuer Rating	B3	23) ST LC Issuer Default	B
8) FC Curr Issuer Rating	B3		
9) Foreign Currency LT Debt	B3		
10) Local Currency LT Debt	B3		

11) Standard & Poor's	
12) Outlook	POS
13) Foreign Currency LT Debt	B
14) Local Currency LT Debt	B
15) Foreign Currency ST Debt	B
16) Local Currency ST Debt	B

Source : Bloomberg

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