

OVERVIEW 2014

INTRODUCTION

The Jamaican economy and society continued to make advances, as during 2014 improvements were recorded for the key developmental indicators used to assess progress towards achieving the goals of *Vision 2030 Jamaica – National Development Plan*. These were achieved against the background of a very challenging economic environment characterised by a tight fiscal stance as the Government of Jamaica (GoJ) continued to successfully implement key reforms to reduce the high burden of debt and lay the foundations for sustained economic growth and development. During 2014, the country successfully completed four quarterly reviews¹ under the 48-months Extended Fund Facility Agreement (EFF) with the International Monetary Fund (IMF), meeting all quantitative and benchmark targets established. This resulted in total disbursements of US\$277.9 million during the year, bringing the total disbursements since the start of the Agreement to US\$546.39 million.

During the year, several reforms and initiatives aimed at improving the business environment and increasing competitiveness were implemented. These included:

- the establishment of a Secured Transactions Framework and Central Collateral Registry
- the streamlining of the business registration process with the implementation of a single Business Registration Superform and the establishment of an electronic interface linking the relevant public agencies
- the passage of a new Insolvency Act to simplify the process of declaring bankruptcy
- the passage of legislation for Flexible Work Arrangements
- approval of reforms to the Development Applications Process
- the development of a framework for the establishment of Venture Capital funds
- increasing the levels of financing available to Micro Small and Medium-sized Enterprises.

The impact of these and other previously implemented reforms on the Business Environment were evidenced by the improvements recorded in the global surveys of

competitiveness and business environment rankings. The Doing Business Report 2015 indicated that Jamaica moved up 27 places in the ranking to 58, while the World Economic Forum's Global Competitiveness Report for 2014–15, ranked Jamaica at 86 out of 144 countries, up from 94 of 148 countries in the 2013–14 Report.

Real value added growth of 0.4 per cent was recorded for 2014. Growth of 1.7 per cent was recorded for the first half of the year, however, for the second half of the year the economy contracted by 0.9 per cent. This significant curtailment of economic activities in the latter half of the year was due largely to:

- the adverse impact of severe drought conditions which prevailed during June and July on agriculture and water production
- the impact on output of longer than scheduled plant closures in the major industrial sectors.

Prices remained relatively subdued with an inflation rate out-turn of 6.4 per cent, falling below the projected range of 7.0 per cent – 9.0 per cent. Export price competitiveness continued to improve in 2014 as there was a real depreciation of 1.6 per cent in the Jamaican dollar relative to the US dollar. The merchandise trade deficit improved by US\$163.3 million, due to a 4.8 per cent decline in imports which offset an 8.1 per cent reduction in exports. Consistent with the expansion in economic activities, the average level of employment increased by 19 125 persons, resulting in a 1.5 percentage point lowering in the average unemployment rate to 13.7 per cent. However, the percentage of persons in the labour force without training was 70.2 per cent while a total of 773 950 persons remained outside the labour force.

Work to advance the country's efforts to achieve the goals of *Vision 2030 Jamaica – National Development Plan*, in its 6th year of implementation, focused on building a long-term sustainable framework for the implementation, monitoring, evaluation and communication of the Plan. This included ensuring the alignment of the three-year strategic Business Plans of Ministries, Department and Agencies (MDAs) with the goals of Vision 2030 and the Medium Term Socio-economic Policy Framework 2012–2015. A three-year progress report on *Vision 2030 Jamaica* for the period 2009/10–2011/12 was prepared and reviewed by stakeholders and a draft two-year progress report for 2012/13 – 2013/14

1. Quarterly reviews were undertaken for October to December 2013, January to March 2014, April to June 2014, and July to September 2014.

was also prepared. Quarterly reports on the status of implementation and achievements of targets as outlined in the MTF 2012–2015 were also completed during the year.

New and ongoing **Official Development Assistance (ODA)** played a pivotal role in supporting the achievement of goals and objectives outlined in the MTF 2012–2015. During the year, ODA in the form of loans, grants and technical assistance amounted to \$289.6 billion, and targeted strategic development priorities in the areas of macro-economic and social stability, economic growth, security, education and training, and climate change resilience.

Major activities aimed at facilitating **Sustainable Development** included: improvements in the policy and regulatory framework; the development and dissemination of materials to promote climate change awareness; and climate modelling and preparation of “near-term climate scenarios” to aid decision making in a climate-sensitive economy.

Science, Technology and Innovation sector continued to promote the use of STI in productive industries, as a driver for improved productivity, efficiency and economic growth. During the year, programmes were implemented to enhance the development of sustainable agricultural production systems as a means of ensuring food security.

At the end of 2014, the Jamaican **population** was estimated at 2 723 200, representing a growth rate of 0.2 per cent. This reflected the impact of estimated births and deaths at 37 900 and 17 600, respectively, and net external movements at 14 900.

Advancement in the area of **Education and Training** with respect to achieving the goals of *Vision 2030 Jamaica* was evident in improved students’ performances in national and regional examinations. Access to education also increased with the creation of 6 960 school spaces. An estimated 71.3 per cent of the school-age cohort was enrolled during the academic year.

The focus of the **Health** sector during the year included: primary health care renewal; reduction in maternal and child mortality; the development of the National HIV Policy; the adoption of the Infant and Young Child Feeding Policy; and implementation of mortuary guidelines for the reduction of communicable disease. The demand for services in the public sector health institutions increased, reflecting higher levels of admissions and the length of stay in hospitals.

Against the background of increasing vulnerabilities as a result of a challenging economic environment, **Social Development** continued to be a high priority of the government. A comprehensive Social Protection Strategy aimed at achieving the National Outcome of ‘Effective Social Protection’ was launched.

Improvements continued to be recorded in the area of **National Security**, with continued reduction in the number of reported Category 1 crimes. The number of murders reported

was the lowest since 2003. Strategic developments during the year included the merger of the Island Special Constabulary Force (ISCF) into the Jamaica Constabulary Force (JCF). There was also the merger of the Major Organized Crime Task Force and the JCF’s Anti-Corruption Branch to form the Major Organized Crime and Anti-Corruption Agency tasked with reducing the incidence of corruption. Additionally, priority attention was given to the dismantling of gangs through the establishment of a National Strategic Anti-Gang Unit in the Organized Crime Investigation Division of the JCF.

VISION 2030 JAMAICA – NATIONAL DEVELOPMENT PLAN

During 2014, the implementation of the country’s first long-term strategic plan, *Vision 2030 Jamaica – National Development Plan and the Medium Term Socio-Economic Policy Framework (MTF) 2012–2015* continued. *Vision 2030 Jamaica* provides a comprehensive planning framework in which the economic, social, environmental and governance aspects of national development are integrated. The Plan is expected to put Jamaica in a position to achieve developed country status by 2030 and is based on the vision: “*Jamaica, the place of choice to live, work, raise families and do business*”.

Over the period, several results were achieved including the institutionalization of *Vision 2030 Jamaica* in MDAs through the infusion of national and sectoral strategies into the corporate and operational plans of MDAs, and alignment to the National Budget. As the National Secretariat for *Vision 2030 Jamaica*, the PIOJ continued to engage with MDAs to facilitate the alignment of key national policies and strategies with *Vision 2030 Jamaica*, including the National Water Sector Policy (draft), the National Climate Change Policy and Action Plan (draft) and the Growth Agenda.

In addition, work continued on the alignment of the MDAs with the new Strategic Business Plan templates by MDAs in FY 2014/2015 with the goals and outcomes of *Vision 2030 Jamaica* and the MTF 2012–2015. This included the alignment of the three year plans and budgets of all ministries under the phased establishment of the Performance Monitoring and Evaluation System (PMES) in the public sector. The PIOJ also participated in the development of the draft Whole-of-Government Business Plan and Progress Reports being undertaken by the Cabinet Office, in alignment with *Vision 2030 Jamaica* and the MTF 2012–2015.

The PIOJ also ensured the alignment of the Growth-Inducement Strategy (GIS), which was developed as a key initiative under *Vision 2030 Jamaica*, with the Medium Term Economic Programme FY2013/14–FY2015/16 of the Government; the EFF Arrangement with the IMF; and with the work of the Growth Agenda Subcommittee of Cabinet established in May 2014. *Vision 2030 Jamaica* and the MTF 2012–2015 were utilized as the guiding framework for Jamaica’s participation in the consultations on, and agenda setting for the Post-2015 Development Agenda process.

A Three-Year Progress Report on *Vision 2030 Jamaica* for FY 2009/2010–FY 2011/2012 was completed during the year and reviewed by stakeholders across MDAs. A draft Two-Year Progress Report on the Medium Term Socio-Economic Policy Framework (MTF) 2012–2015 for the period FY 2012/13 – 2013/14 was also prepared. As an integral part of the PIOJ's Quarterly Press Briefings, quarterly reports were presented on the National Dashboard of Indicators, which was introduced in 2010 to track progress towards achievement of the national goals of *Vision 2030 Jamaica*, using eight areas of measurement of national development and social well-being. The full framework of 46 national indicators and targets used to track progress under *Vision 2030 Jamaica* was also updated on the JAMSTATS database, the comprehensive national database used to store the *Vision 2030 Jamaica* framework of indicators and targets. During 2014, the *Vision 2030 Jamaica* National Secretariat in collaboration with the JAMSTATS Unit and UNICEF Jamaica commenced the upgrading and updating of the online interactive graphical E-Dashboard which was launched in 2013 to facilitate monitoring of progress in implementing *Vision 2030 Jamaica*.

INTERNATIONAL ECONOMY

Global economic output was estimated to have increased by 3.3 per cent, reflecting higher output from both Advanced and Emerging Market & Developing Economies. Growth resulted from increased levels of consumer spending and business investment, spurred by: accommodative monetary policies; a moderation in fiscal consolidation; and higher levels of employment in some economies. Consistent with growth of the world economy, global trade of goods and services increased.

Despite improvements, the performance of the global economy was weaker than forecast, reflecting the lower than expected performance of the Euro Area, Japan, as well as sections of Eastern Europe, due to several challenges. Despite strong growth, China's rate of growth slowed as a result of deliberate efforts to restructure the economy. Against this background of weakened prospects, which constrained demand and confidence and foreign direct investment flows, the IMF, on several occasions, revised downwards its projection² for global growth for calendar year 2014.

Commodity prices declined relative to 2013, evidenced by decreases in the World Bank's Energy and Non-Energy Commodity Price Indices. The downward trajectory in crude

oil prices, which started in July 2014, stemmed primarily from supply-side factors including increased production from non-Organization of Petroleum Exporting Countries (OPEC) producing countries and OPEC's decision to maintain output levels despite the fall in prices. On the demand side, weakened global prospects adversely impacted demand. There was also a fall-off in the prices for fertilizers and some agricultural commodities, due to a slowing in demand, fall-off in input prices, and improved supply conditions. As a consequence, there was a moderation in global inflation.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

Official Development Assistance (ODA)³ continued to support the strategic priorities outlined in the MTF⁴ 2012–2015. This support took the form of loans, grants and technical assistance totalling US\$2.6 billion⁵ (\$289.2 billion⁶) from International Development Partners (IDPs). Focal areas which received assistance during the period included, inter alia, macro-economic and social stability, growth, citizen security and justice, education and training, and climate change resilience.

Newly approved ODA to Jamaica totalled US\$515.8 million (\$57.4 billion), a decline of 14.4 per cent relative to 2013. Multilateral Financial Institutions (MFIs) were the major sources of new loan and grant financing totalling US\$394.0 million (\$43.8 billion) and US\$78.3 million (\$8.7 billion), respectively. The level of new loan resources from MFIs increased by 140.2 per cent to US\$394.0 million (\$43.8 billion) compared with US\$164.0 million (\$18.2 billion) in 2013. Of the total new loan resources from MFIs, US\$165.0 million (\$18.4 billion) was committed in the form of budget support⁷, reflecting Jamaica's good performance under the agreement with the IMF. This success allowed Jamaica access to additional budget support from the MFIs.

New grant resources from IDPs amounted to US\$111.8 million (\$12.4 billion) of total new ODA, an overall decrease of 12.5 per cent compared with the previous year. This decline was mainly as a result of the 75.5 per cent reduction in grant resources from bilateral partners, which totalled US\$14.0 million (\$1.6 billion). The Multilateral Technical Cooperation (MTC) agencies provided grants and technical assistance amounting to US\$7.7 million (\$856.4 million) while new loan and grant resources from Environment and Climate Change Funds totalled US\$21.8 million (\$2.4 billion).

2. The IMF in January 2014 initially projected global output to increase by 3.7 per cent. This was subsequently revised downwards to 3.6 per cent in April, 3.4 per cent in July and then to 3.3 per cent in October 2014.
3. ODA is concessionary loans, grants and technical assistance to developing countries for the promotion of their economic development and welfare as its main objective.
4. The MTF articulates the priority outcomes of the *Vision 2030 Jamaica – National Development Plan* for the period.
5. Amounts include GoJ counterpart and are rounded to one decimal point.
6. The average annual exchange rate of US\$1 = J\$111.22 is used.
7. Macroeconomic stability is a condition for budget support.

The allocation of new ODA continued to reflect an emphasis on the Administrative⁸ sector which accounted for US\$258.3 million (\$28.7 billion) of total new ODA. These funds were mainly aimed at budget support programmes. The allocation to the Social Infrastructure⁹ sector was US\$182.2 million (\$20.3 billion). Allocations to the Directly Productive¹⁰, Economic Infrastructure¹¹ and Environment and Climate Change¹² sectors were: US\$50.3 million (\$5.6 billion), US\$2.6 million (\$289.2 million) and US\$22.3 million (\$2.5 billion), respectively.

Net flows¹³ with Jamaica's three main multilateral lending partners, namely: IDB, CDB and World Bank; as well as the People's Republic of China totalled US\$108.0 million (\$12.0 billion) compared with US\$143.8 million (\$16.0 billion) in 2013 (Table 2.3). Total repayment of principal, interest and other charges decreased by 15.0 per cent to US\$188.7 million (\$21.0 billion), while disbursements to on-going projects and programmes totalled US\$298.6 million (\$33.2 billion), a decrease of 18.4 per cent compared with 2013.

Three new Country Strategies (CSs) were signed with the Caribbean Development Bank (CDB), European Union (EU) and the World Bank. The funding commitments under these strategies were as follows: CDB, US\$33.8 million (\$3.8 billion); EU, €46.0 million¹⁴ (\$6.7 billion); and World Bank, US\$510.0 million (\$56.7 billion). These CSs provide a clear focus on the priorities agreed upon between the Government and the MFIs moving forward.

SUSTAINABLE DEVELOPMENT & SCIENCE, TECHNOLOGY AND INNOVATION

SUSTAINABLE DEVELOPMENT (SD)

Sustainable development activities remained aligned with the national and sectoral strategies of *Vision 2030 Jamaica* and *MTF 2012–2015*. Selected thematic areas within the sector were supported by a \$10.1 billion budgetary allocation which accounted for approximately 1.9 per cent of the total GoJ budget.

Among the key activities undertaken within the sector were improvement in the policy and regulatory framework with the promulgation of the Dolphin Policy and approval of a number of Green and White Papers; the development and dissemination of materials to promote climate change awareness; and climate modelling and preparation of “near-term climate scenarios” (up to 2040) to aid decision making in a climate-sensitive economy. Completed during the year

was a national forest land use assessment, through the use of geospatial technologies, that revealed a net increase in forest cover of 0.4 per cent per annum between 1998 and 2013. The status of marine resources as measured by the Coral Reef Health Index was assessed as “fair” with the overall score remaining at 2.1. Net accretion in beach width was recorded, despite erosion in a number of sites.

The ongoing commitment to and investment in SD contributed to Jamaica remaining in the high human development category of the Human Development Index with a score of 0.715 and rank of 96 out of 187 countries and territories. In the social sphere, access to education remained relatively high at the lower levels of the education system, while overall, the school aged population (3–24 years) enrolled in educational institutions was 71.3 per cent. As it relates to health, latest available data from the Jamaica Survey of Living Conditions (JSLC) 2012 indicated that the health status of the population remained relatively good with 84.7 per cent reported as having generally good or very good health.

There was evidence of improved efficiency in the development applications process with 83.8 per cent of applications being processed within the targeted 90-day period and approximately three quarters of these being processed within a 60-day timeframe. This was supported by the full roll-out of the Application Management and Data Automation (AMANDA) System in Local Authorities and some commenting agencies as well as by the pre-screening activities of Development Applications Centre (DAC) at NEPA. Additionally, reforms to the Development Application Review Process (DARP) were approved by Cabinet with a view to expediting the review of applications by the relevant authorities, aimed at stimulating economic opportunities for overall growth and investment.

In terms of climate, increases in temperature and decreases in precipitation were recorded. The average meteorological drought indices showed that the country experienced severe drought for the June/July period while some parishes experienced periods of extreme to normal drought throughout the year. This affected water production and agricultural output. The latter was adversely affected, especially in the southern region encompassing the parishes of Manchester and St. Elizabeth (the two parishes that account for approximately 40.0 per cent of domestic agricultural production). The negative impact on the agricultural sector was aggravated

8. Administrative – Public Sector Reform, Budgetary Support, Governance.

9. Social Infrastructure – Health, Education, Housing, Safety Net.

10. Directly Productive – Agriculture, Tourism, Mining, Manufacturing, Micro, Small and Medium Business Enterprises.

11. Administrative – Public Sector Reform, Budgetary Support.

12. Environment & Climate Change – Natural Resource Management, Ecosystem Preservation, Disaster Risk Management Reduction.

13. Net Flow equals Total Disbursements less Total Repayments.

by bush fires occasioned by the dry and windy conditions experienced in some areas throughout the year.

Fire hazards continued to adversely affect lives and property resulting in an increase in deaths, injuries and persons rendered homeless (by 10.5 per cent, 15.7 per cent and 12.7 per cent, respectively relative to the previous year). Environmental management was supported by the expanding use of technology. In this regard, geospatial technologies were increasingly used to improve decision making related to parcel data maintenance, forest management, subdivision and the building approval process, landscape development, climate change scenario modelling, drought impact, water resources monitoring and biodiversity and ecosystems management. An assessment of the growth of geospatial technologies indicated that 76.0 per cent of the respondents effectively integrated GIS into mainstream operations or business processes.

SCIENCE, TECHNOLOGY AND INNOVATION (STI)

As a means of advancing the STI-driven growth agenda outlined in *Vision 2030 Jamaica*, emphasis was placed on STI policy development and institutional strengthening. This was supported by activities aimed at improving Science, Technology, Engineering and Mathematics (STEM) education, and broadening access to and use of Information, Communication and Technology (ICT). Allocations to the main STI MDAs increased by 64.4 per cent to \$5 509.4 million, or approximately 1.0 per cent of the national budget.

The development of sustainable agricultural production systems as a means of ensuring food security and creating wealth, continued to influence the national research agenda. Variety improvement and productivity trials in ginger resulted in higher yielding clones (up to 1.47 kg per plant) of the Jamaica yellow and frog blue varieties. These results signal the potential for mass propagation using technology such as tissue culture to produce sufficient quantities of ginger to meet the commercial demands.

Ongoing developments in the area of STEM education included the transformation of the Sydney Pagon High School to a STEM Academy and the continued roll-out of the E-Learning Jamaica and Tablets in Schools (TIS) projects. The latter two initiatives aim to improve learning through the use of ICTs. Under the TIS project, a total of 19 839 tablets were distributed to students (18 725) and teachers (1 114) in 35 schools.

Expansion in the ICT infrastructure, and the use of technologies to improve service provision and enhance business efficiencies was evidenced in Jamaica's improved scores on the ICT Development Index (IDI) to 4.26 and the Networked Readiness Index (NRI) to 3.8. With respect to performance on the IDI, the country continued to do relatively well on the sub-index of Political and Regulatory Environment. Improved performance was also recorded on the NRI sub-indices of access and use. In the area of

e-government, the country ranked 109 of 193 United Nations member countries on the E-Government Development Index.

At least 12 additional e-government services came online in 2014, including applications such as the Jamaica Customs Agency (JCA) ASYCUDA World, an automated customs management system being piloted for commercial exports at Port Bustamante. ICTs continued to enhance the ease of doing business across all sectors, including the Banking Sector. The combined value of transactions processed at Automated Banking Machines and Point of Sale machines, for example, was \$756.9 billion for JMD transactions and \$699.1 million for USD transactions. These figures reflected respective increases of approximately 14.0 per cent and 13.3 per cent relative to 2013, and correlate to a steady rise in the volume of transactions at ABM and POS terminals for both dollar denominations. Efforts aimed at strengthening the national cyber security framework was boosted by the establishment of a Cybersecurity Emergency Management Response Team in December.

In support of the implementation of the National Energy Policy (2009–2030), Power Purchase Agreements were signed with three preferred bidders to add approximately 78.0 MW of renewable energy generating capacity to the grid by 2016. This is to be achieved via a combination of wind and solar photovoltaic (PV) systems to be located in the parishes of St. Elizabeth (wind); Manchester (wind); and Clarendon (solar PV).

With respect to the institutional framework for STI, the National Commission on Science and Technology (NCST) was reconstituted in October as the main coordinating mechanism for the sector, with a view to making STI efforts more impactful and sustainable. To this end, two priority actions were mandated, namely, the preparation of a national STI Policy and the development of a conceptual framework for the expansion and sustainability of a National Nutraceuticals Industry.

THE ECONOMY

MACROECONOMIC POLICIES AND PERFORMANCE

Jamaica's macroeconomic policy framework continued to be guided by MTF 2012–2015 and is aligned with the Memorandum of Economic and Financial Policies (MEFP) which accompanied the Letter of Intent of the External Fund Facility Agreement. The MEFP outlines the key economic strategies and reforms to reduce the high burden of debt, improve the environment for doing business, and support increased employment and sustained economic growth. Strategies and reforms which received priority attention during 2014 included:

— Tax Reforms

- establishment of a Minimum Business Tax

- implementation of the first phase of the amalgamation of payroll taxes
- Amend the GCT Act to broaden the tax base and eliminate zero rating government purchases
- adoption of a New Fiscal Rule aimed at enhancing fiscal transparency and lock in the gains of fiscal consolidation
- **Debt Reduction:** through enhanced fiscal management; policies to strengthen growth performance; and additional measures such as debt-asset swap and asset sales
- **Public Sector Reform:** aimed at improving the efficiency, quality and cost effectiveness of the public service
 - to reduce the relative size of the public service through the elimination of redundant posts, attrition, prioritizing the implementation of growth enhancing initiatives and enhancing the transparency in operations of the public bodies
- **Monetary and Exchange Rate strategies:** aimed at achieving a gradual reduction in the rate of inflation which is consistent with those in the economies of Jamaica's main trading partners. This is intended to foster greater stability in the exchange rate market, improve trade competitiveness by avoiding any appreciation in the real effective exchange rate (REER), and engender greater levels of confidence in the domestic economy
- **Growth Enhancing Reforms:**
 - initiatives to improve the business environment
 - improve the Development Application Process to significantly reduce the timeframe for final decisions
 - enact an Insolvency Act to create an orderly process for declaring bankruptcy
 - reduce the time for entrepreneurs to receive an electricity connection
 - phased implementation of a Port Community System to electronically integrate and streamline export and import procedures
 - Strategic Investments: through the facilitation of major private sector projects in the areas of Tourism; Business Process Outsourcing; Energy; and Port Expansion and Development.

For fiscal year 2014/15, the main macroeconomic performance targets were:

- Real GDP of 1.4 per cent
- Inflation rate within the range of 7.0 per cent to 9.0 per cent
- Primary surplus of 7.5 per cent of GDP
- Net International Reserve (NIR) stock of US\$1 594 million
- Fiscal Deficit of 0.5 per cent of GDP
- Current Account Deficit of 8.0 per cent of GDP.

Economic Performance

The Jamaican economy recorded real value **added growth of 0.4** per cent, reflecting an expansion in output by the Services Industry which outweighed a contraction of 0.1 per cent in the Goods Producing Industry. The Services Industry grew by 0.5 per cent, reflecting growth in all industries, except Electricity & Water and Producers of Government Services. Growth in Services was pushed mainly by the performances of Hotels & Restaurants and Transport, Storage and Communication industries. The slower than targeted rate of growth was largely explained by the impact of severe drought conditions which curtailed the performance of the Agriculture Industry, Agro-processing and water production during the latter half of the year.

The overall positive performance was supported by:

- improved economic performance recorded in the economies of Jamaica's main trading partners which resulted in increased demand for some locally produced goods and services.
- the continued implementation of business reforms as well as the strategic investment projects in the areas of construction, tourism and Business Process Outsourcing.

For April–December 2014, Central Government operations generated a fiscal deficit of \$26.0 billion compared with a deficit of \$33.9 billion. This out-turn was due to both Expenditure (excluding amortization) and Revenue & Grants being less than programmed. The shortfall in Revenue & Grants was the result of lower than anticipated revenue from Tax Revenue and Grants. Additionally, the primary surplus of \$66.8 billion was \$0.8 billion more than budgeted.

Jamaica's **merchandise trade deficit** was US\$4 386.2 million, an improvement of \$163.3 million relative to 2013. The narrowing of the deficit reflected a decline of US\$291.6

million in spending on imports, which outweighed the impact of a reduction of US\$128.4 million in export receipts. The lower expenditure on imports largely reflected reduced spending on Mineral Fuels, etcetera—the primary import category—which fell by US\$240.4 million relative to 2013 due to lower imports of petroleum, petroleum products and related materials. The fall-off in receipts from exports stemmed from declines in seven categories, with Chemicals, Food, Mineral Fuels, etcetera and Beverages & Tobacco accounting for the largest absolute declines. Earnings from Chemicals declined by 75.2 per cent to US\$28.2 million due to the continued impact of lower ethanol exports.

The *Inflation* out-turn for 2014 was 6.4 per cent, 3.1 percentage points lower than the rate recorded for 2013 and represented the lowest rate recorded since 2011. Inflationary impulses during 2014 stemmed mainly from:

- the impact of severe drought conditions
- increase in bus fares for Jamaica Urban Transit Company (JUTC) adult passengers
- the pass-through effect of the depreciation of the domestic currency
- increase in the National Minimum Wage.

The inflation out-turn was, however, constrained by weak domestic demand conditions and lower international crude oil prices.

At the end of 2014, the *exchange rate* was \$114.66 per US\$1.00, representing a nominal depreciation of 7.2 per cent compared with the rate at the end of 2013. This translated into real depreciation of the Jamaica dollar relative to the United States dollar of 1.6 per cent.

SECTORAL PERFORMANCE

GOODS PRODUCING INDUSTRY

Agriculture

The Agriculture, Forestry & Fishing industry declined by 0.4 per cent. In the first half of the year, the industry improved by 15.2 per cent relative to the corresponding period of 2013. However, drought conditions in the second half of the year detracted from the gains of the first six months with a 16.7 per cent decline in output. The drought conditions affected planting activities and caused crop yields to be reduced. Although rainfall levels improved in the latter months of the year, production was already adversely impacted.

The Planning Institute of Jamaica's Agriculture Production Index indicated that gross output contracted for the sub-industries Other Agricultural Crops, Post Harvest Activities and Fishing by 7.6 per cent, 25.0 per cent and 0.7 per cent, respectively. The downturn was, however, partly mitigated by increased output in the categories Traditional Export Crops and Animal Farming, which grew by 30.5 per cent and 4.4

per cent, respectively. The increase in output for Traditional Export Crops was attributed to improved output for the crops Banana, Sugar Cane and Cocoa. The improvement in Animal Farming was mainly due to the increase in poultry production. Export earnings from traditional agricultural commodities were valued at US\$17.0 million compared with US\$22.1 million in 2013. Reduced earnings were recorded for Coffee, Citrus and Pimento, which outweighed improved earnings for Banana and Cocoa.

Mining and Quarrying

The Mining and Quarrying industry recorded a 0.9 per cent increase in real value added for 2014, which represented a 2.3 per cent contribution to GDP, the same as 2013. The higher output of crude bauxite (up 2.8 per cent) drove the performance of the industry while production of alumina declined by 0.2 per cent. Alumina production was negatively affected by an unscheduled interruption in activities at one plant and the lower quality of bauxite at another plant. Export earnings from the local bauxite/alumina sub-industry grew in response to increased global demand for aluminium which influenced higher commodity prices. The growth in export earnings was driven by a higher price for alumina and an increase in the volume of crude bauxite exported. A further increase in export earnings was, however, stymied by a lower volume of alumina exported (down 4.1 per cent). The Industrial Minerals component of the industry also grew as five of the eight minerals recorded increases. This was in response to the performance of the Construction industry where several of these are used as inputs for building activities.

Manufacture

Real value added for the Manufacture industry contracted by 1.2 per cent for 2014. This resulted from a decline in the Other Manufacture sub-industry, while the Food, Beverages & Tobacco sub-industry grew. The performance of the industry was adversely impacted by lower demand for several products due partly to the weak economic environment locally and the closure of some plants. There was exchange rate depreciation which affected some manufacturers positively by increasing the competitiveness of products for the domestic market and exports, but negatively for others, by increasing the cost of productive inputs. There was also higher production of some commodities which partly reflected growth in related industries such as Construction.

The value of manufactured exports was US\$680.4 million, a reduction of US\$113.5 million in earnings relative to 2013. The lower earnings was reflective of declines in Traditional Exports and Non-Traditional Exports of US\$1.1 million and US\$112.4 million, respectively.

Construction

The Construction industry grew by 1.4 per cent in 2014 and accounted for 7.2 per cent of GDP compared with 7.1 per cent in 2013. The performance of the industry was due to increases in the Other Construction and the Building Construction

subcategories. The Other Construction subcategory, which was the main driver for the industry, recorded an increase in civil engineering activities by the National Road Operating and Construction Company Limited (NROCC) and the telecommunications sub-sector. The activities undertaken by NROCC supported the construction of the Caymanas to Linstead, and the Moneague to Ocho Rios segments of the North-South link of Highway 2000. The telecommunications sub-sector focused mainly on the expansion and improvement of mobile and broadband technology. Growth in the Building Construction category was due largely to an increase in Non-Residential activities which included the expansion of Business Processing Outsourcing facilities and the restoration and construction of hotels. However, a decline in Residential activities evidenced by lower housing starts and completions constrained a higher output level from the industry. There was an increase in the production of some inputs such as sand & gravel, cement and limestone which was consistent with the overall performance of the industry.

SERVICES INDUSTRIES

Energy, Electricity and Water

The Electricity & Water Supply industry contracted by 1.2 per cent compared with 2013, reflecting reductions in electricity consumption and water production. Lower demand was the primary cause for contraction in electricity consumption, while the severe drought condition was the main factor contributing to the decline in water production.

Electricity generation decreased by 0.8 per cent to 4 107.5 GWh relative to 2013. This was impacted by a 7.9 per cent fall in output from non-JPS sources to 1 656.8 GWh which outweighed a 4.6 per cent increase to 2 450.7 GWh in production from JPS. Challenges associated with some Independent Power Producers which resulted in the shutdown of some generation units for extended periods contributed to this decrease in generation from non-JPS sources. Operations at JPS were boosted by the commissioning of the Maggotty Hydroelectric Power Plant in March 2014. Electricity sales contracted by 0.9 per cent to 2 997.8 GWh due mainly to reduced demand while revenue grew by 2.2 per cent to \$112.5 billion as a result of increases in the rates charged and the number of customers on the grid.

The National Water Commission produced approximately 296 139.5 megalitres of water, a reduction of 0.6 per cent relative to 2013. This largely reflected lower output from Kingston, St. Andrew and St. Thomas which outweighed increased output in Other Parishes. The total amount of water consumed for the year fell by 10.2 per cent to 82 829.2 megalitres, caused mainly by severe drought conditions experienced during the April–June and July–September quarters of 2014. Non-revenue water represented 72.0 per cent of total production, an increase from 69.0 per cent in 2013. The number of connections expanded by 1.6 per cent to 466 695 as revenue rose by 17.7 per cent to \$26.3 billion, attributable to tariff adjustments effected during the year.

Transport, Storage and Communication

Growth of 1.1 per cent was recorded for the Transport, Storage & Communication industry during 2014 relative to 2013. The higher real value added reflected improved performances in both the Transport & Storage and Communication segments of the industry. The year's out-turn was supported by increased activities at both seaports and airports, as well as the telecommunications subcategory, which accounted for the expansion in the Communication segment of the industry. The output for some indicators in the industry showed:

- the volume of cargo handled at 15 424 thousand tonnes, up 2.3 per cent. This resulted from expansion in activities at the Port of Kingston, up 13.3 per cent to 10 995 thousand tonnes and Outports, up 0.1 per cent to 10 417 thousand tonnes. The out-turn at the Port of Kingston reflected increased activities at the KCT and the Private Wharves
- passenger movement at 5 087 171 passengers, up 4.6 per cent. Increased passenger traffic at the island's international airports stemmed from growth in the heavier-weighted arriving and departing passenger categories at all three international airports. The introduction of new service initiatives, among other things, boosted the out-turn at the SIA and the NMIA
- mobile subscribers and total telephone subscribers, went up by 1.2 per cent to 2.9 million and 3.1 million, respectively. The growth in fixed lines indicates a turnaround in the declines noted over the past years.

A 16.2 per cent fall-off to 45.9 million pieces was recorded for the volume of mail handled at the Post & Telecommunications Department. Similarly, there were respective declines of 14.9 per cent and 9.4 per cent in revenue and expenditure to \$1 498 million and \$1 906 million. This translated to a 21.8 per cent increase in the deficit to \$408.0 million.

Finance & Insurance Services

The Finance & Insurance Services industry grew by 0.2 per cent compared with 2013, representing the third consecutive yearly growth. This performance was attributed largely to a rise in Total Assets at deposit-taking institutions, more revenue earned from fees and commission, an increase in earnings at general insurance companies, and greater returns earned from investments.

The growth of the Finance & Insurance Services industry was, however, stymied by the continued impact of the National Debt Exchange as companies earned less on their security investments. Commercial banks were affected by the real decline in the stock of Loans & Advances which directly impacted net interest income. In addition, the Jamaica Stock Exchange's (JSE) main market declined by 5.3 per cent.

Hotels & Restaurants

The United Nations World Tourism Organization estimated that global tourist arrivals increased during 2014. Regionally, the Caribbean Tourism Organization reported growth in tourist arrivals for most countries. Locally, the Ministry of Tourism and Entertainment continued to develop and implement policy initiatives and programmes aimed at enhancing growth within the sector. The policy initiatives and programmes were focused on strengthening the linkages between Tourism and other sectors as well as facilitating increased investments and visitor arrivals.

Against this background, real value added for the Hotels & Restaurants¹⁴ industry grew by an estimated 2.9 per cent and contributed 0.3 per cent to growth in Gross Domestic Product during 2014. This was due to increased stopover arrivals. The increase in stopover arrivals reflected mainly more visitors from the United States of America (USA), Canada and Europe. The improved performance was a result of increased airlift from these regions.

Cruise passenger arrivals grew by 12.5 per cent to 1423797 persons. This improvement reflected increased activities at the Falmouth, Montego Bay, Ocho Rios and Port Antonio cruise piers. Similarly, the number of ship calls to the island's ports also increased, moving to 412 from 360 in 2013.

Provisional tourist expenditure amounted to US\$2 235.7 million, 5.8 per cent more than in 2013. Of this amount, stopover visitors expended US\$2 111.8 million while cruise passengers spent US\$123.9 million. The average annual employment in the Hotels and Restaurants industry was 80 500 persons compared with 75 750 persons during 2013. This represented approximately 7.1 per cent of total employment for 2014 and 6.8 per cent for 2013. The average number of males employed within the industry totalled 31 925 relative to 31 375 in 2013. For females, the average number employed was 48 575 compared with 44 375 in 2013.

Wholesale & Retail Trade; Repair & Installation of Machinery

The WRTRIM industry grew by 0.2 per cent and accounted for 17.6 per cent of GDP. The industry's performance was influenced by an increase in the stock of Loans & Advances to distributors and consumers; a real increase in the value of Automated Banking Machine (ABM) and Point of Sale (POS) transactions; and a real increase in remittances and improvements in the Business and Consumer index. A contraction in the value of imports, weak domestic demand and reduced capital expenditure tempered the industry's growth. Analysis of preliminary General Consumption Tax (GCT) data revealed that three of the eight goods categories recorded higher sales. These were: Wholesale & Repair of Household Goods; Hardware, Building Supplies, Electrical

Goods & Machinery; and Other Wholesale & Retail Sale of Goods & Services in Specialized & Non-Specialized Stores.

Distributive trade activities continued to be governed by the Bureau of Standards Jamaica, Consumer Affairs Commission, Fair Trading Commission, and the Trade Board aimed at ensuring competitive markets, protection of consumers' rights, adherence to regulatory standards and a modern commercial system and environment.

Entertainment & Sports

The Other Services industry — of which the Recreational, Cultural and Sporting (RCS) sub-industry accounts for one-third of the industry — recorded growth of 1.2 per cent in real value added for 2014. During the year, there was an emphasis on policy development in entertainment and sports, particularly with respect to intellectual property and athletics. Economic activity related to entertainment showed signs of improvement evidenced by higher gross sales to entertainment categories; increases in the volume and value of amusement licences issued; and an increase in the stock of loans and advances issued for entertainment purposes. With respect to sport, the Sports Development Foundation increased its expenditure on infrastructure projects in various disciplines.

THE SOCIAL SECTOR

DEMOGRAPHICS AND THE LABOUR MARKET

Population

The population was estimated at 2 723 200 at the end of 2014 with a growth rate of 0.2 per cent. The rate of natural increase was 7.4 per 1 000 with estimated births and deaths at 37 900 and 17 600, respectively, and net external movements at 14 900. Migration continued to impact the growth rate which is currently on target with the National Population Policy. The majority of migrants from Jamaica go to the USA.

Jamaica is currently at an advanced stage of the demographic transition. This is evident in the demographic ageing of the population (declining birth and death rates). The effects of the ageing population structure are apparent in the declining child population (0–14 years) and the increasing working age (15–64 years) and dependent elderly population (65+ years). There is also a growing number of the population residing in urban areas.

Several activities were undertaken throughout the year in an effort to ensure population dynamics were incorporated into national policies, plans and programmes. These included the Launch of the International Conference on Population and Development (ICPD) National Report; finalization of goals and development of indicators for the Post-2015 Development Agenda; submission of the draft National Policy and Plan of Action on International Migration and

14. This industry captures most of tourism's direct contribution to real value added.

Development to Cabinet for approval; and the Modernization of Civil Registration and Vital Statistics (CVRS) through technical advice and capacity building.

Labour Market

The Jamaican labour market exhibited signs of recovery amidst instability, heightened unemployment and a widening in the employment gap globally. The labour force exhibited a 0.01 per cent decline to 1 307 725 with males (54.7 per cent) outnumbering females. Average employment locally grew by 1.7 per cent to 1 128 050 persons in 2014. Unemployment fell by 9.9 per cent to 179 675 from 199 550 persons. Both youth and adult unemployment rates trended down from 37.7 per cent and 11.6 per cent to 34.2 per cent and 10.1 per cent, respectively, with female unemployment remaining higher.

The growth in employment was also highlighted in both the Services and Goods Producing Industries which increased by 1.9 per cent and 1.4 per cent, respectively. A total of 773 950 persons remained outside the labour force with 60.4 per cent of those persons being female. The percentage of persons in the labour force without training was 70.2 per cent. Of this amount, males accounted for 60.3 per cent.

The Employment (Flexible Work Arrangements) (Miscellaneous Provisions) Act, 2014 was passed by both Houses of Parliament and became effective in November. This resulted in the amendment of 24 pieces of legislation toward the implementation of flexible work arrangements in Jamaica.

HUMAN DEVELOPMENT, WELFARE AND CULTURE

Education and Training

The Ministry of Education (MOE) in 2014 continued its focus on the priority areas of Early Childhood Development; Special Education; Media and ICT in Education; Improvement in Teacher Quality; Access to and quality of tertiary education; Increased access to Technical and Vocational Education and Training (TVET) including its infusion in the formal school system and the introduction of the STEM methodology.

There were improved students' performances in national and regional examinations. These included the Grade Four Literacy Test, the Grade Six Achievement Test (GSAT), the Caribbean Secondary Education Certificate (CSEC) and the Caribbean Advanced Proficiency Examination (CAPE).

In relation to access, a total of 6 960 school spaces were created. This included two new basic schools and a primary school. One high school was completed and opened for the new school year in September and a private school was converted into a Government-funded high school. Additionally, there were also expanded school spaces at three high schools and one primary school.

The Human Employment and Resource Training/National Training Agency (HEART Trust/NTA) was repositioned to focus more directly on its mandate relating to training for

employment. HEART Trust/NTA and NCTVET facilitated training programmes in secondary schools and in the offerings of tertiary institutions aimed at preparing students for work. Thus Workforce Colleges and Training Institutes were established to offer higher level training for individuals who wish to pursue training in their vocational areas. Partnerships were forged to engender lifelong learning and to increase access to training opportunities for all persons.

An estimated 71.3 per cent (763 798 persons) of the school-age cohort (3–24 years old) were enrolled for the 2013/14 academic year. The total number of students enrolled in the public and private education institutions at the pre-primary, primary and secondary levels was 613 136. Gross Enrolment Rates (GER) for the cohorts were 99.8 per cent at pre-primary, 99.4 per cent at primary, 97.3 per cent at secondary and 28.9 per cent at the tertiary level. In training institutions, the number of persons trained in the Professional, Senior Officials and Technicians category was 15 760 (70.4 per cent females) while 62 451 persons (54.4 per cent female) were trained as skilled and semi-skilled personnel.

Health

Health care was delivered through a network of primary, secondary and tertiary level health facilities. Focus continued on primary health care renewal and two centres of excellence were opened. Bed complement in secondary care facilities improved by 0.2 per cent, due to renovations and reopening of some wards; this resulted in an increase in average bed occupancy to 76.7 per cent. While the latest available data from the *Jamaica Survey of Living Conditions 2012*, revealed that approximately 84.7 per cent of Jamaicans were reported as having generally good or very good health, there was an increase in admissions and the length of stay in hospitals, while there was a decline in the number of discharges. There was greater focus on efforts to reduce maternal and child mortality with the implementation of the Programme for the Reduction of Maternal and Child Mortality (PROMAC). Other strategic priority focus included revision of the National HIV Policy; approval and tabling of the Infant and Young Child Feeding Policy; and implementation of mortuary guidelines for the reduction of communicable diseases as part of the Ebola preparedness activities.

Demand for services in the public sector remained high. Immunization coverage by all health regions was on target. The number of Jamaicans accessing pharmacy services increased, with a reduction in the number of items that were dispensed, reflecting a decrease in the availability of a range of pharmaceutical items. The National Health Fund continued to expand individual benefits received by clients under the programme by adding new drugs for the treatment of chronic non-communicable diseases, which by virtue of the long duration of the diseases, increases the health burden, making treatment and compliance a priority for the MOH.

In the 3rd year of the Extended Fund Facility (EFF) agreement with the International Monetary Fund (IMF),

the government's allocation to the health sector remained relatively unchanged. The demands on services were further impacted by the outbreak of the Chikungunya Virus. This resulted in increased burden on the health facilities as an unbudgeted amount of resources had to be expended for interventions such as larvicidal activities, public education campaigns and capacity building among health care professionals. While there were limited resources impacting the sector, programmes continued in mental, oral and dental health, improvement of infrastructure in secondary and primary care facilities; and improvement in the cadre of health professional staff through capacity building and training in new specialities.

Social Development, Social Protection & Culture

Social development and improvement of the quality of life of various population groups continued to be the focus for the year, particularly in the context of increasing vulnerabilities brought about by global dynamics and local impacts. In the face of fiscal constraints, however, government remained committed to actions that would further enhance the capacity for economic growth, while maintaining gains made in social indicators. The first comprehensive Social Protection Strategy was launched, with the intention to provide greater structure and synergy to the provision of social protection to citizens. The Strategy was developed in keeping with the framework of *Vision 2030 Jamaica*, and the thrust towards the National Outcome of 'Effective Social Protection'.

During the year advances were made in legislative and policy reviews to support the protection and engagement of children and youth, as well as greater efforts at inclusion and empowerment of youth and women in the labour market. Gender mainstreaming in policies and programmes, and renewed focus on mitigating gender-based violence were central to the gender advocacy efforts. Further attention was given to the social and economic inclusion of persons with disabilities, and programmes to embrace the input and participation of senior citizens. The landmark National Disability Act was passed in Parliament, to strengthen the provisions in law for the protection of the rights of persons with disabilities. The arena of social protection continued to receive support from international development partners, through loan and grant financing that facilitated programme design and delivery, acquisition of technical services and technology, and the engagement of local stakeholders with international best practice models. Non-governmental organizations and the private sector provided meaningful input into the areas of social assistance and poverty alleviation. Community development, and the ongoing reforms in local governance structures, focused on empowering communities towards

greater employment, establishing requisite infrastructure and amenities, and enhancing community organization and social capital. Cultural goals centred on protecting the country's heritage, developing appropriate policy guidelines, and celebrating achievements in literature and the arts.

National Security and Justice

The country continued to experience a reduction in the number of reported Category 1 crimes. There were 1 005 reported murders, the lowest since 2003 when 975 murders were reported. In keeping with a recommendation from the 2006 strategic review of the Jamaica Constabulary Force (JCF), the Island Special Constabulary Force was merged into the JCF. The JCF continued to focus on criminal gangs and established the National Strategic Anti-Gang Unit in the Organized Crime Investigation Division to focus on the dismantling of these groups. The reduction in the incidence of corruption also continued to be a major issue and to this end the Major Organized Crime Task Force and the JCF's Anti-Corruption Branch were merged to form the Major Organized Crime and Anti-Corruption Agency. The training capacity of the JCF was enhanced with the merging of existing training units to form the National Police College of Jamaica. The College has three faculties that focus on Leadership and Professional Development; Skills Training; and Recruit and Probationary Training.

The revised National Security Policy was finalised after being presented in the House of Parliament and the Senate. The 3rd phase of the Citizens' Security and Justice Programme (CSJP III) will commence in January 2015 after the signing of the funding agreement in December. The CSJP III, which is a major social intervention initiative targeting communities with high levels of violence, will be implemented in 50 pre-selected communities across eight parishes.

Some 877 inmates were transferred from maximum security to medium/low security institutions as part of the Department of Correctional Service's reclassification and transfer exercise that aims to reduce the population in high security correctional facilities. Additionally, the well-being of inmates and wards at the island's correctional facilities was further enhanced with the implementation of the Suicide and Self Harm Plan. Work commenced regarding the establishment of a human rights institute, while reform of the justice sector continued with a number of initiatives being undertaken as part of the Justice Undertakings for Social Transformation (JUST) Programme. Construction of Justice Square located in downtown Kingston was completed, while renovations were made to a number of courthouses islandwide. Several pieces of legislation were also enacted or amended, while others were at various stages in the legislative process. ■