

Quarterly market update

As of June 30, 2020

Global economic highlights

- < The economic disruption in Q2 was severe, with dramatic reductions in activity in most countries
- < The US experienced a decline in GDP of more than 30% in Q2 due to the near-complete shutdown of the economy, led by lower personal consumption which represents more than two-thirds of activity
- < Progress in controlling the spread of COVID-19 allowed many economies to reopen, with activity steadily recovering from March and April lows
- < Despite the acceleration in economic growth, US employment remains weak and the level of economic activity is expected to remain below that which was observed pre-COVID, until early 2022, given the severity of the downturn
- < There is significant economic uncertainty due to the likelihood of a second wave of COVID-19 infections and the upcoming US election

Source: Scotia Economics Forecast, July 2020

Local economic highlights

- < According to the Statistical Institute of Jamaica, Jamaica's GDP declined by 2.3% in the first quarter of 2020 when compared to the first quarter of 2019. This was the result of declines in both the services and goods producing industries of 2.5% and 1.9% respectively. The Jamaican economy was negatively impacted by the spread of COVID-19 and the measures adopted by the government to limit its spread
- < According to the most recent central government operation tables from the Ministry of Finance, the primary and fiscal balances are ahead of budget by J\$4.24B and J\$4.26B, reaching -J\$5.6B and -J\$22.0B respectively, over the period April 2020 – May 2020. This performance was supported by total revenues being J\$3.6B above target, while expenditures were J\$605M lower than projected. Debt as a share of GDP ended fiscal year 2018/19 at 96.4%. In February 2020, the debt to GDP ratio was estimated at 91.5% in FY 2019/20. COVID-19 poses significant challenges to our balance of payments position and in response to the challenge that Jamaica faces, Jamaica's Fiscal Rules were suspended for fiscal year 2020/21 and the target date for attainment of the debt/GDP objective of 60% had been pushed back by two years to 2027/28
- < During the second quarter of 2020, the Jamaican dollar (JMD) depreciated by 3.41% relative to the US dollar (USD). Due to an uptick in demand for foreign currency which exceeded supply during the quarter, the JMD traded at a low of J\$147.39:US\$1. A sharp contraction in Jamaica's main sources of foreign currency revenues (tourism, remittances and alumina exports) is expected due to the impact of COVID-19. However, this is expected to be offset by the IMF's

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Rapid Financing Instrument (RFI), the fall in oil prices, as well as Jamaica's relatively strong Net International Reserves (NIR) position

- < The BoJ maintained its benchmark policy rate at 0.50% during the second quarter. The decision to hold the policy rate unchanged is based on the Bank's continued view that monetary conditions are generally appropriate to support inflation remaining within the target range of 4.0% to 6.0% over the next eight quarters

- < For the second quarter of 2020, the Main and Junior Markets increased by 1.90% and 12.50% respectively. Some of the major gainers on the JSE Main Market were Key Insurance, First Rock (JMD) and Eppley. For the Junior Market, the main gainers were FosRich Group, Elite Diagnostics and Express Catering Limited

Source: Scotia Investments Jamaica Limited, July 2020

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