

Positive signs after economic reforms



General Information

GDP	USD14.362bn (World ranking 121, World Bank 2014)
Population	2.72mn (World ranking 140, World Bank 2014)
Form of state	Constitutional Parliamentary Democracy (Commonwealth)
Head of government	Andrew Holness (Jamaica Labour Party)
Next elections	2021, legislative

Strengths

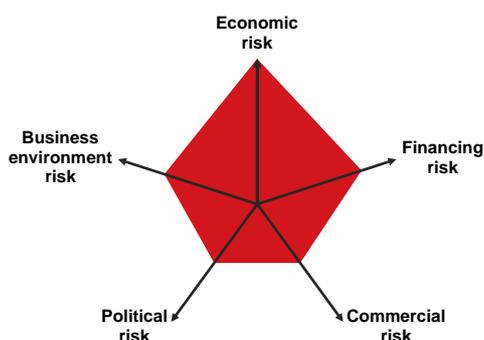
- Numerous supports from international institutions, namely the World Bank, the IMF.
- Natural resources and tourism
- Fairly high remittances from the diaspora -> nearly 20% of GDP (71% of remittances come from the USA)

Weaknesses

- High dependence on US economy.
- Sensitiveness to commodity prices (Bauxite notably: 47% of exports).
- Little diversified economy
- High public debt

Country Rating

D4



Source: Euler Hermes

Trade Structure

By destination/origin (% of total)

Exports		Rank		Imports	
United States	39%	1	39%	United States	
Canada	15%	2	11%	Venezuela (Bolivarian)	
Netherlands	6%	3	10%	Trinidad and Tobago	
United Kingdom	5%	4	7%	China	
Russian Federation	5%	5	3%	Mexico	

By product (% of total)

Exports		Rank		Imports	
Metalliferous ores	47%	1	32%	Petroleum products	
Petroleum products	21%	2	5%	Road vehicles	
Beverages	6%	3	4%	Manufactured articles	
Vegetables and fruits	4%	4	3%	Cereals	
Edible products	2%	5	3%	Other industrial machinery	

Source: ITC, Unctad

Economic Overview

Better macroeconomic environment, but still too low growth

Since May 2013 Jamaica has implemented economic reform programs supported by the IMF. Administrative and tax policy reforms led to a bold effort to reorient the tax system to indirect taxation. Furthermore, the government has pursued strict adherence to fiscal discipline. PetroCaribe debt buyback has helped to reduce the public debt. The IMF program is due to run its course in April 2017, but discussions on a successor program are ongoing.

The economic reforms taken over the past 3 years seem to be paying off as the economy is showing some rather positive signs. Growth returned in positive territory as soon as 2014 (+0.5%) and strengthened to +1.1% in 2015, while inflation rate is at a record low.

Despite a better macroeconomic framework, growth will remain subdued at +1.5% in 2016 and +1.9% in 2017. Exports will continue to be hampered by low commodity prices (bauxite and sugar) and by low growth in the US.

Better fiscal and external positions

The fiscal and external imbalances have been addressed head-on under the IMF program. Thanks to several austerity measures, the fiscal accounts is estimated to be almost balanced in 2016 (-0.2% of GDP). A small surplus in 2017 (+0.1% of GDP) is a realistic target. Back in 2011 fiscal accounts stood at an unimpressive -5%.

The current account deficit is expected to narrow to -2.9% of GDP in 2016 and -2.6% in 2017, down from -12% in 2011. Low oil prices, increasing tourism revenues and stronger migrants' remittances also contributed. Remittances represent nearly 20% of GDP in 2015, with the US being the main source country (71% of total). Having said that, debt levels remain worrying. Estimations for 2016 place public debt at 123% of GDP and external debt at 108% of GDP. The former should begin decreasing as of 2017.

Rating agencies upgraded Jamaica, allowing the country to return to capital markets and issue bonds for USD800mn in 2014 and USD2bn in 2015. The country is yet to rid its debt of 'junk' status. The Labour party won the February 2016 elections by a small margin. The new government remains committed to reforms under the IMF program, with a focus on fiscal discipline.

Business environment gradually improving

Jamaica ranks 4th out of 139 countries in the World's Bank Doing Business index, higher than Panama (69th), Guatemala, Argentina, and Brazil. It performs well on the ease of getting credit (5th), protecting investors (57th) and enforcing contracts (41st). But shortcomings such as registering property 106th) and paying taxes (92nd) remain. Violence and crime are still important issues. Jamaica's homicide rate is the second highest among 86 surveyed countries. Lack of infrastructure and inadequate education are important drags on economic productivity and growth potential.

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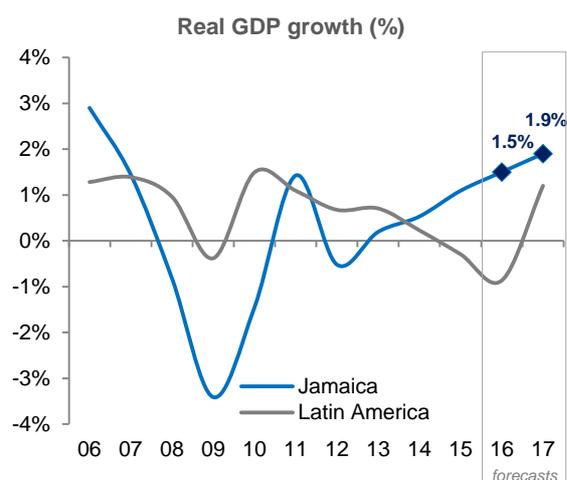
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Key economic forecasts

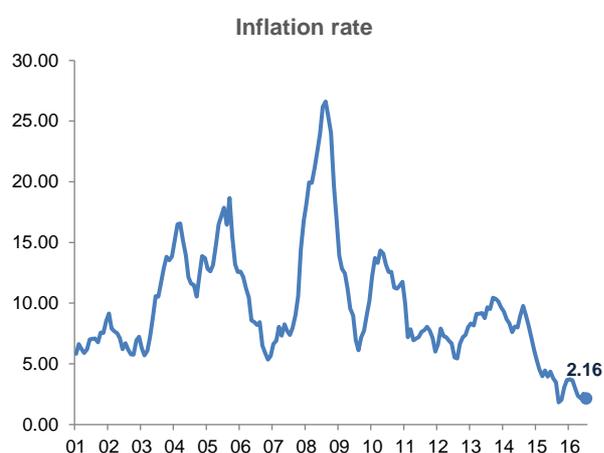
	2014	2015	2016	2017
GDP growth (% change)	0.5	1.1	1.5	1.9
Inflation (% , yearly average)	8.3	4.7	3.5	4.0
Fiscal balance* (% of GDP)	-0.5	-0.4	-0.2	0.1
Public debt* (% of GDP)	135.6	124.3	123.1	116.1
Current account (% of GDP)	-7.1	-4.3	-2.9	-2.6
External debt (% of GDP)	111.0	104.1	109.1	112.7

*Estimates of the new government. The figure does not match with the initial data published by the former government. Includes Local Government; Non-financial Public Corporations; Social Security Funds; State Governments

Sources: National sources, IMF-WEO, IHS, Euler Hermes



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