

# JAMAICA

## Key conditions and challenges

**Table 1** **2020**

Population, million	3.0
GDP, current US\$ billion	13.0
GDP per capita, current US\$	4406.7
School enrollment, primary (% gross) <sup>a</sup>	85.1
Life expectancy at birth, years <sup>a</sup>	74.4

Source: WDI, Macro Poverty Outlook, and official data.  
Notes:  
(a) Most recent WDI value (2018).

*Jamaica made important progress on macroeconomic stability and debt reduction between 2013 and 2020. However, the COVID-19 pandemic has pushed the country into its deepest recession in decades. This is affecting the welfare of households through income and job losses, thereby increasing poverty. Impacts have been uneven across the population, likely increasing inequality. Downside risks are high due to the country's susceptibility to natural disasters and uncertainties regarding the length and depth of the COVID-19 pandemic.*

Jamaica's economy has grown by an average of less than 1 percent per year over the last three decades and many structural obstacles remain to enabling growth. Although Jamaica has been successful in reducing its debt in recent years, its debt stock remains high. Fiscal space is limited and greater participation by the private sector in the economy is undermined by enclave-type industries, low productivity, and a high regulatory burden.

The country is afflicted by rising crime and violence, reducing its attractiveness and contributing to the country's low growth. Jamaica remains vulnerable to climate shocks, including more frequent and severe climate-induced natural disasters. These pose significant challenges to vulnerable groups and key sectors of economic and climate sensitivity, such as tourism and agriculture.

Containment of the COVID-19 pandemic is essential for economic recovery and inclusive growth, given Jamaica's dependence of the country on international tourism. Jamaica implemented a public health response early in the pandemic but has recently experienced an increase in the number of daily cases. The pace of Jamaica's economic recovery will depend on the global containment of the pandemic and easing of travel restrictions with the rollout of vaccines. This is important given that the tourism sector contributes over

30 percent of GDP and supplies a third of the country's jobs.

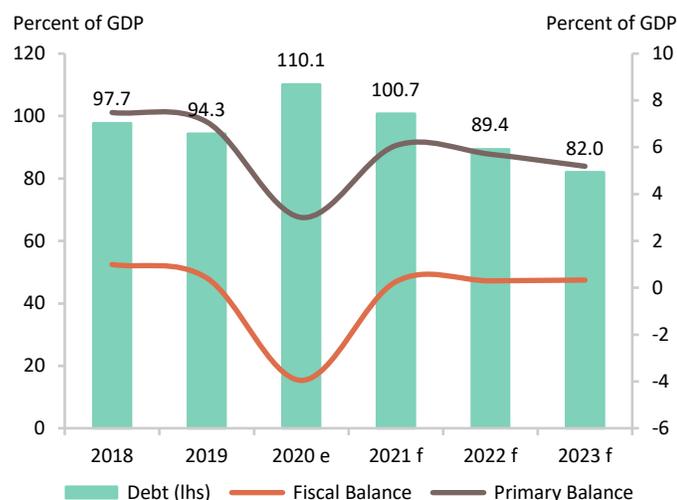
## Recent developments

Real GDP contracted by 10 percent in 2020, driven by the collapse in net external demand and private consumption. On the supply side, services recorded the sharpest declines due to the near closure of the tourism sector. Agriculture and industry were held back by disruptions in domestic production linked to the crisis, flooding, and the closure of Jamaica's largest aluminum refinery. Inflation increased slightly but remained within the 4-6 percent target range.

Poverty in Jamaica has declined in recent years, but COVID-19 reversed the trend. World Bank projections based on GDP per capita growth point to a 4.7 percentage point increase in the poverty rate in 2020, bringing it to 23 percent. Disruptions in the tourism sector and related activities reversed prior gains in employment and income, with a higher impact on women. After rising to 12.6 percent in July 2020, the unemployment rate declined slightly to 10.7 percent in October 2020. Government policy responses to COVID-19, including increases in conditional cash transfers, will help mitigate the impact on the poor.

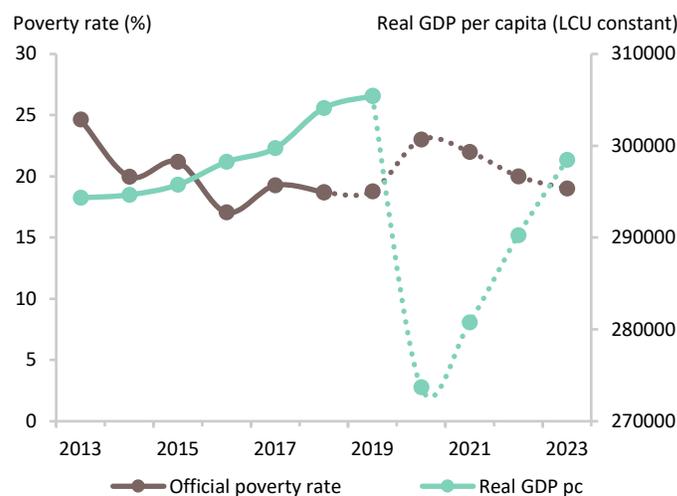
Jamaica's balance-of-payments position has improved steadily in the past five years, with narrower deficits and increased international reserve coverage. In 2020, the current account deficit (CAD) narrowed slightly on the back of strong remittance

**FIGURE 1 Jamaica / Fiscal balances and public debt**



Sources: GoJ, IMF and WBG staff estimates.

**FIGURE 2 Jamaica / Actual and projected poverty rate and real GDP per capita<sup>b,c</sup>**



Sources: World Bank staff calculations (see notes b and c in Table 2).

inflows. The CAD was financed primarily by private and official inflows.

Fiscal policy has been adapted to allow the authorities to respond to the pandemic, consistent with the existing fiscal rules. An overall fiscal deficit of 4.0 percent of GDP is envisaged for FY2020/21, reflecting the combination of lower revenues and increased outlays to respond to the pandemic. In this context, the public debt ratio is expected to jump to 110 percent of GDP.

## Outlook

Recovery of real GDP is expected over the medium-term, driven by the reutilization of spare capacity created by the pandemic and normalization in tourism as vaccination becomes more accessible, as well as

the resumption of mining in the second half of 2022. The economy is expected to return to pre-COVID-19 levels by 2024. Inflation is expected to remain within the 4-6 percent target and employment to improve over the medium-term. Poverty is projected to decline to around 19 percent by 2023.

Monetary policy will remain supportive of growth, while ensuring an adequate level of liquidity in the financial system. The authorities have encouraged the banking sector to retain capital by postponing dividend payments to shareholders and by rescheduling loans and mortgages. Jamaica's financial infrastructure remains sound, although the crisis could create some challenges for financial stability should the pandemic last longer than expected.

The CAD is expected to widen as imports recover and remittances decrease.

Private flows are expected to recover, limiting the need for official borrowing to finance the CAD. With a gradual recovery of tourism and bauxite exports, the Jamaican dollar will remain broadly stable compared to the US dollar and other currencies. Gross reserves should remain healthy, averaging over 6 months of imports.

The economic recovery is expected to improve tax collections and normalize spending. Total revenues should rebound in line with the pace of normalization in domestic and international trade. At the same time, total expenditure is expected to decline with the winding-down of the COVID-19 cash support program. In this context, public debt is expected to gradually decline over the medium term with primary surpluses accounting for most of the reduction.

**TABLE 2 Jamaica / Macro poverty outlook indicators**

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
<b>Real GDP growth, at constant market prices</b>	1.9	0.9	-10.0	3.0	3.8	3.2
Private Consumption	1.0	1.0	-13.2	3.5	2.3	1.8
Government Consumption	0.7	3.1	11.7	-2.8	-1.7	3.6
Gross Fixed Capital Investment	5.4	1.0	-15.9	2.0	8.3	7.1
Exports, Goods and Services	8.3	3.6	-30.0	15.7	4.2	1.8
Imports, Goods and Services	6.1	4.2	-26.7	10.3	1.7	1.9
<b>Real GDP growth, at constant factor prices</b>	1.9	1.0	-10.0	3.0	3.8	3.2
Agriculture	4.1	0.4	0.6	1.9	1.3	1.3
Industry	4.8	-0.7	-6.2	1.0	4.2	-0.8
Services	0.8	1.5	-12.2	3.8	4.0	4.7
<b>Inflation (Consumer Price Index)</b>	3.7	3.9	5.7	5.9	5.0	5.0
<b>Current Account Balance (% of GDP)</b>	-1.5	-2.1	-1.9	-3.3	-4.3	-3.9
<b>Net Foreign Direct Investment (% of GDP)</b>	4.8	1.4	1.6	2.5	3.6	4.0
<b>Fiscal Balance (% of GDP)<sup>a</sup></b>	1.0	0.4	-4.0	0.3	0.3	0.3
<b>Debt (% of GDP)<sup>a</sup></b>	97.7	94.3	110.1	100.7	89.4	82.0
<b>Primary Balance (% of GDP)<sup>a</sup></b>	7.5	7.1	3.0	6.1	5.7	5.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate. f = forecast.

(a) Fiscal balances are reported in fiscal years (April 1st -March 31st).