BANK OF JAMAICA

*Jamaica's Current Economic Programme*

# Prepared Remarks for the NHT St. Catherine Leadership Council

**Brian Wynter**
**Governor**
**Bank of Jamaica**

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Good evening and thank you for your invitation to share with you this evening.

I understand that the NHT's Social Development Department is mandated to facilitate the provision of information to community-based organisations (CBOs) in assisting them to think through and implement plans to move forward economically. Bank of Jamaica welcomes the opportunity to assist CBOs in this manner because it is consistent with our communication objectives.

We communicate with the public at regular intervals. At our quarterly press briefings, for example, we report on monetary policy and other economic issues, including the recent as well as the prospective performance of the Jamaican economy. In addition, we accept invitations from a variety of groups to speak on topical issues confronting their constituents. We also maintain a website of economic data, documents, speeches, policies and regulations which can be useful to people seeking information on the economy. If you have not already done so, I invite you to visit www.boj.org.jm and become familiar with it.

This evening I will speak on the Government's medium-term economic programme which is being supported by a four-year Extended Fund Facility with the International Monetary Fund (IMF). The success of this programme, I believe, is critical for Jamaica to achieve sustainable growth and development, thus improving the general well-being of its citizens and residents.

By way of background, the last five years represented a major challenge for Jamaica. The international environment has been going through turbulent changes, starting in 2008 with the onset of the global financial crisis. In the context of this crisis and its aftermath, Jamaica experienced falling output, rising unemployment, further deterioration in its fiscal accounts, a widening in the current account deficit and a higher level of indebtedness.

The principal objective of the economic programme is to reduce the national debt and raise the sustainable growth rate of our national output. In order to achieve the first objective, the Government has committed to implementing revenue, expenditure and debt management measures to ensure that the debt goes down in relation to GDP. This commitment entails the achievement of annual primary surpluses of 7.5% of GDP over the life of the programme. With this, the borrowing need of the Government has fallen sharply which is leading to a steady reduction in the debt to GDP ratio to below 100% by 2020 (from 147% at March 2013).

In support of this, the Government intends to make the current fiscal responsibility framework stronger by developing binding fiscal rules. This will increase transparency, lock in the gains of fiscal consolidation and ensure that budgets will be sustainable even beyond the end of the four-year IMF agreement.

A central plank of the programme is the implementation of structural reforms aimed at creating an environment supportive of economic growth. One of the main structural reforms to which the Government has committed is the improvement of the tax system, including tax administration. In this regard Parliament, from as early as June last year, adopted amendments to the Revenue Administration Act to, *inter alia*, give the taxman the power to access third-party information relating to taxpayers and to require mandatory filing for groups of taxpayers and types of taxes. Fiscal incentives legislation was also passed in December which overhauls and simplifies decades of tax law to the advantage of productive businesses.

To kick-start growth, the government has started to implement catalytic, strategic, public-private investments. Already, the government has initiated production in six agro-parks, aimed at competitive import substitution. The objective is to develop a total of nine such parks by the end of 2014.

The GOJ is also committed to improving the competitiveness of the economy through legislative and administrative changes. In this context, Parliament approved the Secured Interest in Personal Property Act, which paved the way for opening the central collateral registry on 2 January 2014. Amendments to the Securities Act were also passed, providing for increased supervisory powers for the FSC and instituting a modernised framework for collective investment schemes (ie, unit trusts and mutual funds). Additionally, amendments to the Companies Act were passed which streamline the business registration process through the use of a multi-purpose registration instrument. A bill to modernise our bankruptcy rules, the Insolvency Bill, was also tabled in Parliament.

The Government is in the process of establishing a Port Community System to electronically integrate and streamline export and import procedures. It is also moving to establish more flexible work arrangements and improve access to skills training. Skills training is vital in a context where much of the unemployed in Jamaica are structurally unemployed – the jobs exist but labour lacks the requisite skill set to do the job. Furthermore, initiatives to achieve energy diversification and conservation are in progress.

Supporting these reforms will be the preservation of a stable macroeconomic environment through sound monetary and fiscal policies. Inflation this fiscal year (FY2013/14) will fall nearer to the midpoint of the target range of 8.5% to 10.5%, despite the impact of exchange rate depreciation and increases in bus fares and utility rates last year. Inflation is expected to decline over the medium term towards our long-run objective. This decline in inflation, in conjunction with a more competitive exchange rate, will foster increased price competitiveness of Jamaica’s exports of goods and services.

Lower inflation will also allow Jamaican businesses to finance investments at lower interest rates. The reduction in fiscal deficits and the public debt will make more resources available to the productive sector and will complement Bank of Jamaica's thrust to maintain single-digit inflation.

As is well known, Jamaica has successfully completed the prior actions and the requirements for the first two tests (relating to the June and September quarters last year). We are confident that we will be successful with the December test both with respect to the structural benchmarks and the quantitative performance criteria. More importantly, the Government is already looking ahead to the coming fiscal year with a view to crafting policies and commitments aimed at further improving the business climate in Jamaica and securing stronger growth.

The economy began its recovery during the September quarter, registering growth of 0.5 per cent. We expect that growth of a little under 1.0 per cent will materialise for the fiscal year, in line with our projections.

As the economy stabilises, the fiscal and external balances improve and the debt ratios are brought down towards sustainable levels, we should see the Government being able to address more effectively important social and developmental issues such as education and training and crime and social peace.

Thank you.