Economic and Fiscal Assessment Report

Independent Fiscal Commission

Jamaica, West Indies

Table of Contents

1.0 Preface

The preparation and tabling of the Independent Fiscal Commission's ***Economic & Fiscal Assessment Report*** (EFAR) are provided for in the *Independent Fiscal Commission Act, 2021 (IFC Act)* and the *Financial Administration and Audit Act* (*FAA Act*). This EFAR is prepared pursuant to Section 15(2), sub-section (1) of the *Independent Fiscal Commission Act*, which requires that the *Report*:

(a) provides an assessment of the macroeconomic and fiscal forecasts
(b) presents an evaluation as to whether the Government's announced policies are consistent with the fiscal rules, principles and targets set out in Part VII of the Financial Administration and Audit Act; and
(c) includes an assessment of medium and long-term debt sustainability.

The EFAR is structured as follows:

1. Macroeconomic Outcomes Assessment
2. Fiscal and Debt Performance Assessment
3. Analysis of Budget Assumptions
4. Assessment of Macro-Fiscal Risks
5. Public Financial Management (PFM) Principles within the Context of the Fiscal Responsibility Framework
6. Considerations to strengthen Fiscal Sustainability/Resilience.

The EFAR focuses largely on the latest *Interim FPP*, which was tabled on December 2, 2005, alongside the *Third Supplementary Estimates* and incorporated the Government's preliminary response to the adverse impacts of Hurricane Melissa. In this latest review, the IFC will examine *inter alia* whether or not the minimum requirements of the *FPP* were satisfied in accordance with the Fiscal Responsibility Framework (FRF) as outlined in the *FAA Act* and the *FAA* Regulations. This includes assessing whether *material* deviations from the original budget (more than 10.0 percent or 0.2 percent of GDP as required by the FRF) were reasonably explained, opining on the credibility of the budget assumptions and assessing the level of coverage within the context of the FRF. Electronic access to this report is provided *via* the Independent Fiscal Commission's website at **https://www.ifc.gov.jm**.

2.0 Disclaimer

In keeping with Section 15 of the *IFC Act*, the ***EFAR***:

- presents an assessment of the macroeconomic and fiscal outcomes and forecasts
- provides an evaluation as to whether Government's announced policies are consistent with the fiscal rules, principles and targets set out in Part VII of the *FAA Act*
- includes an assessment of medium-term and long-term debt sustainability.

Furthermore, the opinions expressed hereafter are subject to the availability of data and information, in the absence of which, the Commission will not be able to make a full assessment. For instance, the IFC is unable to do a rigorous fiscal assessment on the Specified Public Sector (SPS) as the Government does not report on the SPS (except for the Debt Stock and the Public Sector Investment Programme) in accordance with the *fiscal rules*. Additionally, much of the information presented at this time, is preliminary and subject to material change as Government continues to conduct an assessment of the economic fallout from the hurricane. Accordingly, the Commission's assessments and related opinions should be treated as *preliminary* and subject to revision as macro-fiscal developments arise.

3.0 The Fiscal Commissioner's Opinion

I have examined, *inter alia*, the components of the Government of Jamaica's revised projections, contained in the *Interim Fiscal Policy Paper* for Fiscal Year (FY) 2025/26, in accordance with the *FAA Act* and the *IFC Act*. My findings, based on a review of the documents and other reports, are as follows:

Pre-Hurricane Melissa (April–September 2025)

- Jamaica operated in a relatively stable macroeconomic environment during the first half of FY 2025/26 (April–September 2025), which supported real GDP growth of 3.3 percent compared with the corresponding period of FY 2024/25, and record-low unemployment rate of 3.3 percent (July 2025).
- Improvements in the economic conditions contributed to stronger-than-programmed performance in Central Government's Revenue & Grants, particularly Tax Revenue, which marginally exceeded both the Original Budget (tabled February 2025) and the *First*

Supplementary Budget (tabled July 2025), as well as the corresponding period of FY 2024/25 (April–September 2024).

- The **Specified Public Sector (SPS)** — comprising the Central Government and Public Bodies (*excluding* Jamaica Mortgage Bank and the Bank of Jamaica) — recorded a fiscal surplus of $22.9 billion, compared with a budgeted deficit of $44.8 billion (Original Budget) and $38.3 billion (*First Supplementary* Budget). This outturn arose primarily through an under-execution of Capital Expenditure.
- The combination of higher GDP from the adoption of a new System of National Accounts in July 2025 and increased economic activities, as well as the fiscal surplus generated by the SPS, resulted in a debt-to-GDP ratio of 60.3 percent at the end of September 2025. At that time, Jamaica was on track to achieve the legislative target of 60.0 percent or lower by FY 2027/28; two years ahead of schedule.
- **The IFC assessed that the fiscal results warrant cautious interpretation for three reasons:** (1) **unsettled public sector wage negotiations** could lead to higher-than-budgeted Wages & Salaries expenditure thus posing a significant fiscal risk; (2) **the continued under-execution of Capital Expenditure** weakens the prospects for future economic growth and higher tax revenue in the medium to long term; and (3) anticipated tax revenue shortfall in the second half of the year due to an ex-post overstated tax base for the budget (IFC's *Statement of Fiscal Performance September 2025*).

Impact of Hurricane Melissa

- **Jamaica was struck by Hurricane Melissa on October 28, 2025**– a Category 5 system that caused extensive *physical* damage, **preliminarily estimated at US$8.8 billion (approximately 41.0 percent of Jamaica's 2024 GDP)** (Word Bank & GFDRR, 2025). The hurricane resulted in significant loss of lives (at least 45 deaths) and property, particularly in western Jamaica.
- **The preliminary estimated cumulative fiscal impact of Hurricane Melissa is 5.3 percent of GDP over the period FY 2025/26 to FY 2029/30**. This estimate was validated by the IFC in November, and, having surpassed the legislative threshold of 1.5 percent, triggered the *temporary* suspension of the fiscal rules (Independent Fiscal Commission, 2025b). Subsequently, the Honourable Minister of Finance and the Public Service proposed an extension of the timeline for achieving the debt-to-GDP target of 60.0 percent by two

fiscal years, to FY 2029/30, to address the socio-economic and environmental challenges arising from the hurricane. **GOJ's debt-to-GDP ratio is now projected to *rise* to 68.2 percent at the end of FY 2025/26** (MoFPS, 2025b).

- **Jamaica's strong macroeconomic fundamentals and sustained fiscal discipline— including the Government's Disaster Risk Financing Framework (US$663 million), will support the recovery process**. In addition, according to the IMF, the International Development Partners (IDPs) have so far mobilized up to **US$6.0 billion** to assist recovery and reconstruction efforts in a fiscally responsible manner; benefitting both public and private sectors. This financing is expected to accelerate recovery and reduce the likelihood of permanent firm closures by lowering the cost of capital, mitigating the risk of government crowding out private investment, bolstering foreign exchange reserves, and supporting market stability throughout the recovery period.
- **The fiscal shock caused by Hurricane Melissa and the Government's response, provided for under the *FAA Act*, underscore the importance of maintaining fiscal discipline during normal times**. This discipline has enabled the Government, with support from the IDPs, to implement countercyclical fiscal policies (i.e. using government expenditure and taxes to stabilize the economy) during this period of a significant external shock, in order to protect lives and livelihoods.
- **The IFC assessed the new projections as *broadly credible but provisional***, pending a more detailed evaluation of direct damages and indirect losses, along with a more detailed government response once the National Reconstruction & Resilience Authority (NARA) is established and operational.

Fiscal Sustainable Path

A robust fiscal responsibility framework combines both numerical and procedural rules. These rules work together to support fiscal sustainability while allowing flexibility to respond to shocks and providing strong correction mechanisms when the fiscal path deviates.

Jamaica's Fiscal Responsibility Framework, which is specified in law, reflects this balance. It includes numerical rules — such as *debt-to-GDP* target and the associated *fiscal balance* target— and procedural rules. The latter includes **escape clauses**, which permit suspension of the fiscal rules in specific circumstances: for example, a declared public disaster – as happened with the onslaught of Hurricane Melissa, which resulted in a fiscal impact that exceeded the specified threshold of 1.5 percent of GDP. In addition, the framework incorporates an **automatic correction mechanism**, triggered by the size of cumulative deviations from fiscal balance targets.

Hurricane Melissa resulted in Jamaica deviating from its fiscal balance and primary balance targets. While the fiscal rules are suspended for the remainder of FY 2025/26 and FY 2026/27, it is imperative that the GOJ incorporates the automatic corrective mechanism required by law into its Medium-Term Fiscal Framework (MTFF) in order to demonstrate how it intends to return to a sustainable fiscal path and meet its targets. Jamaica's recent history of implementing corrective actions following the suspension of the fiscal rules in 2020 due to COVID-19 reflects a strong culture of fiscal discipline. **In light of the foregoing, the IFC expects the GOJ to make the necessary adjustments in its medium-term fiscal profile (MTFF) to achieve its revised debt-to-GDP target.**

Budgetary Process

In its inaugural *Economic and Fiscal Assessment Report* (IFC, 2025a), the IFC highlighted weaknesses in the budgetary process that constitute non-compliance with the Fiscal Responsibility Framework as articulated in the *FAA Act, not least of which are*:

- Inadequate reporting, coverage and consolidation of fiscal information for the Specified Public Sector.
- Tabling of *Revenue Measures* and other fiscal measures *after* the Budget is reviewed and assessed by the IFC, and deliberated by Parliament's Standing Finance Committee.
- Absence of a Compensation Negotiation Cycle causing misalignment of wage settlements with the annual Budget Cycle.

Strengthening Fiscal Resilience

The IFC reiterates the following considerations to ensure compliance with Jamaica's Fiscal Responsibility Framework and to strengthen fiscal resilience.

- **Better streamline the budgetary process by:**
  - Presenting a fiscal profile for the SPS in the *FPP*, with focus on *inter alia Revenue*, *Expenditure*, *Fiscal Balance*, *Primary Balance* and *Public Debt*.
  - Tabling *Revenue Measures* simultaneously with other budgetary documents and incorporating them into the SPS fiscal profile.
  - Establishing clear compensation negotiations cycles that align with the budget process.

- **Accelerate the implementation of the Public Sector Transformation** to improve efficiency in the provision of public goods and services.

- **Strengthening fiscal resilience by addressing**:
    - Risks associated with potential revenue shortfall in the last fiscal quarter by considering a shift in the deadline for filing annual income tax returns from March to a month in the first quarter (April – June) of the fiscal year.
        - Status: *Under Consideration*. The GOJ intends to move the deadline for filing of income tax returns from March to April, effective 2026.
    - The high level of informality, which negatively impacts macroeconomic and fiscal indicators
        - Status: *Ongoing* (medium-long term consideration)
    - Climate risk challenges that have adversely affected macroeconomic and fiscal outcomes
        - Status: *Ongoing* (medium-long term consideration).
    - Weaknesses in project management that slow the pace of execution of public investment
        - Status: *Ongoing* (medium-long term consideration).
    - Re-introducing a fiscal rule for Wages & Salaries
        - Status: *No commitment given* by the GOJ.

Courtney H. Williams (Mr.)
Fiscal Commissioner

4.0 Macro-Fiscal Assessment

4.1 Macroeconomic Outcomes Assessment

4.1.1 Pre-Melissa Stability (April–September 2025)

The Jamaican economy experienced a stable macroeconomic environment in the first half of FY 2025/26 (April–September 2025), which supported robust economic growth and an historically low unemployment rate (**Table 1**). Key indicators that reflected this stability include:

- Inflation: relatively low inflation
- Interest Rates: declining market-determined rates.
- Foreign Exchange Rate: relatively stable, supported by strong Bank of Jamaica (BOJ) reserves.

Table 1: Macro-Fiscal Indicators, Sept. 2024 and Sept. 2025

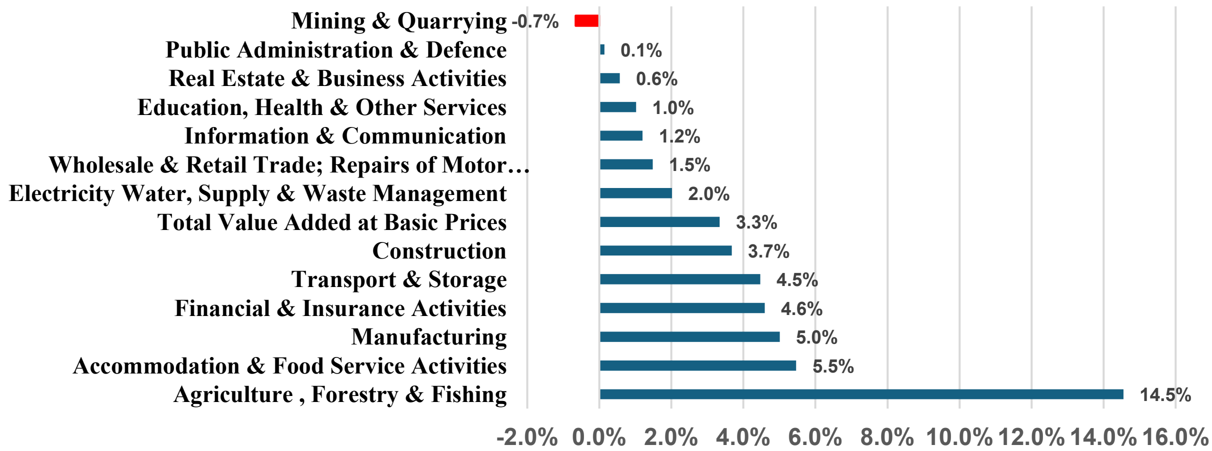
Indicator	Sept-24	Sept-25
Real GDP Growth Rate - 6-months ending (%)	-1.4	3.3
Nominal GDP Growth Rate – 6-months ending (%)	3.5	8.1
Debt to GDP Ratio (%)	66.3	60.3
Unemployment Rate[1] (%)	3.6	3.3
Inflation: 12-month point-to-point (%)	5.7	2.1
Interest Rate: 90-days Treasury Bill (end-period)	7.41	5.20
Exchange Rate US$1=J$ (end of period)	158.7	161.22
Net International Reserves (NIR) (US$ MN)	5,200.5	6,195.5
Assessing Reserve Adequacy (ARA) Metric (%)	123.99	148.68

Sources: STATIN, MoFPS and BOJ.

Real GDP was estimated to have grown by 3.3 percent in September 2025 relative to the corresponding period in 2024; rebounding from the contraction mainly caused by Hurricane Beryl. Growth was broad-based, with 12 of the 13 industries expanding (**Figure 1**).

[1] The unemployment rate is collected four times each year, in the months of January, April, July and October. Data presented in **Table 1** are for July 2024 and July 2025.

Figure 1: *Year-Over-Year Percentage Change in Value Added by Industry, April–September 2025*



Source: Statistical Institute of Jamaica.

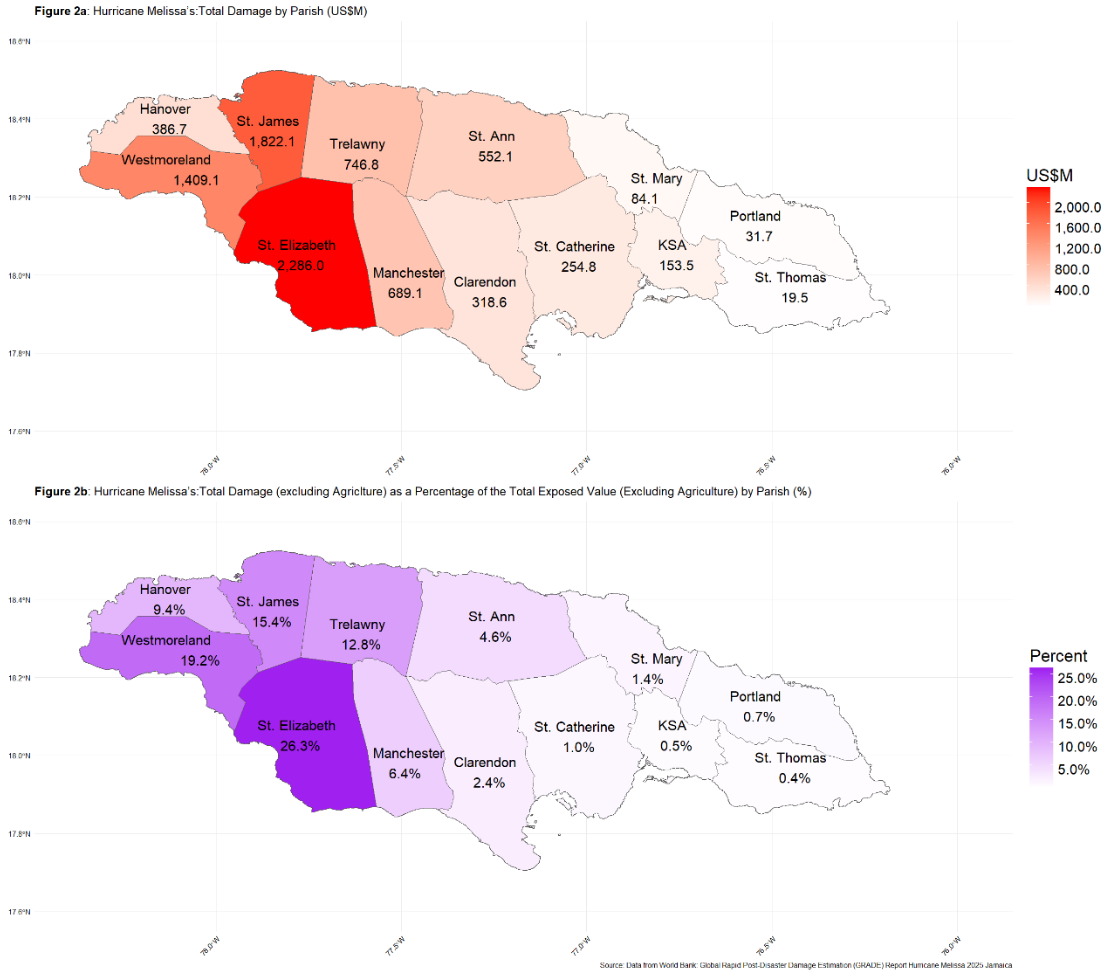
The economy remained on track to achieve key macroeconomic targets outlined in the *Fiscal Policy Paper* for FY 2025/26 (MOFPS, 2025a). At the end of September 2025, Jamaica's debt-to-GDP ratio stood at 60.3 percent, nearly at the medium-term target of 60.0 percent or less by FY 2027/28. Jamaica's strong macroeconomic environment and sustained fiscal discipline contributed to the upgrade of its long-term sovereign credit ratings.

4.1.2 Impact of Hurricane Melissa

Hurricane Melissa, a Category 5 system, caused extensive damage, particularly in western Jamaica (**Figure 2**). Consequences included:

- **Lives lost and severe economic disruption**
- **Physical damage: preliminarily estimated at US$8.8 billion** (World Bank & GFDRR, 2025):
    - Residential (incl. contents): US$3.7B
    - Infrastructure: US$2.9B
    - Non-Residential (incl. contents): US$1.8B
    - Agriculture: US$0.4B

Figure 2: Impact of Hurricane Melissa



Source: Data from Global Rapid Post Disaster Damage Estimation (GRADE) Report Hurricane Melissa 2025, Jamaica.

As shown in **Table 2**, the hydrological shock is expected to:

- Contract GDP; reversing first-half gains
- Push inflation above the BOJ target (4.0%–6.0%)
- Place upward pressure on interest rate and exchange rate,
- Worsen the Debt-to-GDP ratio

Table 2: Macro-Fiscal Indicators: Pre and Post Melissa[2]			
Metric	**Pre-Melissa Projections (FPP FY 2025/26, February 2025)**	**Post-Melissa Projections (Interim FPP FY 2025/26, December 2025)**	**Impact**
Real GDP Growth (%)	2.2	-4.3	-6.5
Nominal GDP Growth (%)	8.9	-0.2	-9.1
Debt to GDP Ratio[3] (%)	58.2	68.2	10.0
Inflation (End of Period) (%)	5.3	9.5	4.2
Specified Public Sector: Fiscal Balance share of GDP (%)	0.4	-3.2	-3.6
Central Government: Fiscal Balance share of GDP (%)	0.0	-3.5	-3.5
Central Government: Primary Balance share of GDP (%)	4.7	1.7	-3.0
Net International Reserves (US$B)	5.8	5.8	0.0
Current Account share of GDP (%)	0.2	0.2	0.0

Sources: MoFPS, BOJ and PIOJ.

The cumulative fiscal impact of Hurricane Melissa was estimated at 5.3 percent of GDP over the period FY 2025/26 to FY 2029/30. This estimate, validated by the IFC in November 2025, exceeded the legislative threshold of 1.5 percent and thereby triggered a temporary suspension of the fiscal rules (IFC, 2025b). As a result, the Honourable Minister of Finance & the Public Service proposed to extend the timeline for achieving the debt-to-GDP target of 60.0 percent by two fiscal years, to FY 2029/30. This extension will *require* an amendment to the *FAA Ac*t. The Hurricane's impact also prompted Standards & Poor's to revise Jamaica's outlook from "positive" to "*stable*", while maintaining the country's sovereign ratings.

[2] The change in macro-fiscal projections was not solely attributed to Hurricane Melissa.

[3] Revision to Debt to GDP ratio reflect updates introduced by the revised system of National Accounts in July 2025 and the application of projected growth rate for FY 2024/25 and FY 2025/26.

4.2 Fiscal and Debt Performance Assessment

Entrenching fiscal and debt sustainability is critical for the efficient functioning of government and the creation of a sound macroeconomic environment. Absence of the desired sustainability can lead to a relatively high-interest rate environment, which crowds out private investment and result in lower economic growth and higher incidences of poverty. Consequently, it is crucial that the hard-won gains (from the fiscal consolidation programmes that started over a decade ago) where possible, continue to be strengthened and entrenched. The budgetary outturns for the Central Government, April to September 2025 are summarized by **Box 1**.

Box 1: *Central Govt. Summary Outturns for April-September 2025 Relative to Original Budget*

Revenue and Grants surpassed Budget by **2.8 percent**.

Tax Revenue exceeded Budget by **1.6 percent**.

Non-Tax Revenue surpassed Budget by **12.2 percent**.

Expenditure fell below Budget by **2.8 percent**.

Recurrent Expenditure surpassed Budget by **0.1 percent**.

Wages & Salaries exceeded Budget by **1.0 percent**.

Interest fell below Budget by **2.1 percent**.

Capital Expenditure fell below Budget by **45.9 percent**

Fiscal Balance below Budget by **66.3 percent**.

Primary Balance higher than Budget by **67.0 percent**.

Source: IFC compilation based on data from the Ministry of Finance and the Public Service.

The Government of Jamaica (GOJ) tabled three *Supplementary* budgets in 2025, following the Original budget presented in February. The *First Supplementary* budget, introduced in July, projected higher expenditure and revenue; however, capital expenditure was reduced by $4.9

billion compared with the original allocation. The *Second Supplementary* budget, tabled in October, reflected administrative adjustments without altering overall revenue or expenditure. The *Third Supplementary* budget, presented in December, incorporated measures to address the fiscal impact of Hurricane Melissa. It included further reductions in capital expenditure, amounting to $2.2 billion.

4.2.1 Fiscal Balance and Primary Balance

At end-September 2025, Central Government operations produced a **Fiscal deficit** of $15.5 billion, which was better than originally budgeted. Meanwhile, a **Primary Surplus** of $71.3 billion was generated compared with the $52.3 billion originally targeted (**Table 3**). The greater-than-expected outturn was primarily due to higher than budgeted Revenue & Grants coupled with materially lower than programmed Expenditures.

Table 3: Budgeted and Actual Outturns for Selected Central Government Budget Indicators for April to September 2025

Indicator	*Original Budget*	*Actual Outturn*		
	Apr. – Sept. 2025	*Apr. – Sept. 2025*	*Difference*	*Diff (%)*
Revenue & Grants	**522,220.2**	**537,052.5**	**14,832.2**	**2.8**
Tax Revenue	430,147.4	436,909.9	6,762.5	1.6
Non-Tax Revenue	88,341.5	99,075.4	10,733.8	12.2
Other Revenue	3,731.3	1,067.2	-2,664.1	-71.4
Total Expenditure	**568,182.9**	**552,529.5**	**-15,653.4**	**-2.8**
Recurrent Expenditure	532,697.2	533,327.7	630.5	0.1
Programmes	192,145.3	191,483.3	-662.0	-0.3
Compensation of Employees	251,887.1	255,054.4	3,167.3	1.3
of which Wages & Salaries	235,620.0	237,876.7	2,256.7	1.0
Interest	88,664.8	86,790.0	-1,874.9	-2.1
Capital Expenditure	35,485.6	19,201.8	-16,283.9	-45.9
Fiscal Balance	**-45,962.6**	**-15,477.0**	**30,485.7**	**66.3**
Primary Balance	**42,702.2**	**71,313.0**	**28,610.8**	**67.0**

Note: J$ Million.

Source: Compiled by the IFC using data obtained from the MoFPS on November 17, 2025.

4.2.2 Revenue and Grants

Overall ***Revenue & Grants*** for the period April – September 2025 exceeded the original targeted amount by $14.8 billion (2.8 percent) to total $537.1 billion.

Tax Revenue for April – September 2025 performed creditably relative to the original budget; reflecting a surplus of $6.8 billion (1.6 percent).

Notwithstanding, the performance of the individual tax types was mixed. Notable shortfalls were registered by: Bauxite/Alumina income tax, Tax on Dividend, Other Individuals (self-employed) and Other Licences. These shortfalls however were partly mitigated by over-performance in *inter alia* Contractors' Levy, Stamp Duty (Local) and Stamp Duty (Imports). **Table 4** elaborates on the factors behind the notable deviations.

Additionally, relative to the corresponding six-month period of the previous year, Tax Revenue rose by $28.1 billion (6.9 percent); a real increase given a 2.1 percent *point-to-point* inflation at September 2025. The IFC notes the *Interim FPP*'s reported improvements in compliance initiatives *albeit* slight upward movements in overall taxpayer registration population, on-time filing rate and the on-time payment rate. Simultaneously, there was a reported $6.1 billion decline in the combined stock of arrears to $246.3 billion. **The Commission also recognizes the continued initiatives that are being undertaken to reduce arrears, including TAJ's *Special Arrears Settlement Programme* (SASP), which according to the *Interim FPP* was extended beyond the initial March 31, 2025 end date. Nonetheless, the IFC reiterates that ongoing and frequent forgiveness of existing amounts owed by selected taxpayers could adversely affect voluntary compliance in the long term.**

At the end of fiscal year 2025/26, Tax Revenue is projected to be $869.0 billion; lower than the Original Budget by $80.5 billion. This projected reduction in tax revenue largely reflects the devastating impact of Hurricane Melissa and the intended policy decision to move the deadline for paying the income tax to April (rather than in March) starting in 2026. **The IFC welcomes Government's favourable consideration of this suggestion** (*Economic and Fiscal Assessment Report,* March 2025).

Non-Tax Revenue for the period April – September 2025 exceeded the original targeted amount by $10.7 billion (12.2 percent). This performance largely reflected greater than expected inflows from a securitization of revenue from the Sangster International Airport (SIA), interest from loans under the Petro Caribe Development Fund and increased inflows from de-earmarked entities (i.e. previously classified Public Bodies that were re-integrated into the Central Government) and the Public Service Pension Scheme. **The IFC currently does not have sufficient information to comment further on the reported over-performance of Non-Tax Revenue.**

Grants for the review period April – September 2025, totalled $1.1 billion, thus falling below the original budgeted sum by $2.7 billion (71.4 percent), due mainly to delays in disbursements associated with the slower-than-planned pace of execution of several capital projects.

4.2.3 Expenditure

Above-the-line **Expenditure** (i.e. excluding amortization) for the period April – September 2025 totalled $552.5 billion or 2.8 percent lower than the original budgeted amount. ***Recurrent Expenditure*** of $533.3 billion accounted for 96.5 percent of total expenditure and was in line with originally-budgeted spending.

4.2.3.1 Recurrent Programmes

For the period April – September 2025, expenditure on Recurrent Programmes totalled $191.5 billion, broadly in-line with the original budgeted amount.

4.2.3.2 Compensation of Employees

Compensation of Employees (Wages & Salaries plus Employers Contributions) for the review period totalled $255.1 billion; 1.3 percent higher than the original projection. The overall Compensation of Employees reflects *inter alia* selected salary increments granted effective April 2025. **Wages & Salaries** totalled $237.9 billion, roughly $2.3 billion (1.0 percent) above the original budgeted amount.

4.2.3.3 Interest Cost

Total Interest payments of $86.8 billion at the end of September 2025 fell below the original projection by 2.1 percent. While **Domestic interest** expenditure of $37.7 billion exceeded budget by 16.9 percent, **External interest** payments fell 13.0 percent below budget. **Table 4** provides further explanations for these deviations.

4.2.3.4 Capital Expenditure

For the period April – September 2025, **Capital Expenditure** totalled $19.2 billion (3.5 percent of the total expenditure), a decline of $16.3 billion (45.9 percent) from the originally projected amount. This performance represents a continuing trend of under-execution of spending on public sector investment projects, which the IFC highlighted in prior reports.

4.3 Analysis of the Public Bodies

The group of **Self-Financing Public Bodies** (SFPBs) is projected to achieve an overall balance surplus of $38.4 billion at End-September 2025, compared with the initial $1.1 billion projected surplus. This higher-than-anticipated balance was mainly due to a $21.5 billion under expenditure in Capital. The *Interim FPP* reported that the enhancement in the overall balance was primarily due to an improvement in the overall balances of three public bodies relative to their originally budgeted sums i.e. the National Housing Trust (NHT), the National Insurance Fund (NIF) and the Airport Authority of Jamaica (AAJ). Improvement in the NHT's projected overall balance for example, was due to a delay in the commencement of construction on several housing solutions.

The combined effect of the surplus by the SFPBs and a $15.5 billion Central Government deficit is an overall **Specified Public Sector** surplus of **$22.9 billion** for the period April to September 2025 (compared with an overall surplus of $32.3 billion at the end of the corresponding period in 2024). At the end of 2025/26, the SFPBs are projected to reflect an overall balance surplus of $15.2 billion.

IFC notes that the improvement in the SFPBs' overall balance surplus primarily arose from a material under-execution in capital projects during the review first-half of the fiscal year, similar to what was obtained with Central Government. Accordingly, the Specified Public Sector experienced a Capital budget under-execution of $37.8 billion in the first six months of the fiscal year. This slow pace of delivery has fuelled continued uncertainty surrounding the GOJ's capacity to exhaust the remaining 72.7 percent of the $163.8 billion total capital expenditure allocation to the Specified Public Sector for FY 2025/26. In sum, the IFC again cautions against over-ambition in materially executing additional capital projects amid local capacity constraints.

4.4 Public Debt

As a result of ongoing fiscal consolidation efforts, the stock of **Public Debt** outstanding for the ***Specified Public Sector*** at the end of September 2025 stood at **$2.2 trillion**, down $58.8 billion (2.6 percent) from the level recorded at the end of September 2024. Of note, the ***debt-to-GDP*** **ratio** at end-March 2025 was **62.4 percent** compared with 66.5 percent at end-March 2024. Up to the end of September 2025, the *debt-to-GDP* ratio remained on a downward trajectory. In fact, based on the new GDP data and recent IFC's imputations (Independent Fiscal Commission (2025, pp. 25-25)), at that time, **the legislated debt-to-GDP ratio of 60.0 percent *was* projected to be met two years earlier than the March 2028 timeline.**

Following the disruptions caused by Hurricane Melissa, the Ministry of Finance and the Public Service subsequently revised Jamaica's public debt forecast over the medium term. Specifically, in terms of the forecast for the end of fiscal year 2025/26, the country's debt-to-GDP ratio is projected to *rise* to 68.2 percent by end-March 2026, up from the 62.4 percent recorded at the end of March 2025.

Table 4: Explanations for Major Fiscal Deviations from Original Budget - April to September 2025						
REVENUE						
	$J Million					
Tax Item	**Provisional**	**Original Budget**	**Difference**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Total Tax Revenue	**436,909.9**	**430,147.4**	**6,762.5**	**1.6**		
Income and Profits	**137,261.7**	**140,001.6**	**-2,739.9**	**-2.0**		
Bauxite/Alumina	**727.0**	**1,957.1**	**-1,230.1**	**-62.9**	The below budget collection reflected lower than projected payment of Bauxite/Alumina arrears due to losses experienced by entities within the sector.	Explanation is reasonable.
Tax on Dividend	**1,434.8**	**1,678.2**	**-243.4**	**-14.5**	The below budget collection partially reflected fewer than estimated dividend payments and lower than anticipated dividend yields.	Explanation is reasonable.
Other Individuals	**2,500.3**	**4,129.6**	**-1,629.3**	**-39.5**	The below budget collection partly reflected higher than anticipated refund payment ($630.1 million) year-to-date.	Explanation is partly reasonable as the bulk of the deviation remains unexplained.

Tax Item	Provisional	Original Budget	Difference	Difference (%)	MoFPS' Explanation for Deviation	IFC Comments
Tax on Interest	**18,532.8**	**16,342.4**	**2,190.4**	**13.4**	Tax on Interest benefitted from an overall growth of 9.2 percent in total deposits held.	Information provided was insufficient to determine reasonableness. It was unclear as to what was the recorded growth rate specifically for time deposits.
Production and Consumption	**139,525.2**	**134,789.1**	**4,736.1**	**3.5**		
Other Licences	**652.5**	**1,166.1**	**-513.5**	**-44.0**	The underperformance of Other Licences primarily reflects lower than projected inflows relating to Telecommunication Licences (Spectrum).	MoFPS did not state the amount budgeted and collected for Telecoms licences, hence the explanation is inadequate.
Quarry Tax	**93.2**	**135.1**	**-42.0**	**-31.1**	Lower Quarry Tax collections for the period partly reflect the fact that there was a 5.0 percent contraction in nominal value added for the *Mining and Quarrying* sector (STATIN).	Information provided by the Ministry is only partly reasonable as the magnitude of the shortfall far exceeds the contraction in the referenced sector.

Tax Item	Provisional	Original Budget	Difference	Difference (%)	MoFPS' Explanation for Deviation	IFC Comments
Accommodation Tax	**1,830.4**	**1,642.7**	**187.7**	**11.4**	The surplus in Accommodation Tax receipts reflected an increase of over 7.0 percent in stopover arrivals.	Explanation is reasonable.
Telephone Call Tax	**1,209.9**	**1,376.1**	**-166.2**	**-12.1**	The lower-than-budgeted receipts from Telephone Call Tax reflected a lower volume of taxable telephone calls.	Explanation is reasonable.
Stamp Duty (Local)	**4,859.7**	**3,160.7**	**1,699.1**	**53.8**	The higher-than-anticipated inflow from Stamp Duty for FY 2025/26 reflects extraordinary transactions relating to property transactions. There were considerable increases in motor vehicle and mortgage loans.	Explanation is reasonable.
International Trade	**160,123.0**	**155,356.8**	**4,766.2**	**3.1**		
NON-TAX REVENUE	**99,075.4**	**88,341.5**	**10,733.8**	**12.2**	Non-Tax Revenue benefitted from higher than anticipated receipts from the Sangster's International Airport's securitization transaction, interest from loans under the Petro Caribe Development Fund as well as increased inflows from de-earmarked entities and the Public Service Pension Scheme.	Explanation is reasonable.

Tax Item	Provisional	Original Budget	Difference	Difference (%)	MoFPS' Explanation for Deviation	IFC Comments
GRANTS	**1,067.2**	**3,731.3**	**-2,664.1**	**-71.4**	The actual Grants' outturn was impacted by delays in disbursements, likely associated with the slower-than-planned pace of execution of several capital projects.	Explanation is reasonable.
EXPENDITURE						
	$J Million					
Tax Item	**Provisional**	**Original Budget**	**Difference**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Recurrent Expenditure	**533,327.7**	**532,697.2**	**630.5**	**0.1**		
Programmes	**191,483.3**	**192,145.3**	**-662.0**	**-0.3**	N/A	
Wages & Salaries	**237,876.7**	**235,620.0**	**2,256.7**	**1.0**	N/A	
Employers' Contribution	**17,177.8**	**16,267.2**	**910.6**	**5.6**	N/A	
Interest	**86,790.0**	**88,664.8**	**-1,874.9**	**-2.1**	N/A	

Tax Item	Provisional	Original Budget	Difference	Difference (%)	MoFPS' Explanation for Deviation	IFC Comments
Domestic	**37,682.8**	**32,243.1**	**5,439.7**	**16.9**	Above-budget Domestic interest payments reflect a greater stock of outstanding domestic debt compared with the projection in January 2025 due to the higher-than-planned borrowing during the months of February and March of the last fiscal year.	Explanation is reasonable.
External	**49,107.2**	**56,421.7**	**-7,314.5**	**-13.0**	Savings in External interest payments were attributable to lower than budgeted payments to the International Monetary Fund (IMF) consequent on a lower than projected average exchange rate. Furthermore, contingencies were included in the budget, but the need to utilize these amounts did not materialize.	Explanation is reasonable.
Capital Expenditure	**19,201.8**	**35,485.6**	**-16,283.9**	**-45.9**	**Under-spending from the Capital budget reflected slower-than-programmed pace of execution of several planned public sector investment projects.**	**Explanation is inadequate considering that the perennial procurement challenges and capacity constraints are well-documented.**

Source: Compiled by the Independent Fiscal Commission using data provided by the MoFPS on January 7, 2026.

4.5 Analysis of Macro-Fiscal Assumptions and Outlook

4.5.1 Macroeconomic Assumptions

In line with its mandate to opine on the credibility of the Budget, the IFC reviewed the Medium-Term Macroeconomic Profile, as partly illustrated by Table 2C in the *Interim Fiscal Policy Paper* FY 2025/26 and assessed the likelihood of Jamaica achieving these targets (**Table 5**). Jamaica's medium-term macroeconomic outlook was revised to reflect the anticipated economic impact of Hurricane Melissa, based on preliminary data (**Table 5**).

Table 5: Medium-Term Macroeconomic Profile

Macroeconomic Variables	FY 2023/24 Actual	FY 2024/25 Actual	FY 2025/26 Est.	FY 2026/27 Proj.	FY 2027/28 Proj.	FY 2028/29 Proj.
Nominal GDP (J$ bn)	3,339.1	3,495.1	3,486.5	3,736.1	4,012.7	4,255.4
Nominal GDP growth rate (%)	10.4	4.7	-0.2	7.2	7.4	6.0
Real GDP growth rate (%)	1.9*	-0.5*	-4.3	0.7	3.1	1.0
Inflation: Annual Pt to Pt (%)	5.6	5.0	9.5	5.0	5.0	5.0
Interest Rates:						
180-day Treasury Bill (end-period)	8.1	5.7				
90-day Treasury Bill (end-period)	8.0	5.7				
Average Selling Exchange Rate (J$=US$1)	155.6	157.6				
NIR (US$ mn)	5,137.3	5,878.4	5,789.6	6,136.7	6,668.0	7,122.9
Current Account (%GDP)	3.1	1.6	0.2	0.7	0.7	0.8
Oil Prices (WTI) (Average US$/barrel)	77.8	74.4	62.4	60.1	60.0	62.5
* Represents revised data relative to what included in the Interim Fiscal Policy Paper						

Sources: Ministry of Finance and the Public Service, BOJ and STATIN.

Box 2: **Conditional Macroeconomic Projections**

Macroeconomic projections are typically based on conditional forecasts. For example, real GDP depends on the expected output of other variables, such as the number of visitor arrivals. Shocks to tourism services—for instance, Accommodation services like hotels—can therefore affect overall economic growth. Moreover, the extent of damage to the capital stock (e.g., hotels) and the speed of recovery will determine the pace of growth in the short to medium term.

A revision in the projection for one industry may also influence other industries, depending on the strength of these linkages. *Backward linkages* capture the demand that an industry creates for the outputs of other industries (e.g., Accommodation and Food Service Activities generate demand for agricultural products such as eggs and manufactured goods like beverages). *Forward linkages* reflect the interconnectedness of industries through the goods and services they supply (e.g., cement produced in manufacturing supports construction activity).

This outlook should be interpreted within the context of (**Table 6**):

1. Impact: The scale and distributional effects of Hurricane Melissa;
2. Response: The actual and expected actions by public and private sector stakeholders; and
3. The absorptive capacity of the Jamaican economy (**Appendix I**).

Table 6: Impact and Expected Response from Hurricane Melissa				
Detail	Households	Private Sector	Public Sector	International Development Partners
Impact:	• Damage to housing stock & contents (US$3.7 billion) • Job losses from firm closure (especially within Tourism and Agriculture)	• GDP Contraction: Destruction of capital stock (US$1.8 billion) and lower capacity utilization due to infrastructure disruption. • Damage to businesses, especially agriculture, fisheries, retail and associated loss in income • Price pressure from agricultural losses and supply bottlenecks	• Damage to Public capital stock (US$2.9 billion) • Reduced Tax Revenue due to lower GDP • Delays in capital project execution • Lower grant inflows tied to postponed projects • Non-Tax Revenue gain: Disaster risk financing pay-out (e.g. Catastrophe Bond: US$150.0 million)	
Responses	• Increase household expenditure on repairs (Construction industry – import intensive). Supported by diaspora remittances • Reduced demand for non-essential goods and services due to loss income	1. Increase business expenditure on repairs (Construction industry – intensive)	• Higher Government Expenditure on welfare, reconstruction, and mitigation of long-term economic scarring • Temporary suspension of fiscal rules to allow higher deficits and debt-to-GDP ratio in the short-run	• Immediate humanitarian support • Technical support for preliminary estimate of damage • Scaling up Grant flows • Technical assistance for recovery planning • Provision of concessionary financing

			• Import Policy adjustment: Temporarily reduce duties on essential supplies and food • Institutional response: proposed establishment of the National Reconstruction & Resilience Authority (NARA) to lead, oversee and fast track the country's reconstruction plan in order to build back better	
Constraints	Cross cutting constraints: Recovery pace limited by reduce productive capacity and implementation bottlenecks, leading to delays and increased reliance on imports.			

Source: IFC compilation.

Most of the damage occurred in western Jamaica, which accounts for approximately 74.0 percent of domestic agriculture land harvested and 89.0 percent of the country's total hotel room stock (PIOJ, 2025). This concentration of losses suggests that the Agriculture, Forestry & Fishing and the Accommodation & Food Service Activities industries, which accounted for 7.5 percent and 5.9 percent of real GDP, respectively for FY 2024/25, will be the most adversely affected industries.

The temporary closure of hotels for repairs will reduce visitor arrivals and weaken growth with other tourism-linked industries, such as Transport & Storage industry, particularly air transport.

Given that visitor expenditure represented 60.8 percent of total exports in FY 2024/25, the damage to hotel infrastructure is expected to exert significant pressure on Jamaica's current account balance.

The IFC assessed the new projections as *broadly credible, albeit provisional,* pending a more detailed evaluation of direct damages and indirect losses to be conducted by the Planning Institute of Jamaica, along with a more detailed government response once the National Reconstruction & Resilience Authority (NARA) is established.

Reconstruction activities are expected to have significant macroeconomic implications, particularly through higher imports. The *Interim Fiscal Policy Paper* for FY 2025/26 (December 2025) however left current account projections unchanged from those stated in the earlier tabled *FPP* (February 2025). Given the high import content of the Construction industry and the temporary loss of export capacity (tourism, agriculture, etc.), the IFC anticipates a downward revision of the medium-term current account balance. The IFC however notes the projected downward revision of oil prices, which will temper the pace of increase in import value and therefore ameliorate any downward projection in the current account balance.

4.5.2 Fiscal Assumptions and Outlook

The aforementioned macroeconomic assumptions for the remainder of FY 2025/26 and the medium-term provide significant underpinnings for the fiscal programme. That said, the devastating effects of Hurricane Melissa places a considerable responsibility on the GOJ to respond to the nation's reasonable demands in a fiscally prudent manner, notwithstanding the fact that the fiscal rules have been suspended for FY 2025/26 - FY 2026/27.

While the *Interim FPP* rightly incorporates the GOJ's best estimates of the expenditure requirements for the rest of this fiscal year, as well as the medium-term forecasts, these projections are very preliminary amid ongoing assessments of the costs of the physical damage and economic fallout, which will inform the overall fiscal outlay. Against this backdrop, the fiscal profile as presented in the *Interim FPP* is subject to materially significant changes.

Based on the foregoing, the IFC is constrained in terms of the depth of analysis it can undertake at this time. The GOJ is currently preparing the FY 2026/27 Budget and the medium term for tabling in February. This presentation will provide greater details on how the GOJ's recovery and rehabilitation plans are reflected in the budget.

Notwithstanding, the IFC will briefly discuss the GOJ's fiscal profile as presented in the *FPP*. In subsequent sections of this report, the Commission will delve into the current and emerging fiscal risks that Jamaica faces, as well as reiterate issues for the GOJ to consider for the upcoming budget.

The Central Government Third Supplementary Estimates tabled December 2, 2025 incorporated adjustments for pre- and post-Hurricane Melissa commitments. Expenditure rose by $83.6 billion while Revenue & Grants fell by $41.1 billion relative to the *Second Supplementary Budget*. Compared with the Original Budget, Expenditure rose by $94.1 billion, driven by a $97.0 billion increase in Non-Debt Recurrent spending and a $4.2 billion rise in Interest payments but was partially offset by a $7.1 billion decline in Capital Expenditure. Revenue & Grants are projected to contract by $30.4 billion, mainly due to a reduction of $80.5 billion in Tax Revenue, which was tempered by a $51.3 billion increase in Non-Tax Revenue, largely from disaster risk insurance pay-outs.

Based on the latest Central Government estimates, a fiscal deficit of $123.7 billion (3.5 percent of GDP) is projected for the end of fiscal year 2025/26; and a primary surplus of $58.0 billion (1.7 percent of GDP). To meet these overall targets in the aftermath of the significant devastation caused by Hurricane Melissa in October, Government will need to run fiscal and primary deficits of $108.3 billion and $13.3 billion, respectively, over the October 2025–March 2026 period. **The IFC assessed the projected fiscal and primary balances as achievable**.

For fiscal year 2025/26, overall ***Revenue & Grants*** is projected at $1.1 trillion; representing a 0.7 percent rise (or $7.1 billion) above the actual outturn for fiscal year 2024/25. Tax Revenue as a share of GDP (the "**tax ratio**") is projected to fall to 24.9 percent at the end of fiscal year 2025/2026.

Expenditure at the end of 2025/26 is projected at $1.2 trillion, exceeding the amount spent during fiscal year 2024/25. Central Government "Non-Debt Expenditure" (i.e. Expenditure *less* Interest) is programmed at $1.0 trillion with **Recurrent Expenditure** and **Capital Expenditure** of $952.1 billion (94.5 percent) and $55.5 billion (5.5 percent) for 2025/26.

4.6 Assessment of Macro–Fiscal Risks

The IFC will briefly discuss some key macroeconomic and fiscal risks affecting Jamaica, most of which have been *elevated* by the passage of Hurricane Melissa.

4.6.1 Macroeconomic Risks

Jamaica is a small island developing state with a service-oriented economy, where the Services sector accounts for 73.6 percent of GDP in FY 2024/25. The economy is highly open, with a total trade-to-GDP ratio of 82.5 percent in 2023 and its export basket is heavily concentrated—tourism represents over 60 percent of total exports. Jamaica's geographic location in a hurricane-prone region further heightens its exposure to external shocks.

These structural characteristics make the economy particularly vulnerable to global disruptions, whether man-made (such as wars) or natural (such as hurricanes). The recent impact of Hurricane Melissa has amplified uncertainty surrounding economic growth, employment, current account balance and inflation. Damage to productive capacity—including hotels, fishing boats and other capital stock—will constrain output until these assets are restored, thus potentially prolonging

Table 7: Macroeconomic Risks (Updated)	
Macroeconomic Risk	Source
Lower than expected Economic Growth	1. Slower than expected recovery by the private and public sectors following Hurricane Melissa. 2. Higher than anticipated increase in imports for reconstruction due to loss of productive capacity. 3. Lower than expected external demand as a result of slower growth in Jamaica's main trading partners amid geopolitical uncertainty. 4. Lower Domestic Demand due to a) slower employment growth; b) lower than expected private investment amid uncertainty; c) higher than expected interest rates which discourage investment and consumption; d) slower than anticipated implementation of public investment projects. 5. Supply side shocks from: a) natural hazard disrupting production; b) plant downtime from aging equipment (especially in the Mining & Quarrying industry); c) supply chain constraints limiting production and investment.
Higher than expected Inflation	1. Higher than expected commodity prices (e.g. oil and grain) 2. Larger than expected depreciation of the Jamaica dollar. 3. Natural Hazards (e.g. drought and flooding) increasing food prices. 4. Limited Labour supply which places upward pressures on wages and prices
Higher than expected depreciation	1. Higher than expected local inflation. 2. Increased demand for foreign exchange given geopolitical uncertainty and higher than expected imports. 3. Lower than expected foreign exchange inflows, as a result of lower receipts from remittances and tourism 4. Higher than expected foreign interest rates
Higher Interest rates	1. Higher domestic inflation. 2. Elevated interest rates in main trading partners that constrain the pace of monetary easing locally. 3. Larger than expected depreciation of the Jamaica dollar.

Source: IFC compilation.

These risks are however being mitigated by the GOJ's disaster risk financing framework, which provides rapid access to up to US$662 million in resources, complemented by additional support from the IDPs of up to US$6.0 billion (**Table 8**). Such financing has the potential to accelerate recovery efforts and reduce the likelihood of permanent firm closures (economic scarring) by lowering the cost of capital, reducing the risk of GOJ crowding out the private sector, help safeguarding foreign exchange reserves and support market stability throughout the recovery period.

Table 8: Hurricane Melissa Financing Options		
Recovery and Reconstruction Financing	**Institutions**	**US$ Million**
Jamaica's Disaster Risk Financing Framework		
	GOJ Contingency Fund and National Natural Disaster Reserve Fund	37.0
	Caribbean Catastrophe Risk Insurance Facility (CCRIF)	91.0
	World Bank Group (WBG) Catastrophe Bond	150.0
	Inter-American Development Bank (IDB) Contingent Credit Facility (CCF)	300.0
	World Bank Group Catastrophe Deferred Drawdown Option	84.0
Potential Financial Support from IDPs (up to)		
	Development Bank of Latin America (CAF)	1,000.0
	Caribbean Development Bank (CDB)	200.0
	IDB	1,000.0
	IMF	415.0
	WBG	1,000.0
Technical Assistance and Grant Support		
	IDPs	12.0
Mobilizing Private Investment for Resilience		
	IDB Invest and WBG's: International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA)	2,400.0
Total		6,689.0

Source: IMF[4].

[4] <https://www.imf.org/en/news/articles/2025/12/01/pr25400-jamaica-billions-over-3-years-for-recovery-and-reconstruct-after-hurricane-melissa> [Accessed January 14, 2026].

4.6.2 Fiscal Risks

The Commission in its last *Statement of Fiscal Performance* (*SFP*) raised some concerns of possible developments that could lead to fiscal risks in the Jamaican context (Independent Fiscal Commission, 2025c, pp. 48-49). Such scenarios include lower than projected outturn of tax revenue for the fiscal year, reliance on 'one-off' non-tax revenue securitization transactions, under-execution of capital expenditure to meet fiscal targets, wage negotiations and probable hydrological shocks.

Since the publication of that *SFP*, Hurricane Melissa hit the island in October 2025. Such an extraordinary event adversely affected the fiscal programme through a dramatic rise in expenditure required for restoration, recovery and rehabilitation efforts. Additionally, the hydrological event contributed to an overall projected fallout in tax revenue for the fiscal year 2025/26. **Importantly, the IFC opines that similar climate-related events of such intensity nature can reoccur and Government should therefore remain vigilant and proactive to blunt the impacts of such threats.**

Nevertheless, the Government's layered approach toward *mitigation* and *adaptation* has enabled it to benefit from *inter alia* the triggered US$150 million and US$91.9 million insurance pay-outs from its *Catastrophe Bond* (CAT Bond) and the *Caribbean Catastrophe Risk Insurance Facility* (CCRIF), respectively. Such well-needed receipts will help to reduce the total amount of financing needed to assist in the recovery and rebuilding efforts post-Melissa.

Moreover, Government has implemented several strategies to reduce and manage the fiscal risks associated with climate change including *inter alia* strengthening oversight of public bodies from a climate-awareness perspective and the planned introduction of Climate Budget Tagging in budget preparation and reporting.

5.0 Public Financial Management Principles and the Fiscal Responsibility Framework

Robust fiscal policy actions have prudently contributed to Jamaica's public debt on an overall downward trajectory for many years. In the aftermath of the catastrophic weather-related shock in October 2025, the public debt ratio which *hitherto*, was on track and ahead of schedule to meet the legislated target, will temporarily rise. As a result, shrewd steps should be taken to ensure that the Jamaican economy not only recovers strongly (and quickly) but also remain resilient, going forward. Adherence to fiscal responsibility, transparency and accountability alongside prudent management of macroeconomic and fiscal risks are vital to pivot back to the desired debt reduction path. In this regard, the fiscal ecosystem would benefit from further strengthening by considering some suggestions that the Commission reiterates below.

Based on the foregoing, the IFC remains concerned that the Budget presentation/approval process is *still* somewhat *disjointed* and as such, **reiterates that the Government should give due consideration to improve reporting on the Specified Public Sector in the *Fiscal Policy Paper*, beyond presentation on the total debt.** Furthermore, **Section 48H** of the *FAA Act* provides for Government to develop ***Compensation/Negotiation*** cycles for the public sector to allow for the completion of all wage negotiations and settlements in time for the tabling of the annual Budget. **After the rounds of negotiations that are currently underway, the Government should endeavour to complete wage settlements in time for future budget preparation.** Such a move would bring greater certainty to the budget structure, reduce the fiscal risk (associated with under budgeting and deviations in the fiscal accounts) and support local industrial harmony.

6.0 Update on IFC's Considerations to Strengthen Fiscal Sustainability/Resilience

In the first *Economic and Fiscal Assessment Report* (EFAR) (Independent Fiscal Commission, 2025a), the IFC opined that the GOJ consider some measures (outlined in *Report's* Table 5) that could reduce fiscal risks and build fiscal resilience. **Table 9** provides an update on the progress made in implementing some of these considerations, along with their implications for fiscal targets and procedural rules.

Table 9: Fiscal Commission's Issues for Considerations to Strengthen Fiscal Resilience/Sustainability: An Update

Issue	Considerations	Expected Impact(s)	Desired Timeline	Status
Jamaica is among a group of countries that is still using the 1993 *System of National Accounts* (SNA) and not the 2008 SNA (latest SNA). The 2008 SNA has further specification of scope of transactions including the production boundary.	Update the Systems of National Accounts (SNA) to the 2008 SNA.	1. Improved alignment with other official statistics to inform policy making	Short-Term	**Completed in July 2025**. The upward revision in nominal GDP led to: (a) decline in the: (i) debt-to-GDP ratio to 62.4 percent at the end of FY 2024/25 — down from the previous reported 68.9 percent and (ii) Wage/GDP ratio of 12.1 percent, down from the previous reported 13.3 percent; (b) Increased fiscal space
Relatively high informality has constrained revenue growth and therefore GOJ ability to provide public goods and services to support economic growth.	Implement measures to reduce informality.	1. Higher Tax Revenue 2. Improved Fiscal Balance 3. Lower Borrowing and Public Debt	Medium to Long-Term.	**Ongoing**: Initiatives include: 1) Establishment of the National Identification and Registration Authority (NIRA), which is responsible for administering the National Identification System 2) Digital modernization of the *Revenue Administration Information System* (*RAiS*)

Issue	Considerations	Expected Impact(s)	Desired Timeline	Status
Fiscal uncertainty associated with annual income tax returns due in the last month of the fiscal year.	Shift the due date for annual income tax return from March to the first quarter of the fiscal year to reduce fiscal uncertainty towards the end of the fiscal year.	1. Reduce Tax revenue risk	Medium-Term	**To be Instituted**: The GOJ has taken the policy decision to move the timeline for the income tax returns from March (end of fiscal year) to April (start of fiscal year) commencing in 2026.
Climate risk challenges that have negatively impacted macroeconomic and fiscal outcomes.	Build resilience in the natural and built environment.	1. Lower the impact of natural disaster on economic growth 2. Improve resilience and productivity in Agriculture industry 3. Reduce the risk of higher headline inflation by stabilizing the supply chain.	Medium to Long Term	**Ongoing**: The Government of Jamaica continues to make progress in address climate risk, with support from its development partners. Key initiatives include: • Planned introduction of climate budget tagging in budget preparation and reporting. • Building capacity of MDAs on climate-aware planning. • ongoing effort to establish the Climate Finance Unit within the MOFP

Issue	Considerations	Expected Impact(s)	Desired Timeline	Status
Jamaica has challenges with project design and implementation, which have led to inefficiencies in converting public funds into public goods and services and hinder productivity.	Address gaps in project management across Ministries, Departments & Agencies.	1. Increase the efficiency of converting public funds into public goods and services (reduce expenditure – less wastage) 2. Increase the productivity of public goods and services on economic growth 3. Higher productivity 4. Higher revenue 5. Improved fiscal Balance 6. Lower borrowing and Public Debt	Medium to Long-Term	**Ongoing**: The MoFPS, through its Public Investment Appraisal Branch, continues to refine measures aimed at improving the Public Investment Management System. Initiatives undertaken include the development of a climate risk assessment methodology for projects in the Public Investment Management System and updating the Project Concept and Proposal Forms.

Issue	Considerations	Expected Impact(s)	Desired Timeline	Status
Revenue measures announced after (rather than simultaneously) the tabling of the primary budgetary documents and following Parliament's approval of budgeted expenditures.	Table the Ministry Paper relating specifically to Revenue Measures simultaneously with the other budget documents and incorporate the measures in the *FPP. To fulfil the requirements of Third Schedule, Section 48B, Part B (2)(b) of the FAA Act.*	1. Brings more order to the budget process. 2. Better projections of revenue and expenditure over the medium-term. 3. Fulsome assessment of the Budget in a timely manner when new revenue policies are presented alongside rather than weeks after the other budget documents	Short-Term	**No commitment given**: IFC maintains that GOJ ought to comply with the FAA Act.
Wage & Salary negotiations in the public sector are usually protracted and increase fiscal uncertainty.	Introduce a public sector wage negotiation cycle that is aligned with the budget process, in accordance with Section 48H(2) the *FAA Act*.	1. Increase predictability in public sector wages and fiscal operations and therefore improve allocation of public expenditure	Medium-Term	**No commitment given**: IFC maintains that GOJ ought to comply with the FAA Act.

Issue	Considerations	Expected Impact(s)	Desired Timeline	Status
Present a fiscal profile for the Specified Public Sector with focus on *inter alia* Revenue, Expenditure, Fiscal Balance, Primary Balance and Public Debt.[5]	Incorporate medium term budgetary analysis of the Specified Public Sector in the *Fiscal Policy Paper, in accordance with Third Schedule, Section 48B, Part B of the FAA Act.*	1. Brings more order to the budget process. 2. Improved planning and resources allocation 3. Facilitates a more rigorous analysis of Jamaica's fiscal position.	Short-Term	No commitment given. IFC maintains that GOJ ought to comply with the FAA Act.
Wages & Salaries crowding out spending in other critical area.	reintroduce an expenditure rule for Wages & Salaries to, inter alia, limit crowding out of spending in other critical areas.	1. Align Wages & Salaries increases to labour productivity 2. Strengthen spending on critical growth enhancing area (e.g. infrastructure, human capital, etc.).	Medium-Term	No commitment given.: **Wages & Salaries have been consuming a growing share of Tax Revenue**: • FY 2021/22: 36.1 percent, • FY 2024/25: 47.9 percent, • FY 2025/26: 56.0 percent (projected) and • FY 2028/29: 52.9 percent (projected)

Source: IFC compilation.

[5] This last consideration was excluded from the original table entitled "**Table 5: Fiscal Commission's Issues for Consideration to Strengthen Fiscal Resilience/Sustainability**" in the *Economic and Fiscal Assessment Report* (<https://ifc.gov.jm/assets/files/Economic-FiscalAssessmentReportWebsite.pdf>). However, it was added because it was included in Section 4 (The Fiscal Commissioner's Opinion) that outlined weaknesses in the local budget process.

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8.0 Appendix

8.1 Appendix I: EXTENSION OF CAUSAL LOOP DIAGRAM OF JAMAICA'S MACRO-FISCAL DYNAMICS (NATURAL HAZARD AND FISCAL RISK)