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NEWS RELEASE

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JAMAICA'S ECONOMIC RECOVERY GAINS TRACTION AMID MACRO-FISCAL HEADWINDS, REPORTS INDEPENDENT FISCAL COMMISSION

Slower Contraction and Resilient Reserves Anchor Stability as Fiscal Deficit Reflects Timing Variations and Capital Project Lags

KINGSTON, JAMAICA, September 15, 2026 — The Independent Fiscal Commission (IFC) has released its latest *Statement on Fiscal Performance* for the first quarter of Fiscal Year 2026/27 (April to June 2026). The report indicates that while Jamaica continues to navigate economic disruptions caused by Hurricane Melissa and persistent external shocks, the country's macroeconomic fundamentals remain resilient, supported by a faster-than-projected economic recovery and robust foreign exchange reserves.

Macroeconomic Performance: Economic Contraction Decelerates; Inflation Exceeds BOJ Target Band

Preliminary data evaluated by the Commission shows that real GDP contracted by 2.9 percent in the June 2026 quarter. While marking a third consecutive quarter of contraction following Hurricane Melissa, this represents a significant deceleration from the 7.1 percent and 4.1 percent declines recorded in the previous two quarters, beating both budget projections and post-hurricane revised forecasts.

Inflation pressures intensified during the period. Headline inflation reached 6.7 percent in June and accelerated to 7.5 percent in July 2026, breaching the Bank of Jamaica's (BOJ) target range of 4.0 to 6.0 percent. This uptick was primarily driven by imported cost pressures exacerbated by Middle East geopolitical tensions affecting the Strait of Hormuz alongside domestic weather-related agricultural supply disruptions and adjustments to public transport fares and the minimum wage. The BOJ maintained its policy rate at 5.50 percent to anchor inflation expectations.

Despite the external trade deficit widening due mainly to reconstruction-related import demand, external buffers remain exceptionally strong. Net International Reserves (NIR) stood at US$6.5 billion at end-June 2026 (providing 26.6 weeks of import cover), supporting exchange rate stability.

Fiscal Outturn Contextualized: Revenue Shortfalls and Capital Execution Lags

The Specified Public Sector **(Central Government + Public Bodies)** recorded an overall fiscal deficit of $8.4 billion, outperforming the budgeted $13.0 billion deficit. However, this overall position masks underlying operational pressures within the Central Government, which recorded a deficit of $23.8 billion against a targeted $14.5 billion deficit. This shortfall was partially offset by a $15.4 billion surplus generated by Self-Financing Public Bodies.

The IFC highlights key context surrounding the fiscal outturn:

- **Revenue Performance and CIT Timing:** Central Government Revenue & Grants fell $28.7 billion below budget. Nearly $9 billion of this shortfall reflects timing differences, including Corporate Income Tax revenue projected for April but received in March 2026 **($5.8B)**, alongside delayed transfers from the National Housing Trust **($2.9B)**.
- **Capital Expenditure Underspend:** The better-than-projected Specified Public Sector balance was largely driven by a $17.3 billion (38.5 percent) under-execution in capital expenditure. Capital spending lagged across both Central Government ($3.9 billion underspend) and Public Bodies ($13.4 billion underspend), caused largely by global supply chain bottlenecks, procurement delays, and capacity constraints. The Commission cautions that capital under-execution does not amount to true fiscal savings and urges government agencies to resolve procurement and capacity hurdles to accelerate post-hurricane reconstruction.

- **Wage Settlement and Fiscal Outlook:** The Government recently concluded a 3-year wage agreement with the Jamaica Confederation of Trade Unions (JCTU) covering FY 2025/26 to FY 2027/28. While enhancing wage predictability, the Commission notes that full cost parameters remain outstanding from the Ministry of Finance and the Public Service, creating uncertainty regarding the ultimate impact on the wage bill.

Fiscal Responsibility Framework

With fiscal rules currently suspended through March 2027 to accommodate hurricane recovery, the IFC emphasizes the necessity of establishing a clear, legislated recalibration plan to anchor public sector debt back toward the statutory 60.0 percent GDP ceiling.

The Commission welcomes the Government's intent to re-introduce a fiscal rule for public sector wages and reiterates the need to align wage negotiation cycles with the national budget process.

Access Reports and Further Information:

Members of the public, parliamentarians, and analysts are invited to review the full *Statement on Fiscal Performance* along with previous reports by visiting www.ifc.gov.jm.

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