



University of Technology Business Education Week

*Supporting Jamaica's Growth Agenda
- Entrepreneurship & Productivity*

Address by

**Brian Wynter
Governor
Bank of Jamaica**

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Good morning, ladies and gentlemen.

Thanks to UTECH for inviting me to share in the launch of “Business Education Week”. I commend the effort to broaden the discourse on economic growth and the role of business education. Bank of Jamaica plays an important role in facilitating economic growth not only by creating the conditions for low, stable inflation and a sound financial sector but also providing information for sound decision making. This is consistent with your theme: “Business Education, A Vehicle for Entrepreneurial Empowerment”.

First, a reminder: Bank of Jamaica’s website contains useful information on a range of economic issues. It includes speeches, the Bank’s annual reports, quarterly monetary policy reports and financial stability reports along with other publications. The Bank publishes a wealth of data that can be of use to teachers, students and researchers on issues relating to the economy. I would also like to encourage you to look at the Bank’s research papers and consider how you can participate in advancing its research agenda.

Today, I want to tell you about the opportunities that are being created by Jamaica’s economic reform programme. The Government is engaged in a programme of adjustment and economic reform aimed at stabilising the economy, creating greater economic resilience and substantially improving Jamaica’s competitiveness. As you are aware, some of the reasons for Jamaica’s low growth performance over many years are high and variable inflation, a susceptibility to shocks, which include events such as the ash cloud over Europe five years ago, and weak competitiveness. In this context, despite the allure of brand Jamaica, we have not been able to increase fast enough the production of goods and services in order to lift our standard of living.

Jamaica’s growth agenda is therefore focused on a major structural transformation of the economy and not merely a case of countercyclical monetary and fiscal policies. The main components of the growth agenda are three. The first is debt reduction underpinned by fiscal consolidation and improved macroeconomic stability. The second component, aimed at improving competitiveness, involves correcting the overvalued exchange rate and improving the

ease of doing business. The third component involves facilitating investments in key areas such as energy and ports. Bank of Jamaica's objective in all of this is to reduce Jamaica's inflation to levels that obtain in its major trading partners. The advantage of low and stable inflation is that it provides an atmosphere conducive to long-term planning and investment.

Nearly three years into the programme and we are beginning to see the intended outcomes of this economic strategy. The Jamaican economic landscape is no longer characterized by high inflation, high interest rates, large fiscal deficits and large external imbalances.

Inflation is at a historic low and interest rates are lower than they were ten years ago: just consider mortgage rates for example. The latest inflation publication by STATIN indicated that the 12-month inflation rate at September was 1.8%, lower than the rate that I have been predicting from as far back as January of this year. Inflation at the end of fiscal year 2015/2016 is expected to fall within the Bank's target range of 5.5 per cent to 7.5 per cent, and comfortably at the lower end of the range.

The latest data published by Bank of Jamaica on the balance of payments shows that the current account deficit for the June 2015 quarter fell by 1.3 percent of GDP (that is, US\$187 million) compared to the June 2014 quarter, to 0.6 percent of GDP (or US\$84 million). Of this, net exports improved by almost US\$150 million. The outlook for the full fiscal year is for the current account deficit to improve by almost 3.0 percentage points to 3.6 % of GDP.

A number of commodities that we import can now be produced locally because the economy is more competitive. The depreciation that we have seen in the real exchange rate has facilitated improved local production of goods, particularly in agriculture. For example, we have seen the replacement of imported barley with local cassava for beer production. We have also heard of new players in the manufacturing industry who are involved in the fabrication of roofing and other building materials locally. These are signs of the emergence of competitive import substituting activities, which require the skills provided by the various programmes of this university.

With improved competitiveness, the Jamaican economy has been attracting a higher level of foreign direct investment over the past three years. Numerous investment projects are under way and others are slated to begin. These include highway and hotel construction projects, energy sector projects, information technology projects, business process outsourcing projects and further development of agro-parks.

The picture that is emerging is one of a transforming economy with great potential. We ensure this by staying on the course of debt reduction and economic reform. The challenge for the entrepreneur and workers is knowing how to capitalise on the emerging prospects. Let me offer two areas to think about in this regard. They are **Entrepreneurship** and **Productivity**.

It is important that business educators and the curriculum of business education continue to pay special attention to entrepreneurship. Jamaica has a rich history of entrepreneurship. I recall reading that from the early post-emancipation period commerce in Jamaica involved hard working women living in urban areas who established and ran very successful small cottage businesses. They ran laundries, they became seamstresses and dressmakers and they traded in products such as cassava and spices. Many still do; these are entrepreneurs in the truest sense of the word. We used to hear anecdotes of the informal commercial importers, otherwise known as higglers, who would take escallion and other agricultural produce to Panama and the Cayman Islands to sell and, no doubt, some still do – they were exporters. We now hear of new entrepreneurs in the creative industries such as animation and web design. It is this entrepreneurial spirit that needs to be revived and celebrated among ordinary Jamaicans.

Improving competitiveness is tied to the ability to do things better and improve productivity. Productivity is, perhaps, the key driver of competitiveness and growth: the productivity of labour and the efficiency of productive processes, including managerial efficiency. This is another important subject for business education. Improving productivity requires investment in physical capital, constant reinvestment in new business processes and human capital and relentless focus on the hard slog of improving the environment for doing business. The agro parks are an example of investment in physical capital, new production

techniques and new business processes resulting in notable improvements in productivity. Notwithstanding the recent improvements, Jamaica's productivity growth has for a long time lagged far behind our competitors'. Jamaica's productivity as measured by output per worker declined by 7.1 per cent over the last ten years. This compares to growth in productivity of 13.5 per cent in the US, 5.2 per cent in the UK and 8.1 per cent in Canada. We have to stay focussed and work that much harder if we are to keep up.

So, in sum, the economy is being transformed and opportunities are being created. We are at a critical juncture in our economic history. I challenge you to get involved in the economic discourse of the country, keep yourselves informed so that you will be in a position to capitalise on the emerging opportunities. I wish for you a successful week of activities.

Thank you.