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FEATURED Q&A

Will Jamaica's Economy See Stronger Growth?



Jamaican Prime Minister Andrew Holness' government has seen a sluggish rate of economic growth. // File Photo: Jamaican Government.

Q Jamaica's economy expanded 1.2 percent in the year's first quarter, with the mining industry driving growth, the Planning Institute of Jamaica announced May 22. However, the country's growth rate expanded just 0.8 percent in the 2017-2018 fiscal year, the institute said. Will the country's mining sector continue to be the largest contributor to growth this year? What headwinds is Jamaica's economy facing? How well are the policies of Prime Minister Andrew Holness aiding economic growth and strengthening businesses in the Caribbean nation?

A Earl Jarrett, chief executive officer of The Jamaica National Group Limited: "Jamaica has worked hard to achieve economic stability supported by sound fiscal management practices. However, the country has suffered low growth rates over the past 30 years, making it one of the slowest growing developing countries worldwide. The mining sector's contribution to growth in the economy was evidenced by the reopening of the Alpart mining plant by the Chinese company JISCO in mid-2017; and, the firm has long-range plans to expand into other areas, such as aluminum smelting and LNG energy. It is not anticipated that the mining sector will continue to be the driver of economic growth, however. The achievement of economic stability has been influenced by the successful implementation of the International Monetary Fund's Extended Fund Facility program, which comes to an end in 2019. There are also other key areas that are expected to positively influence the growth agenda, such as: significant investment in Jamaica, primarily by Chinese entities involved in infrastructure

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TODAY'S NEWS

POLITICAL

Two More U.S. Embassy Workers in Cuba Undergoing Tests

U.S. officials said two workers at the U.S. Embassy in Havana are undergoing medical tests for possible brain injuries. A wave of so-called "sonic attacks" began affecting diplomats in Cuba in late 2016.

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ECONOMIC

China Slaps Trade Sanctions on Brazil Chickens

China's government announced that it will impose antidumping measures on Brazilian broiler chickens.

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POLITICAL

U.S. Extradites Ex-Panamanian Leader Martinelli

Former Panamanian President Ricardo Martinelli was extradited from the United States back to his home country to face charges of spying on journalists and political opponents.

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Martinelli // File Photo: Panamanian Government.

POLITICAL NEWS

Two More Workers at U.S. Embassy in Cuba Undergoing Tests

U.S. officials confirmed Friday that they had brought home two more workers from Cuba for tests into possible brain injuries, the Associated Press reported. Some two dozen staff members at the U.S. Embassy in Havana and family members have been recalled over the past year due to mysterious medical symptoms that appear similar to severe concussions.

The United States has said Cuba is responsible for protecting all diplomats on its soil.

The two individuals are considered “potentially new cases” but have not yet been “medically confirmed,” a State Department official who requested anonymity told the AP. The illnesses have been deemed “specific attacks” by the U.S. government. Although the United States admits it doesn’t know who is behind the incidents, it has argued that Cuba is responsible for protecting all diplomats on its soil. In a statement released Sunday by Cuba’s foreign ministry, the government denied any involvement in the illnesses and suggested the United States had “obvious political motivations” for its investigation, CNN reported. “After more than a year of research by the specialized agencies and experts from Cuba and the United States, it is confirmed that there is no credible hypothesis or conclusions adhered to science that justify the actions taken by the government of the United States against Cuba to the detriment of the bilateral relationship and with obvious political motivations,” the statement said. The potential new cases in Cuba come as the United States has been investigating similar health problems at the U.S. Consulate in the

Chinese city of Guangzhou, where several employees have suffered from symptoms of brain injury and reported hearing strange sounds.

Polls Show Duque Maintaining Lead in Colombia

New polls released over the last few days show right-wing Colombian presidential candidate Iván Duque continuing to lead his opponent, leftist Gustavo Petro, a week ahead of the country’s June 17 presidential runoff. A poll by Guarumo-EcoAnalítica showed Duque, a former senator, with a lead of 16.5 percentage points over Petro, El Tiempo reported Sunday. In the poll, Duque had 52.5 percent support, to Petro’s 36 percent. Two other polls also showed Duque leading Petro. A poll by Invamer showed Duque leading by 20 percentage points, with 57 percent to Petro’s 37 percent; and a poll by Cifras y Conceptos showed Duque with a lead of about 9 percentage points, leading 45.3 percent to Petro’s 36.4 percent, The Bogotá Post reported.



Duque // File Photo: Duque Campaign.

The Cifras y Conceptos poll also reported that 18 percent of those surveyed plan to cast a blank vote. It also said Duque is leading Petro in every age demographic, except in the 18-25 age range. Duque, a protégé of former President Álvaro Uribe, has vowed to overhaul Colombia’s peace deal with the Revolutionary Armed Forces of Colombia, or FARC, and also cut taxes, Reuters reported. He won the most votes in the first round of Colombia’s presidential election on May 27. Petro, a former M-19 rebel who previously served as mayor of Bogotá, has vowed to fight inequality in Colombia and also safeguard the peace accord with the

NEWS BRIEFS

Former Panamanian President Martinelli Extradited From U.S.

United States Marshals early today extradited Ricardo Martinelli, who served as the president of Panama from 2009-14, from Miami to his home country to face charges of spying on journalists and political opponents, Agence France-Presse reported. Martinelli, 66, is accused of tapping the telephone calls of more than 150 people. U.S. authorities detained Martinelli a year ago. The business magnate claims that he is the victim of a “vendetta” by current Panamanian President Juan Carlos Varela.

Bolsonaro’s Lead Widens Ahead of Brazil Presidential Election

A new Datafolha poll released Sunday shows far-right candidate Jair Bolsonaro pulling a bit further ahead in the race to be elected Brazil’s president in October, Reuters reported. Bolsonaro now has 19 percent of voter support, two percentage points more than in the last poll in April, while Marina Silva’s backing is unchanged at 15 percent. Former leftist President Luiz Inácio Lula da Silva is imprisoned after a corruption conviction, and many of his supporters said they would spoil their ballot or not vote for anyone, the survey found.

H.I.G. Capital Makes Strategic Investment in Grupo Meridional

Miami-based private equity firm H.I.G. Capital announced Friday it has made a strategic investment in Grupo Meridional, one of the leading hospital groups in Brazil. Headquartered in Cariacica, Meridional is the fifth-largest private hospital group in the country, with a total of over 400 hospital beds and more than 1,500 employees. The company operates five hospitals in the State of Espírito Santo. No financial details were disclosed.

FARC. Petro also wants to ban open-pit mining and refocus state oil company Ecopetrol on renewable energy. [Editor's note: See [Q&A](#) on Colombia's presidential election in the May 29 issue of the Advisor.]

ECONOMIC NEWS

China Hits Brazil Broiler Chickens With Trade Sanctions

China's government will impose antidumping measures on imports of broiler chickens from Brazil, the country's commerce ministry announced Friday, Reuters reported. The move follows a preliminary ruling that China's domestic industry has been harmed by the Brazilian imports. Chinese firms buying Brazilian broiler chickens will be required to pay deposits ranging from 18.8 percent to 38.4 percent of the goods' value, the wire service reported, citing the commerce ministry. Brazilian exporters JBS and BRF are affected by the measures. Between 2013 and 2016, Brazil supplied more than half of the broiler products shipped to China.

BUSINESS NEWS

Colombian Banks Close Accounts of Crypto Exchange

Major banks in Colombia have closed all the accounts of cryptocurrency exchange Buda.com, Infobae reported Friday. Alejandro Beltrán, the CEO of Buda in Colombia, confirmed that last Wednesday, Bancolombia closed his company's accounts. Previously BBVA and Davivienda took similar actions. Colombia's regulatory agency that oversees financial institutions earlier this year issued a statement warning of risks related to cryptocurrencies, but the circular did not oblige banks to close

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and construction projects; and growth in business process outsourcing, or call center operations, where American firms have outsourced customer service calls to Jamaica. These growth options come against the backdrop of a decrease in unemployment rates to 9.6 percent, down from 10.4 percent; and a 12.1 percent increase in annual tourism inflows, with visitor arrivals at a record 4.2 million at the end of 2017. However, despite this growth and improvement projection, the economy is still somewhat fragile and is subject to external shocks, such as: increases in oil prices; the hike in interest rates in the United States; and, of course, natural disasters, including hurricanes. It seems obvious that the policies of the Jamaican government are in fact strengthening and promoting economic growth, as the administration strives to create an enabling environment for businesses to be bolstered by local and international investment."

A **Vangie Bhagoo-Ramrattan, head of research at First Citizens Investment Services in Trinidad and Tobago:** "While considerable progress has been made on the macroeconomic front in Jamaica, growth remains anemic. Five years into the economic adjustment program, economic growth has averaged just around 0.9 percent. The Bank of Jamaica has indicated that the projected growth in GDP is reflective of strong foreign demand. So far in 2018, however, growth has performed above the five-year average. The mining sector is expected to continue to perform well, given that the Alpart alumina and bauxite facility has restarted production under new Chinese ownership. After operations resumed in June 2017, the first shipment

the accounts of firms, Beltrán said. In April, banks in nearby Chile took similar actions against cryptocurrency firms, including Buda. Last week, Colombia's Senate debated regulating cryptocurrencies and blockchain, with some legislators highlighting potential benefits of the

of alumina was sent at the end of 2017. Investments worth \$2 billion in upgrades are also expected in the coming years, which should further boost capacity utilization in the mining sector. Given Jamaica's high dependence on imported fuel, a major risk to the recovery is higher energy prices, which will increase the country's fuel import bill.

“The mining sector is expected to continue to perform well...”

— Vangie Bhagoo-Ramrattan

Though an improvement in export earnings from the mining sector and tourism are likely to partly offset the higher fuel bill, the external current account is expected to post a wider deficit in 2018. Nevertheless, from an external stability perspective, Jamaica has been able to build tremendous resilience through the healthy accumulation of foreign exchange reserves as well as support from the IMF Stand-By Arrangement. Another risk that the economy faces is the ongoing fiscal consolidation efforts, which may stymie economic growth. Moreover, the fairly high debt service bill will continue to be a drag on overall economic activity. Structural impediments, such as bureaucracy and crime will also hinder productivity and growth. For these reasons, while real GDP is expected to expand, it is likely to remain below potential in the short to medium term."

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technology, such as more secure voting, as well as more transparent contracting procedures and management of public services. [Editor's note: See related [Q&A](#) in the April 19-May 2 issue of the Dialogue's biweekly Financial Services Advisor.]

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A Charles Seville, senior director for North America sovereign ratings at Fitch Ratings: “Jamaica’s economy continues to grow slowly relative to the region and to countries at a similar income level. The recent growth data contrasts with sustained and robust employment growth, with business process outsourcing an eye-catching example, and greater business optimism and confidence in the policy framework. The Holness government and its predecessor have stuck to a tough primary fiscal target of 7 percent of GDP, leading to a fall in public debt-to-GDP ratio—one factor behind our decision to revise the outlook on Jamaica’s ‘B’ rating to positive in January—while the Bank of Jamaica has led a transition to a more flexible exchange rate and accumulated reserves, with IMF backing. This has led to a more stable Jamaican dollar, falling interest rates and a revival in credit. Global growth has picked up, and both tourism and remittances are performing relatively strongly. There are several explanations for the underperformance: tight fiscal policy included a freeze on civil service wages, and public investment halved in GDP terms between 2008 and 2015 but has started to recover as the government seeks to re-allocate resources away from

wages and consumption and rationalize the public sector—a challenging task. Other factors are structural and will take longer to improve. Agriculture is a key sector, and weather shocks increase economic volatility. The private sector cited crime as a major

“There are skills mismatches, and emigration has depleted human capital.”

— Charles Seville

concern. There are skills mismatches, and emigration has depleted human capital. Bauxite output has recovered in the wake of recent investment, but short-term prospects are marred by uncertainty over mining operations owned by Rusal, which has been affected by U.S. sanctions. Over the medium term, recent infrastructure investments should favor higher growth in areas such as logistics.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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An Inter-American Dialogue Discussion with
Azahalea Solís, Movimiento Autónomo de Mujeres
Paulo Abrão, IACHR
Juan Sebastián Chamorro, FUNIDES

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