# JAMAICA

| Table 1 | 2023 |
|---|---|
| Population, million | 2.8 |
| GDP, current US$ billion | 18.8 |
| GDP per capita, current US$ | 6666.6 |
| International poverty rate ($2.15)[a] | 0.3 |
| Lower middle-income poverty rate ($3.65)[a] | 2.4 |
| Upper middle-income poverty rate ($6.85)[a] | 13.9 |
| Gini index[a] | 40.2 |
| School enrollment, primary (% gross)[b] | 90.7 |
| Life expectancy at birth, years[b] | 70.5 |
| Total GHG emissions (mtCO2e) | 9.5 |

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

*Structural and institutional reforms strengthened macroeconomic management over recent years. This allowed the government to respond to the pandemic and inflation shocks without significantly impairing fiscal sustainability and poverty reduction objectives. Jamaica's real GDP surpassed its pre-crisis level in 2023, and poverty is gradually declining towards pre-crisis levels. Progress in lowering public debt and reducing poverty may be slower than expected if global economic conditions deteriorate and if constraints to growth remain unaddressed.*

## Key conditions and challenges

Jamaica has been a highly indebted economy for decades. Since 2013, the Government (GOJ) has successfully implemented fiscal consolidation measures, reducing the public debt-to-GDP ratio by more than 60 percentage points to 75.5 percent in 2023 – the lowest level in 25 years. Prudent macroeconomic management, anchored on debt reduction targets and inflation-targeting monetary policy with ample foreign reserves, facilitated post-pandemic recovery amid challenging external environment of inflationary pressures and tightening global financial conditions. A strengthened social protection system provided temporary assistance to vulnerable households and businesses during the pandemic to offset income losses, protect jobs, and stimulate demand. Additional assistance was provided to vulnerable households to mitigate the impact of rising prices.

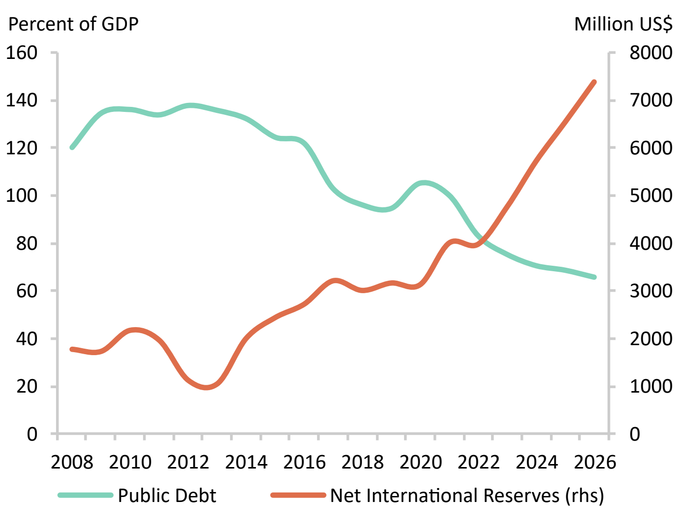
However, fiscal consolidation adversely affects growth while relatively high debt-service costs crowd out other government spending, including capital investment, which is critical to boost growth. Jamaica has been among the slowest growing economies in LAC given its concentration in low productivity services, limited technology adoption and innovation, a weak business environment, high connectivity costs, and pervasive crime. Learning disruptions during the pandemic risk further corrosive effects on growth, human capital, and future earning potential of students if not addressed adequately.

Jamaica is also highly vulnerable to external shocks given its reliance on imports and tourism. Tourism and agriculture, which account for more than half of jobs, are vulnerable to external shocks, especially climate-related ones, which could undermine growth and poverty reduction. The financial sector is stable, well-capitalized, and profitable but also susceptible to various shocks. To strengthen fiscal, financial, and social resilience to climatic shocks, Jamaica has been gradually integrating climate change adaptation into its policy framework. Further improving anti-AML/CFT framework and enhancing financial supervision is necessary to strengthen financial stability and attract private investment. Broader promotion of digital financial services will enhance financial inclusion.

## Recent developments

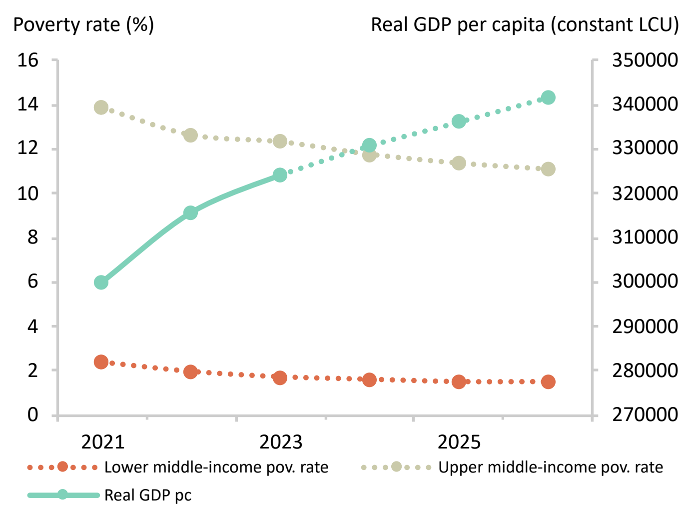
The Jamaican economy surpassed its pre-pandemic level, expanding in real terms by 2.9 percent y-o-y in the first three quarters of 2023. Growth was driven by net exports from a record expansion in tourism and mining, while agriculture declined due to an extended drought. Rising economic activity brought the unemployment rate to a record-low 4.2 percent in October 2023. Poverty ($6.85 per day) declined from 13.9 in 2021 to an estimated 12.3 percent in 2023. The quality of employment remains a concern given high

**FIGURE 1 Jamaica** / Public debt and net international reserves




Sources: Bank of Jamaica, Ministry of Finance and the Public Service, and World Bank staff calculations.

**FIGURE 2 Jamaica** / Actual and projected poverty rates and real GDP per capita




Source: World Bank. Notes: see Table 2.

informality (46.8 percent of non-agricultural employment in 2020) and fewer average hours worked relative to pre-pandemic levels.

Annual inflation accelerated to 7.4 percent in January 2024 (5.1 percent in October 2023) – above the Bank of Jamaica (BOJ)'s reference range (5 ±1 percent). This was influenced by (i) a sharp increase in food inflation amid droughts, (ii) increased public passenger vehicle (PPV) fares, (iii) increases in telephone and internet rates, and (iv) a minimum wage increase of 44 percent (over the previous rate as of July 2023) coupled with tighter labor market. Persistent high food price inflation (8.8 percent in January 2024) continued to undermine food security (33 percent of Jamaicans were severely food insecure in May 2023). The BOJ has kept the key policy rate at 7.0 percent since end-2022, maintained foreign currency interventions to support the Jamaican dollar and price stability, and tightened Jamaican dollar liquidity conditions.

The GOJ sustained efforts in fiscal consolidation while prioritizing social protection. The fiscal stance was supported by strong tax revenues. However, the fiscal account is estimated to have registered a deficit of 1.4 percent of GDP in 2023 from a surplus of 1.6 percent in 2022 due to increased spending on wages and salaries amid the recently approved three-year compensation cycle. To further de-dollarize the public debt and mitigate foreign exchange risk, the GOJ issued its first domestic-currency international bond for J$46.6 billion (US$300 million) in November 2023. In the context of prudent fiscal management and macroeconomic stability, Jamaica's credit worthiness improved. The external position remained strong, supported by robust earnings from tourism and remittances. The current account recorded an estimated surplus of 2.5 percent of GDP in the first half of 2023. Reserves remain adequate, at US$4.7 bn in January 2024 (about 5.8 months of imports and 25 percent of GDP). In this context, the exchange rate remained relatively stable.

## *Outlook*

Annual growth is expected to average only 1.7 percent y-o-y over the medium term as global demand weakens and fiscal austerity limits capital investments. Mining, tourism, and private investment in hospitality capacity and infrastructure are expected to drive growth. External account balances are expected to slightly deteriorate as tourism and remittances growth is expected to slow amid weaker economic conditions in the US and UK, partially offset by reduced spending on imports in the context of lower commodity prices.

Higher wages and the second phase of the PPV fare increase in 2024 are anticipated to continue to generate inflationary pressures in the near term, diminishing the purchasing power of households. BOJ is likely to maintain tight monetary policy while ensuring adequate liquidity in the financial system, minimizing pressures on the currency, and returning inflation to its target range by mid-2025. Poverty is projected to continue a gradual decline as real incomes improve.

The fiscal account is expected to reverse to surplus over the medium term as a result of improvements in tax revenue and prudent spending. Spending is expected to decline slightly due to lower interest payments. Public debt is projected to remain on a downward trajectory, declining to 65.9 percent of GDP by 2026. Gross reserves are expected to remain at healthy levels.

Significant downside risks to the economic outlook include a possible deeper-than-expected global economic slowdown. Further tightening of financial market conditions could raise the cost of borrowing, curtail private investments, and derail longer-term growth, climate change adaptation, and debt objectives. Worsening crime and natural hazards could also impair growth and poverty reduction.

**TABLE 2 Jamaica** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

| | 2021 | 2022 | 2023e | 2024f | 2025f | 2026f |
|---|---|---|---|---|---|---|
| **Real GDP growth, at constant market prices** | 4.6 | 5.2 | 2.6 | 2.0 | 1.6 | 1.6 |
| **Real GDP growth, at constant factor prices** | 4.6 | 5.2 | 2.6 | 2.0 | 1.6 | 1.6 |
| Agriculture | 8.3 | 9.0 | -7.5 | 1.9 | 0.9 | 0.9 |
| Industry | 2.4 | -0.4 | 5.9 | 2.5 | 1.4 | 1.4 |
| Services | 4.9 | 6.5 | 2.8 | 1.9 | 1.7 | 1.7 |
| **Inflation (consumer price index)** | 5.9 | 10.3 | 6.5 | 7.0 | 6.2 | 5.4 |
| **Current account balance (% of GDP)** | 1.0 | -0.7 | 0.8 | 0.2 | -0.8 | -1.4 |
| **Net foreign direct investment inflow (% of GDP)** | 1.8 | 1.5 | 1.6 | 1.7 | 1.9 | 2.0 |
| **Fiscal balance (% of GDP)** | 0.0 | 1.6 | -1.4 | -0.4 | -0.2 | 0.1 |
| **Revenues (% of GDP)** | 30.3 | 30.2 | 30.8 | 31.3 | 30.8 | 30.7 |
| **Debt (% of GDP)** | 100.5 | 83.5 | 75.5 | 70.8 | 68.9 | 65.9 |
| **Primary balance (% of GDP)** | 6.0 | 7.2 | 4.3 | 3.0 | 2.3 | 2.8 |
| **International poverty rate ($2.15 in 2017 PPP)[a]** | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| **Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]** | 2.4 | 2.0 | 1.7 | 1.6 | 1.5 | 1.5 |
| **Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]** | 13.9 | 12.7 | 12.3 | 11.8 | 11.3 | 11.1 |
| **GHG emissions growth (mtCO2e)** | 9.8 | 7.0 | 4.2 | 3.1 | 1.8 | 1.8 |
| **Energy related GHG emissions (% of total)** | 77.8 | 79.2 | 79.9 | 80.5 | 80.8 | 81.2 |

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on CONLAC harmonization, using 2021-JSLC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.