

Economic Alert iQ



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Regional

Prepared by: Jenna John, Analyst I (Research and Analytics)

jenna.john@firstcitizenstt.com

Economic Alert: IMF Staff Concludes Visit to Jamaica to Discuss Progress of Economic Program

- An International Monetary Fund (IMF) staff team visited Kingston from September 5–15, 2017, to conduct discussions on the second review of Jamaica's financial and economic program supported by the IMF's precautionary Stand-By Arrangement (SBA).
- The Jamaican authorities continue to view the SBA as precautionary and use it as an insurance policy against unforeseen external economic shocks beyond Jamaica's control.
- The IMF team reached a preliminary agreement with the authorities on a set of policies which aims to complete the second review under the SBA. Consideration by the IMF's Executive Board is tentatively scheduled for October 2017. Upon approval, an additional SDR 126 million (approximately US\$180 million) will be made available for Jamaica, bringing the total accessible credit to about US\$790 million.
- According to the IMF, "Jamaica's economic program continues to deliver strong results, supporting high confidence and increasing job creation. All quantitative performance criteria and structural benchmarks at end-June 2017 were met. The central government's primary balance surplus exceeded the program target by a healthy margin, mainly from buoyant corporate income tax. Non-borrowed international reserves also over-performed, and inflation is anchored within the Bank of Jamaica's target range of 4%–6%."
- The Jamaican economy is rebounding, despite the impact of weather swings in 2017. Growth has been positive for 9 consecutive quarters, with strong performances especially in tourism, construction, and manufacturing. Unemployment reached 12.2% in April 2017, a 7-year low, along with a sustained expansion in the labor force.

- For FY17/18, the IMF projects economic activity to expand by 1.6%, slightly lower than anticipated, as flooding adversely impacted agriculture. Over the medium-term, economic expansion is expected to be around 2.5-3%, as sustained reforms yield higher investment and productivity dividends.
- According to the IMF, there was broad consensus on anchoring monetary policy on price stability, with a flexible and market-determined exchange rate. In this regard, the team commended the BOJ for the successful introduction of the BOJ Foreign Exchange Intervention and Trading Tool (B-FXITT) in June, creating a transparent and market-based exchange rate price discovery mechanism.
- Going forward, the BOJ intends to limit FX interventions to smoothing volatility and countering disorderly FX market conditions. Ongoing improvements in the monetary policy toolkit and introducing FX buy auctions to build reserves, combined with clarity in the BOJ's policy and communication, will improve liquidity management and policy signaling.
- Major institutional reforms in the financial sector are underway. In addition to the resolution regime for financial institutions, revisions to the BOJ Act are under consideration to crystalize the central bank's mandate around price stability, along with a governance framework and balance sheet strength that support that mandate.



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