

JAMAICA

Key conditions and challenges

Table 1 **2023**

Population, million	2.8
GDP, current US\$ billion	19.3
GDP per capita, current US\$	6835.7
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	70.6
Total GHG emissions (mtCO2e)	9.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ Most recent WDI value (2022).

Sound macroeconomic management has enabled Jamaica to respond to a series of economic shocks without significantly impairing fiscal sustainability and poverty reduction. Real GDP growth is expected to converge to its low potential in the medium term, while poverty reduction to continue but at a slower pace. While the country managed the impacts of Hurricane Beryl, a potentially worsening onslaught of weather events and global economic conditions pose downside risks.

Jamaica has been burdened by a high level of debt 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 74.2 percent of GDP in FY23/24—the lowest level in 25 years. Prudent macroeconomic management, anchored in debt reduction and inflation-targeting monetary policy, enabled the country to weather successive economic shocks. The GOJ sustained efforts in fiscal consolidation while providing temporary assistance to vulnerable households and businesses.

However, Jamaica has been among the slowest growing economies in the Latin America and Caribbean region with persistently low productivity growth due to a weak business environment, limited innovation, and human capital constraints. The economy has limited diversification, with a concentration on low-productivity services, geared towards tourism. High connectivity costs, inadequate digital infrastructure, and pervasive crime hamper private investment, while ongoing fiscal consolidation and relatively high debt service costs constrain public capital investment. Learning disruptions caused by the pandemic could lead to corrosive effects on growth, human capital, and the future earnings potential of students if not addressed adequately.

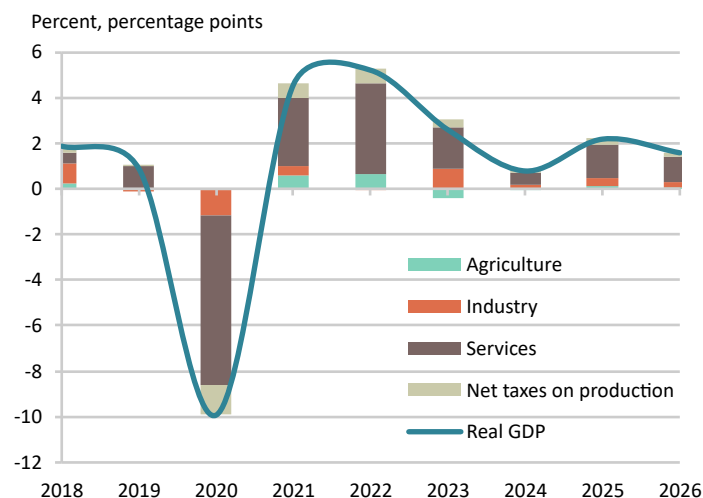
Jamaica is highly vulnerable to external shocks. Agriculture and tourism, which account for more than half of the jobs, are particularly vulnerable to climate-related events. The financial sector is stable, well-capitalized, and profitable but also susceptible to shocks, including tighter global financial conditions. To strengthen fiscal, financial, and social resilience to climatic shocks, Jamaica has been gradually integrating climate change adaptation into its policy framework. Further improving the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) framework and enhancing financial supervision are necessary to strengthen financial stability and attract private investment.

Recent developments

The economy expanded at a solid 2.6 percent in 2023, driven by mining, particularly alumina production, and a continued rebound in tourism. However, agricultural output declined in 2023 due to an extended drought. In 2024Q1, GDP grew by 1.4 percent, due to sustained mineral production and tourist arrivals, while data for 2024Q2 point to a growth deceleration. Hurricane Beryl, which hit Jamaica in July 2024, induced damages estimated at around \$67 million (Source: PIOJ) and negatively impacted agriculture, utilities, construction, and tourism sectors.

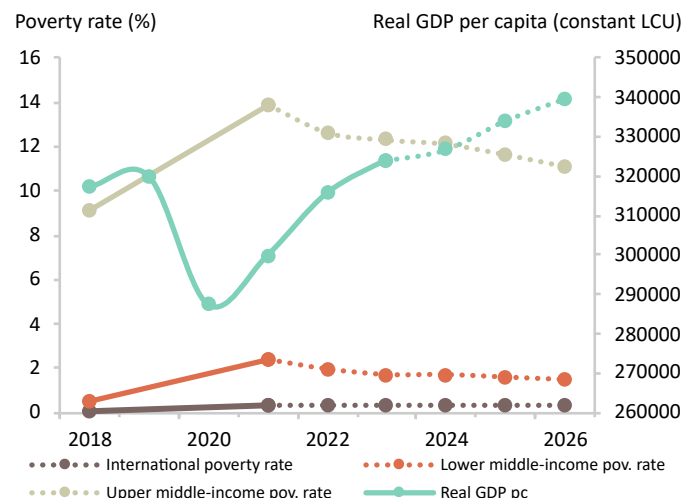
While inflation eased in 2024, it spiked in August 2024 to 6.4 percent yoy, driven by Hurricane Beryl's temporary impact on

FIGURE 1 Jamaica / Real GDP growth and sectoral contributions to real GDP growth



Sources: Statistical Institute of Jamaica 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.

food and utility prices. Food insecurity remains an issue, with around one-third of respondents to the Caribbean Food Security and Livelihoods Survey reporting that they went an entire day, out of the last 30 days, without eating in April 2024. With anchored inflation expectations, the Bank of Jamaica (BOJ) reduced the key policy rate by 25 basis points to 6.75 percent in August 2024.

The fiscal stance in FY23/24 was bolstered by robust tax revenues, mostly consumption and personal income taxes. The fiscal balance is estimated to have decreased by nearly 0.3 percentage points, due to the wage bill reform. In the context of prudent fiscal management and macroeconomic stability, Jamaica's credit worthiness continued to improve. The external position remained strong, supported by tourism and remittances. The current account surplus amounted to 3.0 percent of GDP in 2023. Reserves remain adequate at about 6.6 months of imports in June, contributing to exchange rate stability.

The share of Jamaicans living below the upper-middle income international poverty line of 6.85 USD 2017 PPP per day is estimated to have dropped from

13.9 percent in 2021 to 12.3 percent in 2023. This likely reflects continued employment growth, as poverty and unemployment have moved in tandem throughout the last two decades. The unemployment rate stood at 5.4 percent in 2024Q1. Yet job quality remains a concern: around half of non-agricultural jobs are informal.

Outlook

Growth is expected to decelerate to 0.8 percent in 2024 and gradually converge to its potential at an average of 1.6 percent over the medium term. Mining, construction, and tourism are expected to drive the recovery. Damages to the agricultural sector from Hurricane Beryl may create price pressures. Inflation is expected to stay within the BOJ's target range (5 ±1 percent) in 2024 and gradually decline by 2025. Subject to a continued anchoring of inflation, the BOJ is expected to further ease its monetary policy stance. Poverty is set to continue declining gradually as per capita real income improves, with the share of Jamaicans living on less

than 6.85 USD 2017 PPP per day projected to drop to 11.1 percent in 2026.

The fiscal account is expected to remain in surplus over the medium term given higher tax mobilization and prudent spending. Spending is projected to decline marginally, in part due to lower interest payments. The public debt is expected to remain on a downward trajectory towards the target set in the Fiscal Responsibility law, reaching 62 percent of GDP by FY 26/27. The external account balance is anticipated to reach 0.2 percent of GDP in 2024 but to turn into a deficit in 2026, as tourism receipts and remittances ease and the economy returns to the pre-pandemic trend. Foreign direct investment (percent of GDP) is expected to recover but remains below pre-pandemic levels. Gross reserves are to remain at healthy levels.

Downside risks to the outlook include a deeper-than-expected global economic slowdown and worsening climatic events. Further financial market tightening could raise the cost of borrowing, and curtail private investments, it could also derail longer-term growth, climate change adaptation, and debt objectives. Worsening crime could also impair growth and poverty reduction.

TABLE 2 Jamaica / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.6	5.2	2.6	0.8	2.2	1.6
Real GDP growth, at constant factor prices	4.6	5.2	2.6	0.8	2.2	1.6
Agriculture	8.3	9.0	-5.7	-0.5	1.8	0.9
Industry	2.4	-0.4	5.0	1.0	2.0	1.4
Services	4.9	6.5	2.9	0.8	2.3	1.7
Inflation (consumer price index)	5.9	10.3	6.5	6.0	5.6	5.0
Current account balance (% of GDP)	1.0	-0.8	3.0	0.2	0.1	-0.1
Net foreign direct investment inflow (% of GDP)	1.8	1.5	2.0	2.1	2.5	2.7
Fiscal balance (% of GDP)	0.8	0.3	0.0	0.2	0.1	0.2
Revenues (% of GDP)	32.4	31.6	30.9	32.3	31.6	31.5
Debt (% of GDP)	99.0	80.9	74.2	68.5	64.9	62.0
Primary balance (% of GDP)	7.0	6.1	5.8	5.9	5.7	5.7
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	1.7	1.6	1.5
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	13.9	12.7	12.3	12.1	11.7	11.1
GHG emissions growth (mtCO₂e)	8.1	6.8	4.3	2.1	2.3	1.8
Energy related GHG emissions (% of total)	74.6	76.0	76.7	77.0	77.5	77.8

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.