

**The Jamaica Stock Exchange**  
**13<sup>th</sup> Regional Investments & Capital Markets Conference**  
**Jamaica Pegasus**  
***“Driving Growth – Regional Investments for the Climate of Change”***  
Hon. Audley Shaw  
Minister of Finance and the Public Service  
Budgeting for Surplus

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***Salutations...***

Good morning.

Let me thank the Jamaica Stock Exchange for its cordial invitation to participate in this ***Regional Investments and Capital Markets Conference***. Thirteen years of facilitating this forum is indeed a noteworthy achievement and I commend the JSE.

Ladies and gentlemen, the Government continues its effort in advancing policies aimed achieving steady economic growth and prosperity for our people.

In order to achieve this goal, the government has maintained its focus on economic stability, the encouragement of new and expanded private business ventures and the development of a vibrant capital market that will fuel economic growth by allocating capital that can be used to create jobs, build infrastructure and finance innovative ideas.

The Micro, Small and Medium Enterprises (MSMEs) will continue to be encouraged to increase their contribution to Jamaica's Gross Domestic Product (GDP) and exports.

Ladies and gentlemen, we strive for this more inclusive and sustainable growth within the stable economy that has been created.

## **Growth**

The Jamaican economy is projected to grow by over 1% for the 2017/18 fiscal year. This growth has been stifled by bad weather

conditions and a slower than expected start-up of the Alpart Alumina Plant.

Notably, the first half of the fiscal year (April-September 2017), **Hotels & Restaurants** grew by 4.6 per cent reflecting increased stop-over arrivals which were facilitated by increased room stock, increases in the number of flights and in flight frequency.

**Electricity & Water Supply** was up 1.2 per cent and **Other Services** up 1.2 per cent, reflecting increased activities in the Recreational, Cultural & Sporting Activities associated with higher visitor arrivals.

The **Manufacture industry** grew by 1.7 per cent, recording its ninth consecutive quarter of growth, while the **Construction industry** also recorded growth of 1.2 per cent.

Construction has been gaining momentum, and this is easily evidenced in the Kingston Metropolitan Area and indeed all over the Island.

### **Employment Creation**

Ladies and gentlemen, last year we experienced the highest rate, in a single year, of job growth in over ten years. The labour force has increased as a result of increased optimism and more persons seeking jobs.

Employment in the Tourism and the BPO sectors has been experiencing exponential growth in the last few years. There are approximately 26,000 persons currently employed in the BPO industry across the island with some 60 companies of varying sizes operating from our shores. This is indicative of the level of growth seen over the last 5-10 years.

The development of a vibrant BPO industry locally has been identified by Government as one of the major pillars of further

economic growth through the attraction of direct investment and the creation of avenues to earn foreign exchange.

The tourism industry closed out last year surpassing all previous records. We ended the year with 4.3 million visitors coming to Jamaica. That is nearly 500,000 more visitors in a single year. This is unprecedented for anywhere in this part of the Caribbean.

The Ministry of Tourism has targeted the development and strengthening of sustainable linkages between the tourism sector and other productive sectors of the economy — such as agriculture, manufacturing and entertainment — to which it is closely linked. The aim is to increase the consumption of goods and services that can be competitively sourced locally and to create employment while generating and retaining the country's foreign exchange earning potential.

## **Foreign Exchange Market**

The foreign exchange market continues in its appreciation mode, with the rate of exchange appreciating by 2.95% for the 12-month period ending January 19 2018, compared with a depreciation of 6.6 % for the corresponding period of 2017.

The Jamaican economy now boasts record Net International Reserves of US\$ 3.2 billion, approximately 80% of that stock is in non-borrowed reserves. Gross Foreign Reserves now stand at US\$3.8 billion.

## **Debt Levels and Interest Rates**

Ladies and gentlemen, our debt to GDP ratio continues to fall. The nominal debt stock has been on a downward trajectory during the fiscal year, decreasing by approximately 3% between April and December 2017 and the debt-to-GDP ratio is projected to fall to approximately 105 % at end fiscal year 2017/18.

It is also projected that the debt-to-GDP ratio will be 60% or less at end FY 2025/26, in line with the legislated ceiling established in the Financial Administration and Audit (Amendment) Act.

Ladies and gentlemen, Jamaica has been positioned in a whole new light in the eyes of our international creditors and this is something that we intend to build on. A reflection of the more favourable view of Jamaica is evidenced by our bold and successful entry into the international bond market in August, 2017.

You will recall that we initially entered the market, after my investor roadshow in June 2017, for US\$300 million that was required for budgetary support. This offer was over-subscribed ten times with total orders of US\$3 billion.

With this massive oversubscription, we decided to take US\$1 billion instead and simultaneously redeemed more expensive

local and overseas debt. The yields were 5% on bonds due in 2028 and 6.45% for those due in 2045 – historical lows in the international capital market.

Today, the Government is re-opening our Benchmark Investment Note due 2021 with an auction for J\$5.0 billion. We expect the resulting yield at this auction to be at an all-time low.

In terms of affordable and easy access to credit for small businesses, we have developed a specialized window within the Development Bank of Jamaica to develop alternative credit lines, especially for the MSME sector. We are looking at expanding and making more accessible the partial credit guarantee scheme operated by that entity.

This improved credit enhancement facility will allow banks to lend more against a given amount of collateral because DBJ will underwrite a part of the risk on their loan.



We acknowledge the work of our multilateral partners the World Bank and the IDB in providing an investment loan to substantially expand this existing Credit Enhancement Fund.

### **Stock Market**

Ladies and gentlemen, within the state of economic stability, the stock market has experienced significant growth and has become an important vehicle for equity financing as opposed to debt financing.

The Jamaica Stock Exchange remains one of the best performing stock exchanges in the world measured by the performance of the indices, ranking within the top 10 in the world at the end of December 2017.

Signals by the previous Government to dismantle the Junior Stock exchange stymied its growth. However its growth momentum has increased as the Junior Market now enjoys a restoration of tax

incentives through an amendment to the Income Tax Act by this government.

During the April to December 2017 period, the number of transactions in the Junior Market Index increased by 58.6%, the volume traded increased by 139.7% and the value traded increased by 76.3% when compared with the similar period of 2016. By the end of 2018 it is projected that at least 53 companies will be listed on the Junior Market raising equity capital of \$17.9 billion.

### **Financial Inclusion**

Complementing the thrust towards economic stability and sustained growth, is the Government's commitment to creating the enabling environment, which makes it easier for Jamaicans to save, to invest, to do business and obtain relevant financial products and information to empower themselves.

One facilitator of economic growth is financial inclusion where all Jamaican individuals and businesses have access to financial products and services that meet their needs. These products and services are provided by regulated entities and are delivered in a responsible and sustainable way.

As you are aware a National Financial Inclusion Strategy has been developed seeking to empower Jamaican businesses and individuals through practical steps, such as improved credit reporting and the establishment of a consumer protection regime for services provided by deposit-taking institutions and providers of micro-credit facilities.

The diligence shown by the members of the Financial Inclusion Steering Committee gives me the confidence to know that we can and will implement lasting change in our financial landscape so that all Jamaicans can be included and will have access to

regulated financial institutions which provide services suited to their needs.

### **Entrepreneurial Innovation**

Ladies and gentlemen, the stable economic and financial landscape is ripe for entrepreneurs to now think out of the box in terms of seeking new markets, attracting new consumers and taking advantage of the rise of internet technology. New markets are opening up all over the world, industry research and statistics are readily available; and the financial landscape has become more consumer focused.

I urge all investors to find innovative ways in which to expand existing businesses and develop new ventures in the delivery of world class goods and services.

Thank You!