Economic Alert iQ

First Citizens
Research & Analytics

Friday 13th November 2015 – 4:45 pm
Regional

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Recap:

- On 1 May 2013, the Executive Board of the International Monetary Fund (IMF) approved a four-year Extended Fund Facility (EFF) arrangement for Jamaica to support the authorities' comprehensive economic reform agenda.
- The EFF arrangement amounts to SDR 615.38 million (about USD932.3 million), the equivalent of 225% of Jamaica's quota in the IMF.
- The financing arrangement forms a critical part of a total funding package of USD2 billion from Jamaica's multilateral partners including the World Bank and the Inter-American Development Bank, with each having preliminarily agreed to allocate USD510 million for 2013/14 through 2016/17.

Tenth review of Jamaica's IMF supported program:

- An International Monetary Fund (IMF) mission led by Uma Ramakrishnan visited Jamaica from November 4-13, 2015, to conduct discussions on the tenth review of Jamaica's IMF-supported program under the Extended Fund Facility (EFF).
- Consideration by the IMF's Executive Board is tentatively scheduled for December 2015. Upon approval, SDR 28.32 million (about USD39 million) would be made available to Jamaica.

Jamaica's economic performance:

- A gradual economic recovery is underway, with growth projected at about 1.5% in FY2015/16, and 2.5% for the next fiscal year.
- The unemployment rate declined to 13.1% in July and employment gains are being generated in the tourism and business process outsourcing sectors.
- Inflation fell to a historic low of 1.8% in September, thanks to lower oil prices and the receding after-effects of the drought.

- Gross international reserves were USD2.9 billion at end-October (5 months of imports of goods and services).

PetroCaribe:

- On 23rd July the Government of Jamaica raised USD2 billion on the international capital market through the issue of two new Eurobonds.
- Three quarters of this sum or USD1.5 billion is being used to purchase USD3.2 billion in debt owed to state owned Venezuela oil company Petroleos de Venezuela SA (PDVSA) by Jamaica's PetroCaribe Development Fund (PDF), at USD0.46 on the dollar or a discount of 54%.
- The recent PetroCaribe liability management operation is an important step in reducing Jamaica's public debt.
- The buyback has immediately reduced the debt-to-GDP ratio by about 10% of GDP, and the Net Present Value (NPV) gain of the transaction is estimated at about USD300 million.
- This proactive operation will help keep public debt on a clear downward trajectory, with debt-to-GDP now projected at 125% by the end of this fiscal year from the current 137%.

Fiscal Policy Update:

- With macroeconomic stability now well entrenched, and the debt dynamics improving, the authorities and mission agreed that a loosening of fiscal policy and a realignment of monetary policies were both warranted to better support the real economy.
- A staff level agreement was reached to lower the target for the primary surplus to 7.25% of GDP for this fiscal year and to 7% of GDP for FY2016/17. This additional fiscal space will provide an opportunity to increase public spending on capital outlays that boost growth and job creation as well as to continue to protect social spending.

Rating action:

- On September 29th 2015 Standard and Poor's Rating Services (S&P) affirmed its 'B' long-term and short-term foreign and local currency sovereign credit ratings on Jamaica. Additionally, the outlook on the country's long-term sovereign credit remains stable. S&P has also affirmed the 'B+' rating on Jamaica's transfer and convertibility risk.