STATEMENT ON FISCAL PERFORMANCE

April 2026 – June 2026

INDEPENDENT FISCAL COMMISSION

JAMAICA

September 11, 2026

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Executive Summary

This *Statement on Fiscal Performance* provides an assessment of the Government of Jamaica's (GOJ's) achievement of the budget and fiscal targets as outlined in Part VII of the *Financial Administration and Audit (FAA) Act* and in accordance with Section 15(3) of the *Independent Fiscal Commission Act*, 2021.

The Independent Fiscal Commission's (IFC) macroeconomic assessment for the period April–June 2026 revealed that **Jamaica's economy** remained **resilient**, supported by stronger-than-forecasted economic activity, robust international reserve buffers, and a stable financial system. These factors helped underpin the country's recovery from Hurricane Melissa and provide a solid foundation for continued growth and macroeconomic stability. However, **risks to the outlook have increased**. Higher inflation, rising global uncertainty, external sector pressures and persistent climate-related vulnerabilities continue to weigh on the economic outlook. Accordingly, prudent macroeconomic management and timely implementation of recovery and resilience measures will therefore be essential to preserve stability and sustain economic growth.

Notable findings from the IFC's detailed assessment revealed that:

- **The Jamaican economy performed better than expected.**
    - **Faster Post-Hurricane Recovery**: Despite lingering effects of the devastation from Hurricane Melissa on October 28, 2025, and a challenging global environment, Jamaica's economy is recovering faster than initially projected.
    - **Slowing Economic Contraction**: Preliminary estimates from the Planning Institute of Jamaica (PIOJ) indicate that **real GDP contracted by 2.9 percent in the April–June 2026 quarter** (First quarter of Fiscal Year (FY) 2026/27) relative to the same quarter of 2025. While this marked a third consecutive quarter of contraction, it represents a **deceleration from the 7.1 percent and 4.1 percent contraction recorded in the December 2025 and March 2026 quarter, respectively**.
    - **Outperforming Budgetary Projections**: This **outturn (-2.9 percent)** was significantly **better than the** projection in the FY 2026/27 budget and the **revised post-budget contraction forecast.**

- **Rising inflationary Pressures and Monetary Policy Constraints**
  - **Breaching the target Band**: Headline **inflation rose to 6.7 percent in June 2026** and accelerated further to 7.5 percent in July 2026, **exceeding the Bank of Jamaica's (BOJ) target range of 4.0 percent to 6.0 percent**. However, the June outturn remained significantly below the forecast underpinning the FY 2026/27 Budget and was within the BOJ's projected average inflation range of 5.0 to 8.0 per cent for the period June 2026 to March 2028.

  - **Imported Inflation, Administered Prices and Supply-Side Shocks**: The recent spikes in the price of imported goods are mainly driven by geopolitical tensions in the Middle East, affecting trade flows through the Strait of Hormuz, which elevated global energy and food prices. Domestically, these pressures are compounded by "administered price adjustments" (i.e. increase in public transportation fares and minimum wage) and the ongoing "Super El Nino" event, which is disrupting agricultural output and placing upward pressure on domestic food prices.
  - **Monetary Stance**: The BOJ maintained its policy interest rate at 5.5 percent to anchor inflation expectations and mitigate *second-round* pass-through effects. Inflation is expected to remain elevated above target in the near term before gradually moderating.

- **Deteriorating External Balance offset by Robust Reserves**
  - **Widening Trade Deficit:** The **Merchandise Trade deficit widened to US$1,050.3 million in April–May 2026**, up from US$980.5 million in the corresponding period of 2025. The wider deficit reflected import growth (6.4 percent) outpacing export gains (3.8 percent) amid reconstruction-related demand and elevated commodity prices. Strong growth in manufactured exports was partly offset by declines in agricultural and mining exports resulting from hurricane-related damage, drought conditions, and lower alumina production.

  - **Strong International Buffers:** Despite external sector weakness, Jamaica's Net International Reserves (NIR) remained robust at US$6.5 billion at end-June 2026.

Gross Reserves stood at 26.6 weeks of imports and remained comfortably *above* the IMF's *Assessing Reserve Adequacy* (ARA) benchmark at 139.2 percent

- **Exchange Rate Stability:** The Jamaica dollar remained relatively stable against the US dollar with the exchange rate moving slightly to J$158.51 per US$1.00 over the quarter. This was supported by the BOJ selling US$290.0 million through Bank of Jamaica Foreign Exchange Intervention Trading Tool (*B-FXITT)* operations during the quarter to ensure orderly market conditions.

- **Financial Sector Resilience**
  - **Strong Bank Solvency:** The financial sector remains well-capitalized and liquid. As at June 2026, Capital Adequacy Ratio (CAR) stood at 14.9 percent, comfortably above the statutory minimum requirement of 10.0 percent; while the Non-Performing Loan (NPL) ratio improved marginally to 2.2 percent, indicating contained credit risks. Liquidity conditions also remained robust, with the Liquidity Coverage Ratio exceeding the regulatory requirement.

- **The adverse impact of Hurricane Melissa continues to affect Jamaica's fiscal accounts**.
  - Notably, **the passage of the hurricane** necessitated a **temporary suspension of the fiscal rules—specifically, the relaxation of fiscal balance limits** aimed at achieving a debt-to-GDP target of at most 60.0 percent. The suspension resulted in an extension of the compliance timeline beyond March 2028 and provided the GOJ with meaningful breathing room to address some immediate and short-term socioeconomic and environmental needs resulting from the disaster.
- **With the fiscal rules suspended through end-March 2027, the absence of a legislated timeline for returning the debt ratio to the 60.0 percent of GDP ceiling remains a marked policy gap.**
  - According to Section 48C(6) of the *FAA Act*, the Minister should set out the recommendations for recalibration that is required at the *end* of the initial suspension period. In this regard, the IFC urges the Minister to outline in the forthcoming *Interi*m

FPP, the proposed fiscal consolidation measures needed to restore a credible downward debt-to-GDP path toward the statutory ceiling.

- **While Hurricane Melissa significantly affected the fiscal accounts -Central Government and Self-Financing Public Bodies (SFPBs) - fiscal outturn at end-June 2026 was better-than-budgeted largely due to under-execution of capital expenditure**. The Specified Public Sector (SPS)—comprising the Central Government and the SFPBs (*excluding* the Jamaica Mortgage Bank and the Bank of Jamaica)—recorded a fiscal deficit of **$8.4 billion**, which was better than the budgeted **deficit** of $13.0 billion.
    - Notably, t**he better-than-budgeted SPS fiscal outturn occurred despite a deterioration in the Central Government fiscal balance at end-June 2026**. Central Government recorded a deficit of **$23.8 billion**, compared with a projected **deficit** of $14.5 billion. This was partially offset by a stronger-than-expected surplus of **$15**.**4 billion** from SFPBs, exceeding the original projection of $1.5 billion.
    - Execution of capital projects across the Specified Public Sector continued to lag budget allocations. Of the $184.9 billion budgeted for capital expenditure for FY 2026/27 (Central Government $79.7 billion and Public Bodies $105.2 billion), only $27.6 billion (14.9 percent) was spent during the first three months of the fiscal year; **$17.3 billion (38.5 percent) below budget.** At end-June 2026, the Central Government and the SFPBs under-executed capital expenditure by $3.9 billion and $13.4 billion, respectively. The *National Housing Trust*, *Port Authority of Jamaica* and the *Airports Authority of Jamaica* were the SFPBs mainly responsible for the overall underspend in capital expenditure.

- **Central Government *Revenue & Grants* was $28.7 billion (9.8 percent) below the budget while Expenditure fell below budget by $19.5 billion (6.3 percent).** Tax Revenue and Non-tax Revenue registered shortfalls during the June 2026 quarter of $18.8 billion (6.9 percent) and $10.5 billion (51.8 percent), respectively. It is important to note that nearly $9 billion of this $28.7 billion shortfall has already been collected. It represents a combination of tax revenue projected for April but collected in March 2026, and transfers of $2.9 billion from the National Housing Trust to the Central Government programmed for June but received in the September quarter. At the same time, spending on all major expenditure items during the June 2026 quarter was less than the amount budgeted.

- Of note, a significant portion of the $18.8 billion tax revenue shortfall arose specifically from the GOJ shifting the due date for Corporate Income Tax (CIT) from March to April. At end-June 2026, the CIT registered a revenue shortfall of $13.3 billion (23.7 percent) relative to budget, an outcome that should be contextualized. The MoFPS reported that some companies actually paid over corporate income tax (earlier) in March, ahead of the April 15 due date, thereby contributing to the shortfall in the April to June 2026 period. Controlling for these unforeseen earlier payments, the IFC estimated that corporate income tax would have fallen short by about $7.5 billion compared with the recorded shortfall of $13.3 billion.

- **Selected tax measures announced in February 2026 continue to impact collections for the current fiscal year**.
  - The legislation to effect an increase in the rate for the Environmental Levy —scheduled originally for May 1, 2026 is *yet* to be enacted. The Ministry now expects this increase to become effective in October 2026. This delay has resulted in an estimated revenue shortfall of approximately $0.7 billion for the June quarter, with expectations of a $1.8 billion fallout FY 2026/27. In light of the shortfall, **going forward the MoFPS should ensure that all its revenue measures are implemented in a timely manner to limit revenue loss.**

- **On the wage front, while the GOJ signed a 3-year Wage Agreement with the Jamaica Confederation of Trade Unions (JCTU), uncertainty surrounding compensation costs remains.**
  - The Agreement covers the contract period April 1, 2025 to March 31, 2028. Nevertheless, the IFC is unable to assess the impact, specifically on the wage bill, and more broadly, on the fiscal programme, due to lack of information from the MoFPS on the cost of the settlement. Of note, negotiations continue with other bargaining groups, which will also impact the overall wage bill. **In this vein, the IFC welcomes the Minister's recent announcement of Government's intent to**

anchor public sector *Wages & Salaries* going forward and considers it a meaningful step toward containing budget risks and enhancing fiscal management.

- At the time of presentation of the 2026/27 Budget, the GOJ's offer to public sector workers was for an annual 2.5 percent increase in each of the three years (FY 2025/ 2026 – 2027/ 2028). The settlement reached was for a one-off $80,000 non-taxable payment to public servants for the period April 2025-March 2026 and a 5.0 percent rate increase in both the second and third years. In addition to the IFC being unable to assess the fiscal impact of the compensation agreement in the absence of pertinent information on the cost of the wage settlement relative to the initial offer from the Ministry, there is also uncertainty on whether the $42.8 billion contingency allocated to cover wage rates and retroactive payments, is adequate.

- **Notwithstanding the aforementioned improvements in the macro-fiscal outcomes, some material gaps remain:**
- Specifically, despite the recent wage settlement with the JCTU, albeit 18 months after the starting period for the agreement, the **IFC reiterates that the GOJ needs to establish and timely execute a public sector compensation negotiation cycle that aligns with the budget cycle**,
- **The GOJ needs to provide more fulsome reports on the Specified Public Sector**, as the *FAA Act* requires.

SECTION I: INTRODUCTION

This latest ***Statement on Fiscal Performance*** is prepared in accordance with **Section 15(3)** of the ***Independent Fiscal Commission Act*, 2021**.

- **Mandate and Frequency:** The Fiscal Commissioner is mandated to prepare and publish a *Statement on Fiscal Performance* at two intervals during each fiscal year.
- **Publication Timeline**: The *Statement* must be published on the IFC's official website within **twenty-one days of receiving quarter-end fiscal data for 30th June** and within **forty-two days of receiving quarter-end fiscal data for 31st December** of each year. In this particular instance, the *Statement* is in fulfilment of receiving data for the Specified Public Sector for **the period April to June 2026**. Prior to publication, the Commissioner shall submit the *Statement* to the Speaker of the House of Representatives and the President of the Senate, who shall table it as soon as possible.
- **Primary Objective**: The *Statement's* central purpose is to provide an **assessment of the Government's achievement of the budget and fiscal targets** outlined in **Part VII of the *Financial Administration and Audit Act***.
- **Scope of Assessment**: The assessment covers the financial performance of the "**Specified Public Sector"** i.e. the Central Government *plus* selected Self-Financing Public Bodies, excluding the Bank of Jamaica (BOJ) and the Jamaica Mortgage Bank, which are certified *exempt* from the fiscal rules by the Auditor General.
- **Information Limitations**: The *Statement* excludes any information that: is confidential, could compromise national security/defence, could significantly harm the Jamaican economy or impair Government's ability to manage its affairs.

SECTION II: MACROECONOMIC OVERVIEW

Jamaica's economy proved more resilient than expected in the first quarter of FY 2026/27 despite the lingering effects of Hurricane Melissa and continued uncertainty in the global economic landscape.

Economic activity remained below pre-hurricane levels; however, the pace of contraction slowed as recovery efforts gained traction across several productive sectors. While labour market conditions were slightly worse, the unemployment rate remains close to historical lows. At the same time, inflation picked up owing to higher food and energy prices alongside adjustments to administered prices (transportation fares and Minimum Wage).

Relative to the assumptions underpinning the FY 2026/27 Budget and subsequent revised projections, macroeconomic outcomes were generally stronger than anticipated. For the June 2026 quarter, Real GDP contracted by *less* than projected, inflation remained below forecast, and external reserves strengthened further. **These developments suggest that post-hurricane recovery is progressing faster than initially expected, although downside risks associated with external developments remain elevated**.

Relatedly, stronger-than-expected real economic activity is expected to support revenue performance by bolstering the tax base. However, lower-than-projected inflation could have the opposite effect of tempering growth in nominal tax bases and associated revenues. The overall fiscal effect will depend on the extent to which stronger economic activity offsets the revenue impact of lower inflation.

1.0 Real Sector

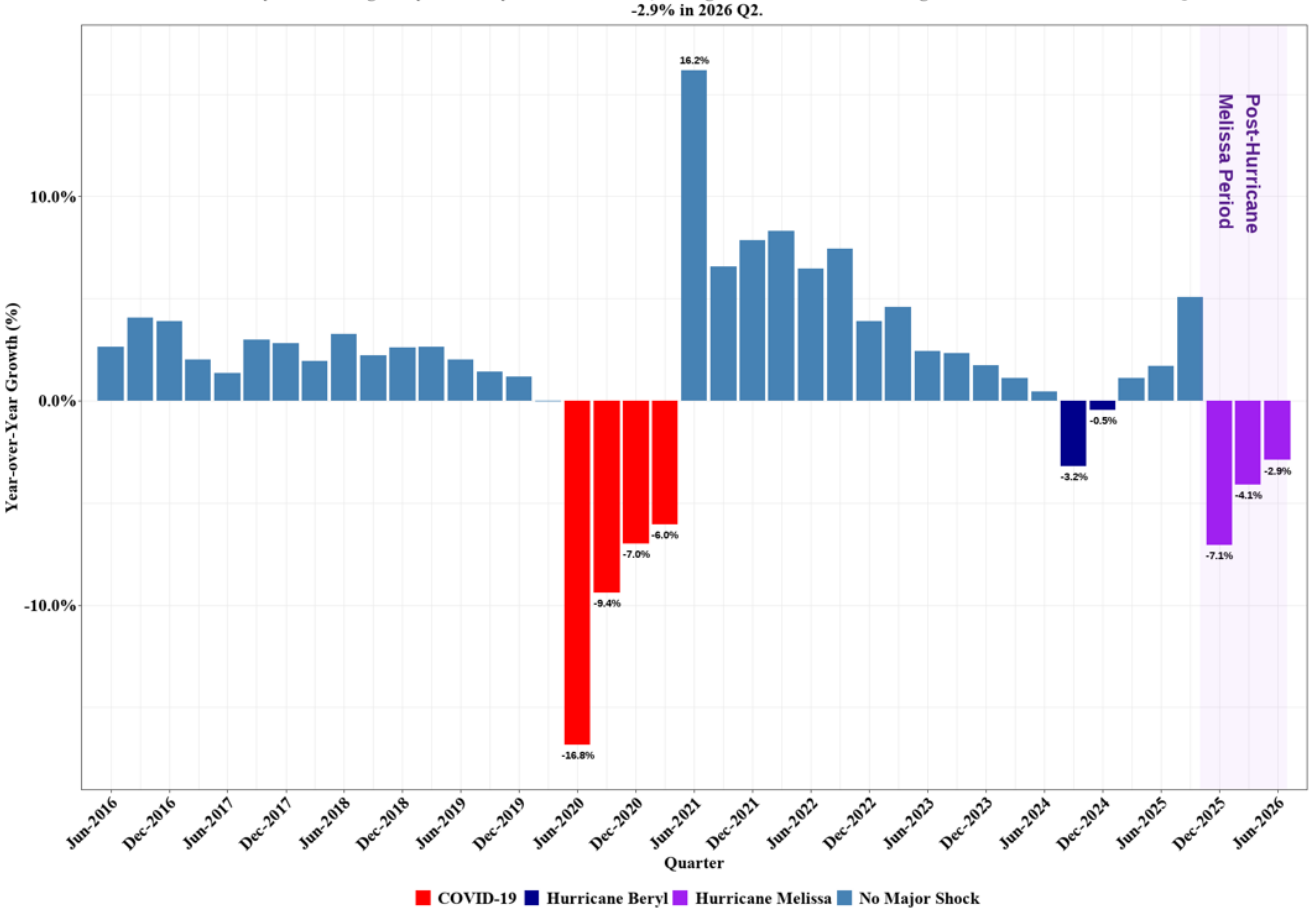
Real GDP Development

Economic activity contracted for a third consecutive quarter following Hurricane Melissa, but the decline was substantially lower than projected.

Preliminary estimates from the Planning Institute of Jamaica (PIOJ) indicate that **real GDP declined by 2.9 percent in the April-June 2026** quarter relative to the corresponding quarter of 2025. While economic activity continued to be affected by Hurricane Melissa, the rate of contraction slowed markedly from 7.1 percent in October - December 2025 quarter to 2.9 percent in April–June 2026 quarter (**Figure 1**).

Figure 1a: Real GDP Contracted for a Third Consecutive Quarter Following Hurricane Melissa

The economy remained negatively affected by Hurricane Melissa, although contraction eased as GDP growth moved from -7.1% in 2025 Q4 to -2.9% in 2026 Q2.

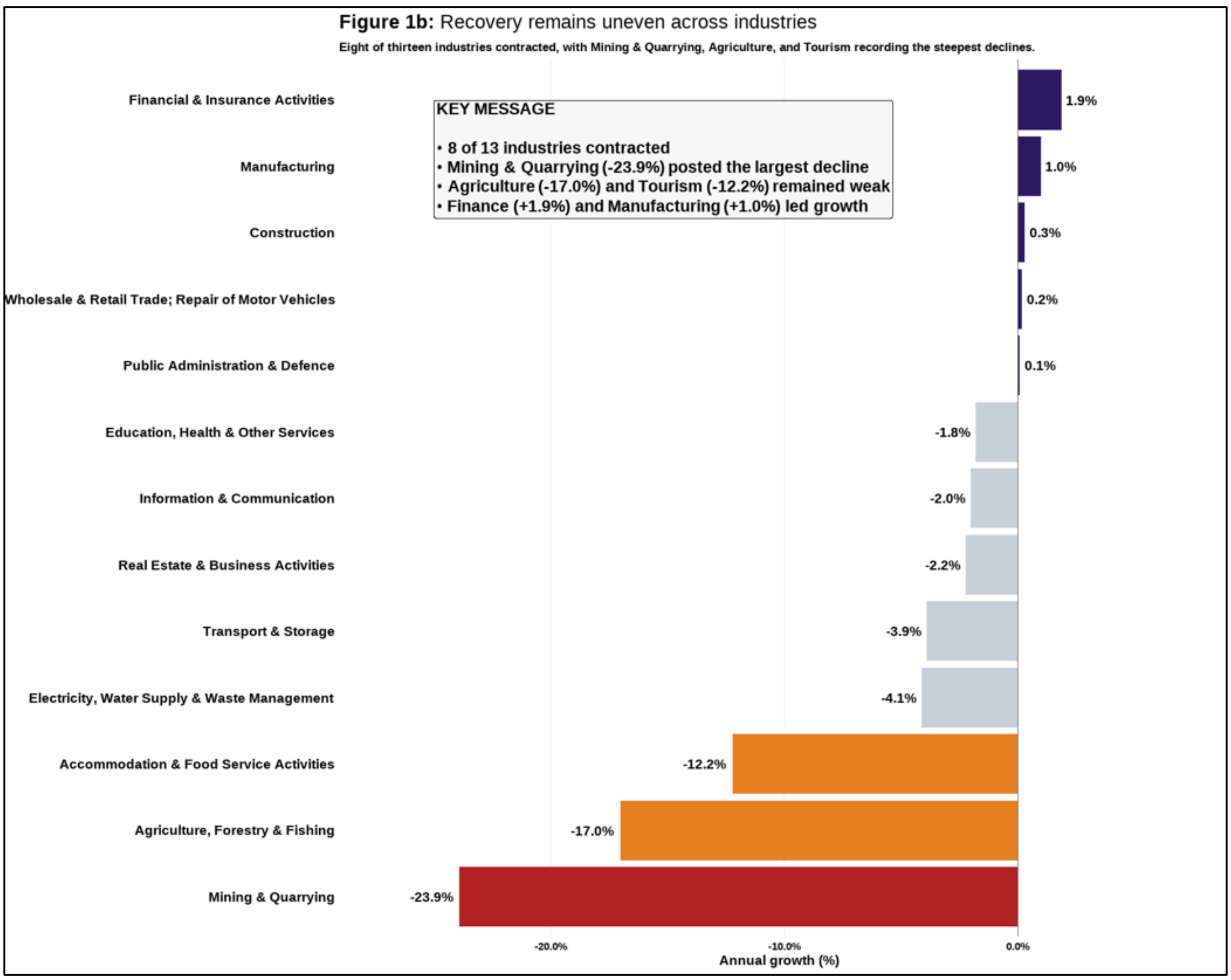


Sources: Compiled using data obtained from STATIN and PIOJ.

Economic activity has proven more resilient than anticipated, with growth exceeding both the FY 2026/27 Budget forecast and the revised post-budget projection. The stronger outturn points to a faster-than-expected recovery in reconstruction activity and business operations.

Industry Performance

The recovery remained uneven, with eight of the thirteen industries recording declines (**Figure 1b**). Mining & Quarrying posted the largest contraction, reflecting refinery disruptions and the lingering effects of Hurricane Melissa, while Agriculture, Forestry & Fishing and Accommodation & Food Service Activities (Tourism) continued to be adversely affected by the hurricane. Nevertheless, signs of recovery emerged in five industries, led by Finance & Insurance Activities and Manufacturing.



Source: Compiled using data obtained from PIOJ.

Inflation Development

Inflation rose above the BOJ's target range during the quarter but remained lower than projected.

Twelve-month point-to-point inflation increased to **6.7 percent at end-June 2026**, exceeding the Bank of Jamaica's target range of **4.0 percent to 6.0 percent**. Nevertheless, inflation was below the **forecast at the time of presentation of the FY 2026/27 Budget** and was within the BOJ's projected average inflation range of 5.0 to 8.0 per cent for the period June 2026 to March 2028.

The lower than projected price levels, will negatively impact the tax base of the economy and constrain tax revenue growth.

This lower-than-expected outturn is consistent with observations made by the IFC in its February 2026 *Economic and Fiscal Assessment Report*, which highlighted downside risks surrounding the official inflation forecast and the associated revenue impact.

Drivers of Inflation

While the uptick in inflation following Hurricane Melissa was not as prolonged as initially forecasted, the rise in the general price level during the June quarter largely reflected:

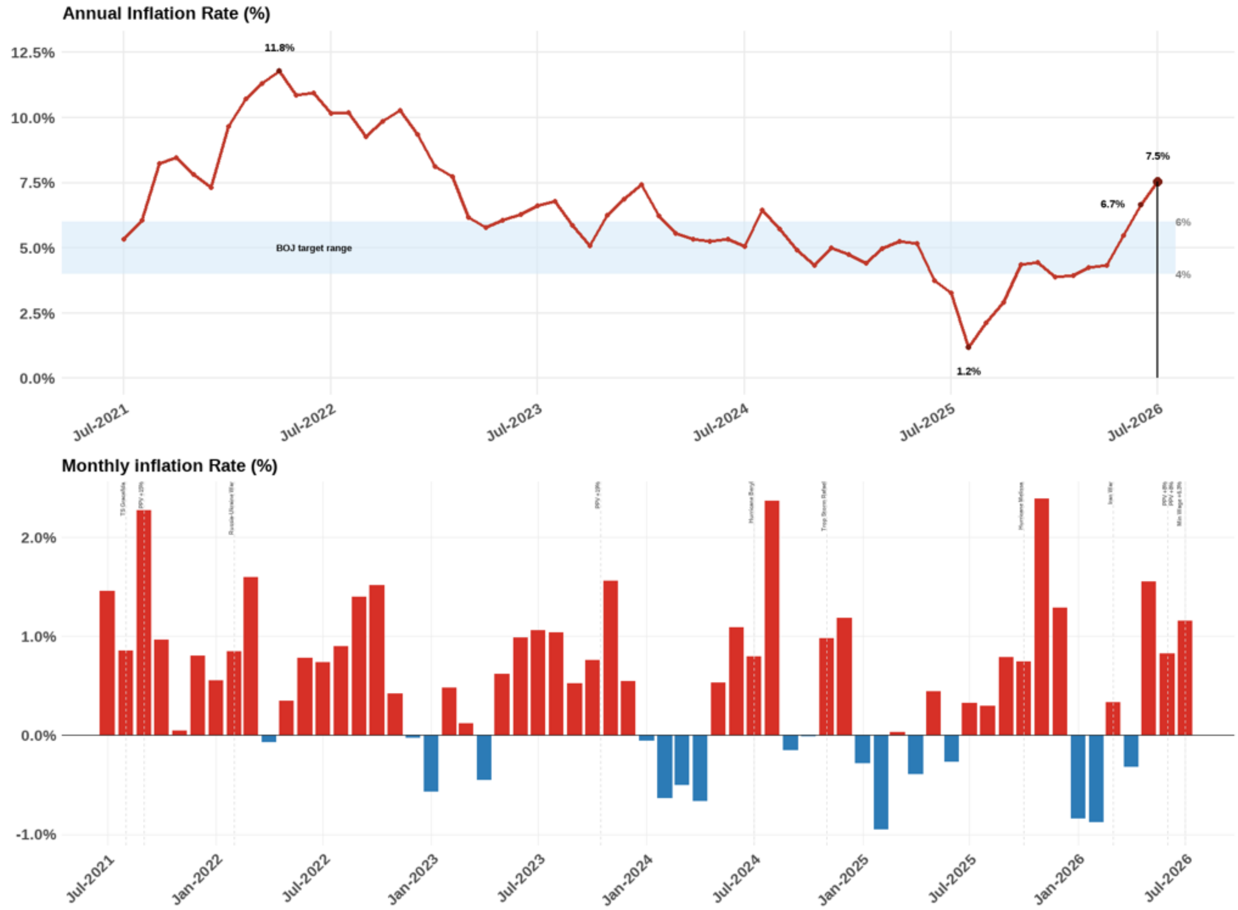
- geopolitical tensions in the Middle East, including impacts on trade flows through the Strait of Hormuz, which contributed to:
    - higher global energy prices;
    - increases in international food prices;
- administered-price adjustments, particularly public transportation fares.

These factors contributed to stronger price increases in transportation, food and selected service categories, resulting in inflation moving above the BOJ's target range in June and July 2026 (**Figures 2** and **3**[1]).

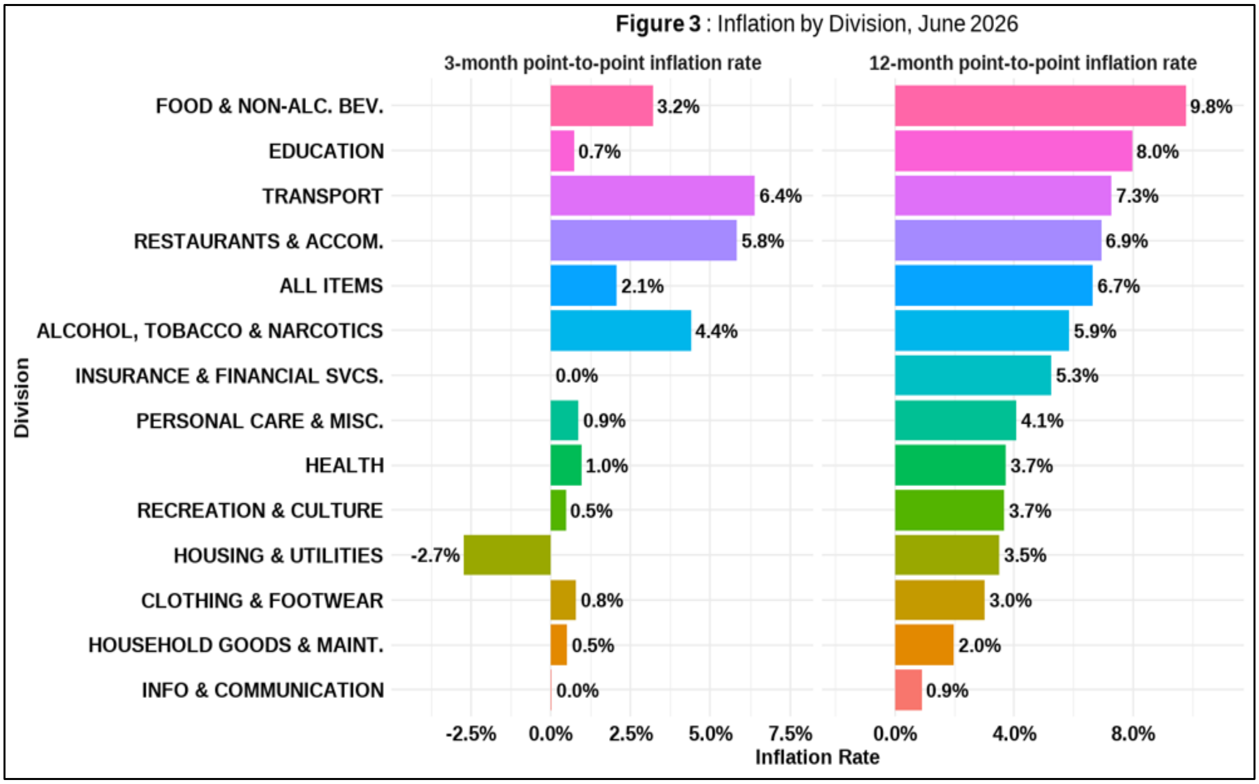
[1] See **Appendix III** for CPI Division Name and Abbreviation used in **Figure 3**.

Figure 2: Inflation exceeded the BOJ target range in June and July 2026

Annual inflation rose to 7.5% in July 2026, reflecting administered-price adjustments, higher global food and energy prices, and weather-related supply shocks.



Sources: Compiled using data obtained from STATIN and BOJ.



Source: Compiled using data obtained from STATIN.

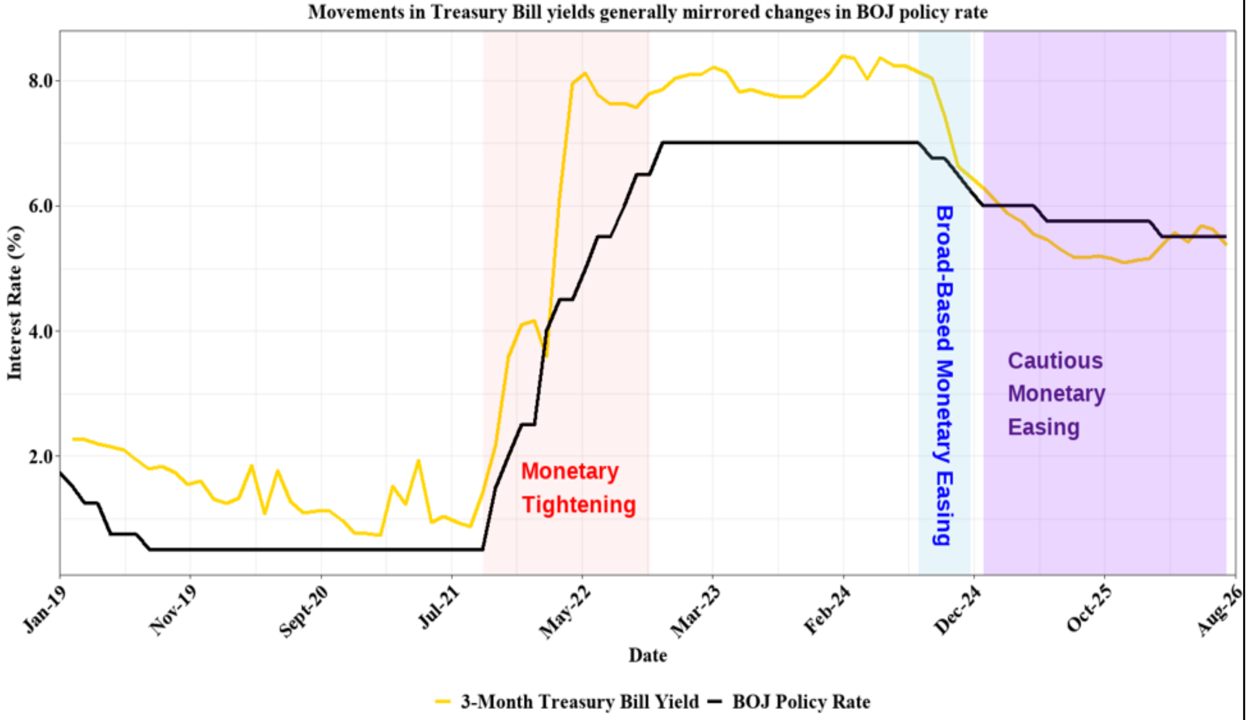
2.0 Monetary and Financial Sector Developments

Monetary and financial conditions remained stable during the first quarter of FY 2026/27, with inflation pressures managed through a steady monetary policy stance, orderly foreign exchange market conditions, and a resilient financial system supported by strong capital, liquidity, and asset quality indicators. The financial system remained resilient and broadly secure during the quarter despite inflationary pressures.

Monetary Policy Remained Focused on Anchoring Inflation Expectations. Relatedly, monetary conditions remained supportive of macroeconomic and financial stability during the April-June 2026 quarter. The Bank of Jamaica (BOJ) maintained its policy rate at 5.50 percent, judging that the current stance remained appropriate to contain *second-round* inflationary effects arising from higher global commodity prices and domestic administrative price adjustments (**Figure 4**).

Figure 4: Treasury Bill Yields have Declined Alongside Reductions in the BOJ Policy Rate

Movements in Treasury Bill yields generally mirrored changes in BOJ policy rate



Sources: Compiled using data from Bank of Jamaica and BOJ.

As anticipated by the BOJ, headline inflation rose above the upper limit of the Bank's 4.0 percent to 6.0 percent target range, reaching 6.7 percent in June 2026 and 7.5 percent in July 2026 (**Figure 2**). Inflation is expected to remain elevated in the near term before gradually returning to the target band as temporary supply-side pressures dissipate. **While the current inflation episode could prove to be temporary, the persistence of underlying pressures will determine the appropriate monetary policy response in the near term.**

Foreign Exchange Market Remained Stable despite heightened external uncertainties. The BOJ continued to support orderly market conditions through its Foreign Exchange Intervention and Trading Tool (*B-FXITT*). Reflecting these efforts and continued foreign exchange inflows, the Jamaica dollar remained stable against the US dollar during the quarter.

To support market stability, the BOJ sold US$290 million through B-FXITT operations during the quarter, compared with US$210 million in the previous quarter and US$345 million in the corresponding quarter of 2025.

The financial system remained sound and well-capitalized during the review period. At end-June 2026, the Capital Adequacy Ratio (CAR) for deposit-taking institutions (DTIs) stood at 14.9 percent, up from 14.5 percent at end-March 2026 and comfortably above the statutory minimum requirement of 10.0 percent. Liquidity conditions also remained robust, with all licensed DTIs reporting Liquidity Coverage Ratios (LCRs) above 100 percent, indicating that institutions maintained liquidity buffers in excess of regulatory requirements.

Asset quality continued to improve. The ratio of non-performing loans (NPLs) to gross loans declined to 2.2 percent at end-June 2026 from 2.7 percent a year earlier, suggesting that credit risks remained contained and overall loan performance strengthened.

Credit to the private sector continued to expand. Loans and advances to local businesses and households from DTIs increased by 6.7 percent at end-June 2026 relative to a year earlier, compared with 6.2 percent at end-March 2026, and 7.0 percent at end-June 2025. Growth in business lending accelerated to 5.4 percent; up from 4.8 percent in March 2026, although it remained below the 7.2 percent recorded a year earlier. Consumer lending also strengthened, rising by 7.6 percent at end-June 2026, compared with 7.1 percent in March 2026 and 6.8 percent a year earlier. The expansion in business credit was driven primarily by lending to the Distribution and Construction sectors.

Overall, available indicators suggest that the monetary and financial system remains well positioned to support the economic recovery while remaining resilient to potential shocks from a still uncertain domestic and external environment.

However, heightened uncertainty stemming from geopolitical developments could place upward pressure on inflation expectations, posing risks to the inflation outlook. Should these pressures materialize and persist, they could influence the Bank of Jamaica's monetary policy stance and contribute to higher Government of Jamaica borrowing costs, for example through increases in Treasury Bill yields.

3.0 External Sector

The external position weakened following Hurricane Melissa, but external stability remained supported by strong reserves and orderly foreign exchange market conditions. According to the latest Balance of Payments data, Jamaica recorded a current account surplus of US$16.0 million in the January-March 2026 quarter[2], compared with a surplus of US$228.6 million in the corresponding quarter of 2025.

The deterioration primarily reflected a widening deficit on the goods and services account, driven by weaker earnings from the tourism and mining sectors. Tourism receipts were adversely affected by the temporary reduction in available hotel room capacity following Hurricane Melissa, while lower mining exports reflected ongoing technical and operational challenges within the industry.

Partially offsetting these developments were improvements in the primary income account (net investment income) and secondary income account, particularly remittances. Remittance net-inflows increased by 5.0 percent during the January–March 2026 quarter.

Merchandise Trade Performance

Jamaica's merchandise trade deficit widened to US$1,050.3 million during April-May 2026, compared with US$980.5 million in the corresponding period of 2025. The deterioration primarily reflected stronger import growth relative to exports, driven by reconstruction-related demand and higher international commodity prices.

Imports increased by 6.4 percent, largely reflecting higher fuel costs and increased purchases of raw materials and construction inputs associated with Hurricane Melissa recovery efforts. Exports grew by 3.8 percent; however, gains in manufactured exports (44.4 percent), particularly refined petroleum products, were partially offset by lower agricultural (19.2 percent) and mining (38.4 percent) exports. Agricultural exports declined owing to hurricane damage and drought conditions linked to the Super El Niño event, while mining and quarrying exports contracted due to lower alumina production and ongoing operational challenges.

[2] This represents the latest Balance of Payment data available at the time of writing.

Outlook

The current account is expected to record a deficit in the April-June 2026 quarter. Tourism and Mining activities are likely to remain below normal levels in the near term, while imports are expected to remain elevated as reconstruction efforts continue. As a result, the deterioration in the goods and services balance is expected to outweigh positive contributions from remittance inflows and investment income.

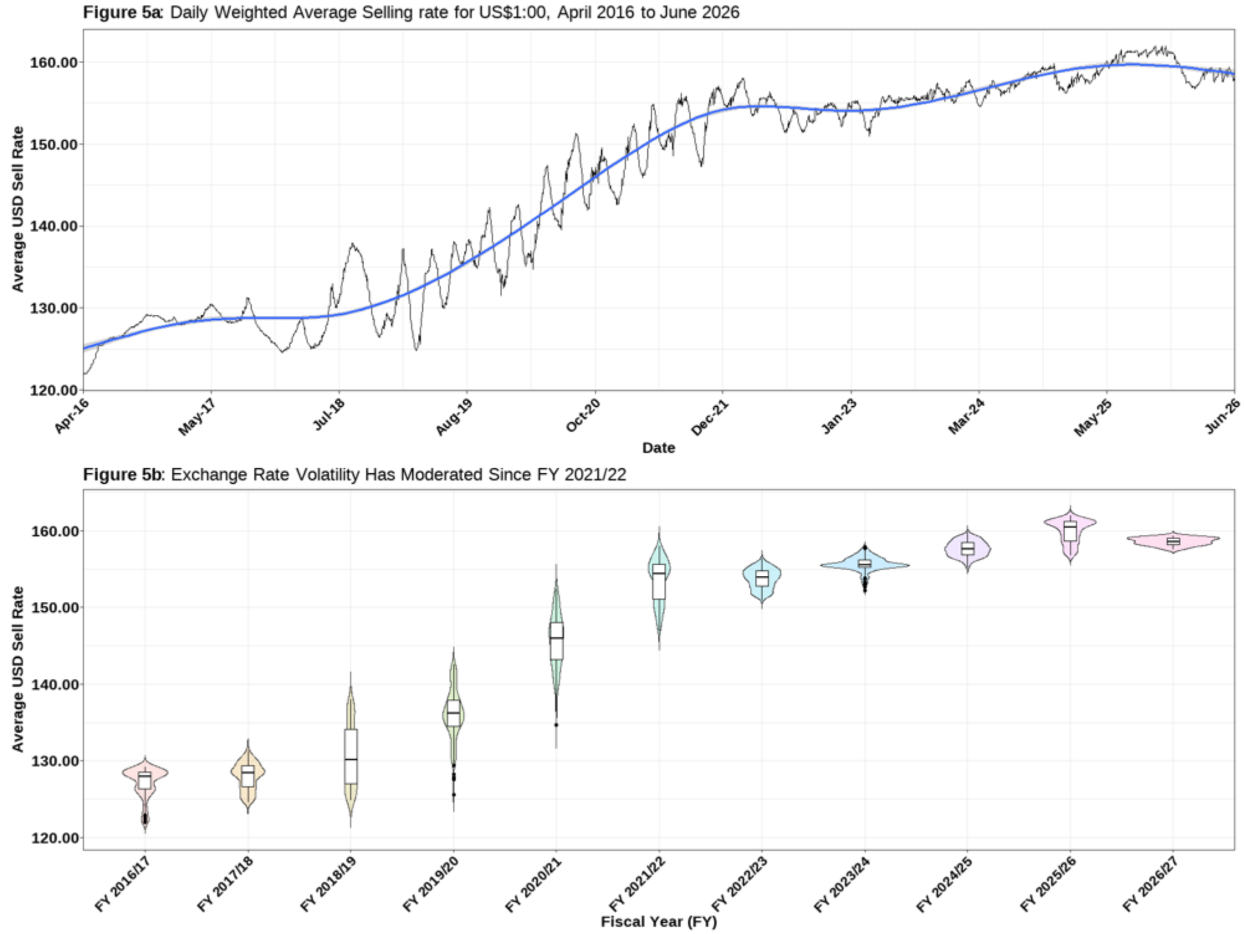
Despite the weaker current account position, Jamaica's external buffers remain robust.

Jamaica’s Net International Reserves (NIR) stood at approximately US$6.5 billion at end-June 2026, exceeding earlier projections. Gross International Reserves (GIR) also amounted to US$6.5 billion and provided import coverage equivalent to 26.6 weeks of goods and services imports, well above the benchmark of 12 weeks. Reserves adequacy remained comfortably *above* the IMF’s *Assessing Reserve Adequacy* (ARA) benchmark at 139.2 percent, compared with 138.0 percent at end-June 2025.

The foreign exchange market also remained orderly during the quarter, supported by the Bank of Jamaica’s foreign exchange interventions and strong reserve holdings. As illustrated in **Figure 5**, exchange rate volatility has remained significantly lower than the levels observed during FY 2020/21 and FY 2021/22, reinforcing confidence in Jamaica’s ability to absorb external shocks while maintaining exchange rate stability.

Figure 5: Strong Reserve Buffers and BOJ Operations Continued to Support Exchange Rate Stability

The weighted average selling rate has remained broadly stable since FY 2022/23, with lower volatility than that observed during FY 2020/21 and FY 2021/22.



Source: IFC compilation based on data from the BOJ.

SECTION III: FISCAL OVERVIEW

1.0 Fiscal Performance: April to June 2026

At end-June 2026, the **Specified Public Sector** recorded an overall deficit of **$8.4 billion**; better than the projected $13.0 billion deficit. This better outturn resulted from a $23.8 billion Central Government deficit being *partially offset* by a $15.4 billion surplus registered by the Self-Financing Public Bodies. The chief driver of the better-than-projected overall fiscal balance for the Specified Public Sector was a $17.3 billion (38.5 percent) under-execution in capital expenditure.

Notwithstanding the better-than-projected Specified Public Sector fiscal balance, the fiscal rules remain suspended through end-March 2027. At the end of the suspension period, the fiscal balance target will need to be *recalibrated* in accordance with the *FAA Act*. Legislating a revised timeline for achieving the debt-to-GDP ceiling of 60.0 percent would provide an anchor for the recalibration of the fiscal balance target.

Of note, recovery and reconstruction efforts are expected to extend beyond the suspension period as National Reconstruction and Resilience Authority (NaRRA) becomes fully operational and the Government's reconstruction programme advances. **Against this backdrop, the IFC reiterates that robust fiscal consolidation initiatives will be essential to return the debt-to-GDP ratio to a sustained downward trajectory towards the legislated ceiling, amid continued recovery and reconstruction needs.**

Central Government Operations

Box 1 presents the budgetary outturns for the Central Government during April–June 2026. At end-June 2026, the Central Government operations recorded a **Fiscal deficit** of $23.8 billion, which was ***worse*** than the programmed deficit of $14.5 billion. **A Primary surplus** of $17.9 billion was generated, compared with the $31.9 billion targeted (**Table 1**).

Box 1: *Central Govt. Summary Outturns for April-June 2026*

Relative to Budget

Revenue & Grants below Budget by **9.8 percent**.

Tax Revenue below Budget by **6.9 percent**.

Non-Tax Revenue below Budget by **51.8 percent**.

Expenditure below Budget by **6.3 percent**.

Recurrent Expenditure below Budget by **5.4 percent**.

Wages & Salaries below Budget by **0.2 percent**.

Interest below Budget by **10.2 percent**.

Capital Expenditure below Budget by **22.0 percent**.

Fiscal Balance worse than Budget by **63.6 percent**.

Primary Balance worse than Budget by **43.8 percent**.

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

Table 1: Budgeted and Actual Outturns for Selected Central Government Budget Indicators, April to June 2026

Indicator	*Budget* *Apr. — June 2026*	*Actual Outturn* *Apr. — June 2026*	*Difference*	*Diff (%)*
Revenue & Grants	**293,489.2**	**264,768.0**	**-28,721.2**	**-9.8**
Tax Revenue	272,688.4	253,893.8	- 18,794.7	-6.9
Non-Tax Revenue	20,268.2	9,772.9	-10,495.3	-51.8
Other Revenue	532.6	1,101.3	568.8	106.8
Total Expenditure	**308,016.9**	**288,530.0**	**-19,486.9**	**-6.3**
Recurrent Expenditure	290,415.2	274,802.2	-15,612.9	-5.4
Programmes	112,880.8	102,421.1	-10,459.7	-9.3
Compensation of Employees	131,093.9	130,688.8	-405.1	-0.3
of which Wages & Salaries	121,684.5	121,482.4	-202.1	-0.2
Interest	46,440.5	41,692.3	-4,748.2	-10.2
Capital Expenditure	17,601.7	13,727.7	-3,873.9	-22.0
Fiscal Balance	**-14,527.7**	**-23,762.0**	**-9,234.3**	**-63.6**
Primary Balance	**31,912.8**	**17,930.3**	**-13,982.5**	**-43.8**

Note: J$ Million. Discrepancies due to rounding.

Source: Compiled by the IFC using data obtained from the MoFPS.

Tax Revenue of $253.9 billion fell short of budget by $18.8 billion (6.9 percent). While the performance of the individual tax types was *mixed,* notable shortfalls were registered by Other Companies, Other Individuals (Self-Employed) and SCT (Local). Further details on tax revenue outturns by tax type are presented in **Table 2**.

Noticeably, tax revenue from Other Companies was $13.3 billion below budget during the review period, with the deviation partly reflecting a timing-related forecasting variance associated with the shift in the income and asset tax filing deadline from March 15 to April 15. While the budget assumed that a greater share of Corporate Income Tax (CIT) receipts would be collected in April 2026, actual collections surpassed expectations in March 2026 as some corporate entities filed and paid earlier than anticipated, with those receipts recorded in FY 2025/26. Consequently, part of the shortfall in the June 2026 quarter reflected the earlier-than-projected intake of CIT revenue rather than an underlying weakness in tax collections. When the IFC controlled for this factor, the estimated shortfall in the June 2026 quarter was $7.5 billion. Nevertheless, the overall shortfall in CIT revenue was partially offset by over-performance in *inter alia* SCT (Imports) and Contractors' Levy.

The IFC anticipated this aforementioned shortfall. In its March 2026 *EFAR*, the IFC expressed that the revenue forecast was optimistic due to an over-projected inflation level following the passage of Hurricane Melissa. Furthermore, the delay in the implementation of some aspects of the 2026/2027 revenue measures contributed further to the overall tax revenue shortfall. **Table 3** elaborates on the factors behind the notable deviations.

Relative to the corresponding quarter of the previous fiscal year, Tax Revenue increased by $40.6 billion (19.0 percent) in nominal terms. Despite falling below budget, receipts from Other Companies were $23.9 billion higher than the amount garnered during the April–June 2025 period, largely reflecting the shift in filing and payment deadline from March to April. The imposition of new tax measures also contributed to the *year-on-year* increase in collections.

Non-Tax Revenue of $9.8 billion fell below the targeted amount by $10.5 billion (51.8 percent), partly due to late transfers of $2.9 billion from the NHT to Central Government. The cause of the remaining $7.6 billion shortfall is unclear due to insufficient information from the Ministry.

Grant receipts of $0.9 billion exceeded the budgeted amount by $0.3 billion (61.7 percent), driven primarily by early disbursements for ongoing programmes, notably *Digital Jamaica*.

Table 2: Budgeted and Actual Outturns for Selected Central Government Budget Indicators by Tax Type, April to June 2026

Indicator	*Budget*	*Actual Outturn*		
	Apr.–June 2026	*Apr.–June 2026*	*Difference*	*Diff (%)*
Revenue & Grants	**293,489.2**	**264,768.0**	**-28,721.2**	**-9.8**
Tax Revenue	**272,688.4**	**253,893.8**	**-18,794.7**	**-6.9**
Income and Profits	**112,589.3**	**95,822.0**	**-16,767.3**	**-14.9**
Bauxite/Alumina	0.0	0.0	0.0	0.0
Other Companies	56,098.0	42,812.2	-13,285.8	-23.7
PAYE	42,201.6	41,102.6	-1,099.0	-2.6
Tax on Dividend	891.2	907.9	16.7	1.9
Other Individuals	2,527.7	1,306.4	-1,221.3	-48.3
Tax on Interest	10,870.8	9,692.9	-1,177.9	-10.8
Production and Consumption	**73,818.9**	**75,796.9**	**1,978.0**	**2.7**
Minimum Business Tax	0.0	12.5	12.5	n.a.
SCT (Local)	8,567.2	5,523.3	-3,043.9	-35.5
Environmental Levy (Local)	330.7	305.7	-25.0	-7.6
Motor Vehicle Licences	1,306.4	1,358.4	52.0	4.0
Other Licences	542.9	679.4	136.5	25.1
Quarry Tax	46.8	105.8	59.0	125.9
Betting, Gaming and Lottery	2,648.9	2,592.0	-56.9	-2.1
Accommodation Tax	884.6	694.1	-190.5	-21.5
Education Tax	13,442.8	14,009.5	566.7	4.2
Telephone Call Tax	595.7	633.4	37.7	6.3
Contractors' Levy	572.6	1,044.2	471.6	82.4
GCT (Local)	42,605.7	46,566.7	3,961.0	9.3
Stamp Duty (Local)	2,274.6	2,271.8	-2.8	-0.1
International Trade	**86,280.2**	**82,275.0**	**-4,005.3**	**-4.6**
Custom Duty	18,899.5	17,333.2	-1,566.4	-8.3
Stamp Duty	1,150.0	1,120.6	-29.4	-2.6
Travel Tax	8,912.3	5,956.7	-2,955.7	-33.2
GCT (Imports)	35,731.3	34,607.0	-1,124.4	-3.1
SCT (Imports)	19,373.4	21,665.3	2,291.9	11.8
Environmental Levy (Imports)	2,213.6	1,592.2	-621.4	-28.1
Non-Tax Revenue	**20,268.2**	**9,772.9**	**-10,495.3**	**-51.8**
Bauxite Levy	**0.0**	**240.3**	**240.3**	**n.a.**
Grants	**532.6**	**861.0**	**328.4**	**61.7**

Note: J$ Million. Discrepancies due to rounding.

Source: Compiled by the IFC using data obtained from the MoFPS.

All Expenditure components fell below budget, led by External Interest Payments and Capital Expenditure which were lower by 12.9 percent and 22.0 percent, respectively.

Under-spending on **External Interest Payments** arose from, *inter alia*, some fixed-rate multilateral loans being converted to variable rates, lower-than-projected exchange rates at the time of payment and a lower-than-projected loan disbursement (which resulted in lower interest payments) during the relevant period.

Capital Expenditure was $3.9 billion (22.0 percent) below the projected amount at end-June 2026. This shortfall was largely driven by delays in the procurement of equipment stemming from supply-chain bottlenecks associated with the ongoing US-Israel-Iran War, underspending in renovations at the Western Children and Adolescent Hospital, slower-than-expected implementation of the National Identification System (NIDS) and under expenditure associated with the Western Parishes Water Supply and Resilience Improvement Programme. Of note, procurement challenges and capacity constraints not just in in Ministries, Departments and Agencies (MDAs) but *also* within the private sector continue to plague timely project execution. **Table 3** details the factors behind the deviations in spending.

The IFC reiterates that underspending of budgeted expenditure that improves the fiscal bottom-line *does not* represent true savings by Government. Persistent under-execution of Capital Expenditure and productivity-enhancing Recurrent Programmes remains a grave concern, particularly in the context of the significant ($30 billion) allocation to the NaRRA, which will spearhead major and urgent infrastructure reconstruction efforts following Hurricane Melissa. However, while NaRRA is expected to eventually fast-track the implementation of reconstruction projects when it becomes actively operationalized with adequate staffing, its impact is likely to be minimal in FY 2026/27, thereby furthering the under-execution of the exceptionally high Capital Expenditure budget for FY 2026/27. In this vein, **the IFC reiterates that Government in its thrust to pivot to faster economic growth, should move expeditiously to alleviate the impediments (including capacity constraints within Ministries, Departments and Agencies) in order to accelerate execution of projects across the public sector.**

Recurrent Programmes was below budget (9.3 percent) due mainly to delays faced by MDAs (such as the Ministry of Health and Wellness) in the procurement of drugs, medical supplies and equipment arising from global supply chain disruptions, along with slower-than-expected repairs to schools damaged by Hurricane Melissa.

Spending on Wages & Salaries was broadly in line with budget for the review period. Nevertheless, it is important to note that at the end of the 2025/26 fiscal year, Wages & Salaries was 13.2 percent of GDP (**Figure 6**). This highlights a continued upward trend since the abolition of the fiscal rule on wages post-FY 2021/22, when Wages & Salaries consumed only 8.8 percent of GDP. Furthermore, Wages & Salaries as a percentage of tax revenue stood at 54.4 percent in FY 2025/26 compared with 47.9 percent at the end of FY 2024/25, and 45.5 percent in FY 2023/24.

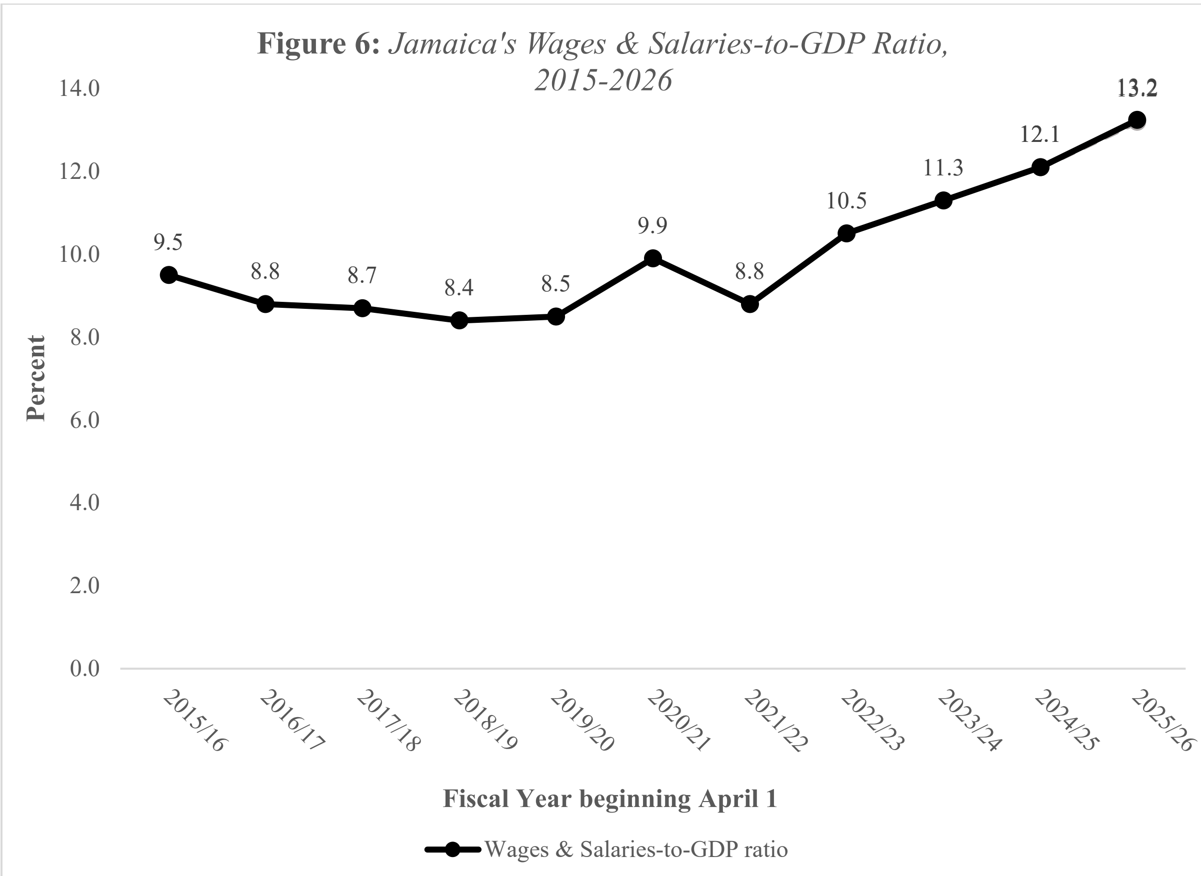
While Wages & Salaries was broadly in line with budget at end-June 2026, the recently signed wage agreement with the JCTU[3], could place additional upward pressure on the current wage bill. The Agreement comprises a one-off $80,000 (tax-free) payment to all Government employees for FY 2025/26, a 5.0 percent increase for both FY 2026/27 and FY 2027/28 as well as re-instatement of the 2.5 percent performance increment that was suspended during the period of implementation of a new wage structure (April 2022-March 2025).

Considering that the prior wage offer that was incorporated into the budget comprised a 2.5 percent wage increase in each of the three years up to FY 2027/28, the cost of this recent settlement with the JCTU could cause a material deviation from the budgeted amount. The new agreement could also have knock-on effects for other Government expenditure items in view of the Minister's pronouncement, that other planned projects would be executed more slowly due to the broader fiscal implications surrounding the wage agreement. Nevertheless, in the absence of information on the overall cost of the wage settlement relative to the initial offer from the Ministry, **the IFC at this point, is limited in its ability to critically assess the fiscal impact of the compensation agreement.**

In light of the notable fiscal risks posed by wage uncertainties, the **IFC reiterates its call for the GOJ to move with alacrity to implement a *revamped* Performance Management System that *better* incentivizes performance with related compensation adjustments and to finalize a structured wage negotiation period to lock in wage settlements before the start of the budget**

[3] The 2025-2028 public sector wage agreement was formally signed by the Government of Jamaica and Jamaica Confederation of Trade Unions (JCTU) representing government workers on August 27, 2026.

cycle. Relatedly, the IFC welcomes Government's announcement of its intention to *re-introduce* a fiscal rule for public sector Wages & Salaries.



Sources: IFC estimations based on data from the Ministry of Finance and the Public Service and STATIN.

Table 3: Explanations for Major Fiscal Deviations from Budget - April 2026 to June 2026

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Total Tax Revenue	**253,893.8**	**272,688.4**	**-18,794.7**	**-6.9**		
Income and Profits	**95,822.0**	**112,589.3**	**-16,767.3**	**-14.9**		
Other Companies	**42,812.2**	**56,098.0**	**-13,285.8**	**-23.7**	This shortfall reflects weaker corporate profitability as well as earlier-than-anticipated payments based on the policy change that shifted the CIT payment from March 15 to April 15 and lower-than-expected earnings across the Distribution, Manufacturing, and Financial Services sectors.	Explanation is partially reasonable. An estimated $5.8 billion of the $13.3 billion shortfall is attributable to the shift in the CIT filing and payment deadline. The remaining $7.5 billion may partly reflect the overestimation of nominal GDP growth assumed in FY 2026/27 Budget, which would have contributed to an overstatement of forecast CIT revenue.
Other Individuals	**1,306.4**	**2,527.7**	**-1,221.3**	**-48.3**	The shortfall reflects weaker cash flows among independent operators, particularly in tourism and agriculture, due to seasonal demand fluctuations and adverse weather conditions. Rising operating costs also compressed net profits and reduced taxable income, while the lingering	Explanation is partly reasonable. It is plausible that unexpected adverse weather conditions affected collections. However, seasonal demand fluctuations are predictable and should be incorporated into the Ministry's projections.

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
					effects of Hurricane Melissa contributed to delayed tax payments by small-and medium-sized enterprises.	Moreover, the budget estimate did not make a provision for tax refunds, despite refunds being material in periods preceding Hurricane Melissa. Actual refunds amounted to $423.0 million during April–June 2026 and contributed to the shortfall.
Tax on Interest	**9,692.9**	**10,870.8**	**-1,177.9**	**-10.8**	The shortfall suggests structural asset shifts. Amid global rate volatility, institutional investors increasingly rotated capital away from standard taxable local interest-bearing accounts into non-taxable assets, sovereign paper or international capital markets to preserve asset yields.	Reasonableness of the explanation is indeterminate as no supporting data were provided to validate the claim regarding changes in investor behaviour, including shifts into non-taxable assets and international capital markets. However, lower-than-budgeted Domestic interest payments would have contributed to the lower-than-programmed Tax on Interest.

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Production and Consumption	**75,796.9**	**73,818.9**	**1,978.0**	**2.7**		
SCT (Local)	**5,523.3**	**8,567.2**	**-3,043.9**	**-35.5**	The shortfall reflects lower-than-expected collections from new revenue measures in Q1, due in part to non-compliance by some firms in remitting SCT for May 2026 following the introduction of the sweetened drinks tax. Changes in production and consumption behaviour in anticipation of the scheduled tax increases announced under the FY 2026/27 revenue measures also contributed to the shortfall. Lower remittances from *Petrojam* Limited, together with weaker-than-expected performance in the automotive, petroleum distribution and beverage/tobacco industries, further reduced SCT collections.	Information provided by the Ministry is inadequate to determine reasonableness.

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Other Licences	**679.4**	**542.9**	**136.5**	**25.1**	The overperformance reflects increased registration and licensing activity among local businesses, together with growth in logistics, delivery services and public passenger vehicles, which boosted applications for public and private carrier licences as corporate fleets expanded.	Explanation is inadequate, as no supporting data were provided on the volume of public and private carrier licences or other registrations to substantiate the reported increase in these activities.
Quarry Tax	**105.8**	**46.8**	**59.0**	**125.9**	The surplus in Quarry Tax collections is attributed to higher-than-projected performance in the construction, civil engineering, mining and aggregates industries. Budget projections assumed a 27.0 percent contraction in the industry, compared with PIOJ's preliminary estimate of a 23.0 percent contraction for the quarter, indicating a less severe contraction than projected.	Explanation is inadequate. PIOJ's preliminary estimate of a 23.9 percent contraction for the quarter, compared with the 27.0 percent contraction assumed in the budget, supports stronger-than-projected industry performance. However, given that Quarry Tax collections exceeded budget by 125.9 percent, the information provided is insufficient to explain the magnitude of the overperformance.

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Accommodation Tax	**694.1**	**884.6**	**-190.5**	**-21.5**	The shortfall reflects lower-than-expected occupancy at mid-tier hotels and mass-market tourist accommodations during the shoulder season, as tighter disposable incomes softened domestic travel demand. Although room availability has improved, with approximately 75 percent of rooms re-opened, accommodation capacity remains below pre-hurricane levels, thus dampening hotel tax collections.	Explanation is reasonable.
Contractors' Levy	**1,044.2**	**572.6**	**471.6**	**82.4**	The higher-than-projected outturns were driven by a significant surge in heavy infrastructure spending and emergency post-hurricane reconstruction in the public sector.	Explanation is reasonable.

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
International Trade	**82,275.0**	**86,280.2**	**-4,005.3**	**-4.6**		
Travel Tax	**5,956.7**	**8,912.3**	**-2,955.7**	**-33.2**	This underperformance was primarily influenced by lower passenger volumes and the impact of exchange rate movements. Taxable passenger departures declined by 163,770 (18.5 percent); down from 883,929 passengers recorded in Q1 FY 2025/26, while taxable air passenger levy arrivals decreased by 175,809 (22.6 percent); down from 776,573 passengers.	Explanation is reasonable.
SCT (Imports)	**21,665.3**	**19,373.4**	**2,291.9**	**11.8**	The positive performance of SCT was primarily driven by increased collections from Petroleum products (including motor spirit, automotive diesel oil, natural gas, ultra-low sulphur diesel and bioethanol fuel) as well as alcoholic beverages (including brandy, rum, whisky and wine).	Explanation is reasonable.

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Environmental Levy (Imports)	**1,592.2**	**2,213.6**	**-621.4**	**-28.1**	This was attributable to delays in implementing the announced increase in the Environmental Protection Levy from 0.5 percent to 0.85 percent as well as lower import volumes of hot-rolled iron and steel bars, cigarettes containing tobacco, motor vehicles, welded circular iron and non-alloy steel products.	Explanation is reasonable.
Non-Tax Revenue	**9,772.9**	**20,268.2**	**-10,495.3**	**-51.8**	The shortfall in Non-Tax Revenue reflected delayed NHT contributions following the extension provided under the *NHT (Amendment) Act*, 2026, as well as lower Miscellaneous Revenue receipts. Late remittance of NHT contributions accounted for $2.85 billion of the overall deviation, while $7.65 billion was attributable to Miscellaneous Revenue receipts. The projection for Miscellaneous Revenue also incorporated surrendered funds from MDAs relating to prior fiscal years, which are yet to be received.	**Explanation is inadequate.** **The bulk of the shortfall ($7.65 billion) relates to Miscellaneous Revenue receipts. MoFPS indicated that part of the shortfall reflects outstanding surrendered funds from MDAs; however, no breakdown was provided on the value of these funds or other major components of the shortfall. More information is therefore needed to validate the Ministry's claim.**

REVENUE						
Revenue Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Grants	**861.0**	**532.6**	**328.4**	**61.7**	Grants surpassed the budgeted target due to early disbursements for on-going programmes, such as *Digital Jamaica*.	**Explanation is reasonable.**

EXPENDITURE						
Expenditure Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
Total Expenditure	**288,530.0**	**308,016.9**	**-19,486.9**	**-6.3**		
Recurrent Expenditure	**274,802.2**	**290,415.2**	**-15,612.9**	**-5.4**		
Programmes	**102,421.1**	**112,880.8**	**-10,459.7**	**-9.3**	Expenditure on Recurrent Programmes underperformed by a net $10.5 billion, of which $6.8 billion (64.7 percent) was attributable to the Ministry of Health and Wellness (MOHW) and Hurricane Melissa-related activities. The MOHW accounted for $4.08 billion of the shortfall due to delays in the procurement of drugs, medical supplies and equipment arising from global supply chain disruptions, with deliveries now expected in the second quarter. Hurricane	Explanation is partially reasonable. Procurement delays arising from extraordinary circumstances such as global supply chain disruptions may reasonably contribute to underspending. Notwithstanding, local procurement bottlenecks remain a persistent source of underspending. In addition, approximately $3.7 billion (35.3 percent) of the deviation was broadly attributed to procurement

EXPENDITURE						
Expenditure Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
					Melissa-related expenditure was $2.6 billion below budget, reflecting slower-than-expected repairs to hurricane-damaged schools pending the finalisation of contracts. The remaining underperformance was mainly due to delayed procurement and the slow implementation of programmes across MDAs.	delays and slow programme implementation across MDAs. Given their recurrence, the Ministry should indicate the measures being implemented across MDAs to address these bottlenecks and improve programme execution.
Interest	**41,692.3**	**46,440.5**	**-4,748.2**	**-10.2**		
External	**18,214.9**	**20,904.6**	**-2,689.6**	**-12.9**	Savings on external payments were due to: • projected disbursements for the period being lower than anticipated, resulting in lower interest payments; • projected payments on new multilateral loans not becoming due within the period; • exchange rates for the period falling below the projected rate of $164.90; • projected contingent fees not becoming due or being lower than anticipated;	Explanation is partially reasonable. Payment schedules for new multilateral loans are generally known well ahead of the payment dates, while conversions from fixed- to variable-rate terms are typically communicated with sufficient notice to be incorporated into debt-service projections. This suggests that part of the deviation might reflect limitations in the budget forecast for external interest payments rather than solely unforeseen developments during the period.

EXPENDITURE						
Expenditure Item	**Provisional (J$M)**	**Budget (J$M)**	**Difference (J$M)**	**Difference (%)**	**MoFPS' Explanation for Deviation**	**IFC Comments**
					• buffers being included to account for movements in SOFR rates and cross-currency conversions for some multilateral loans; and • some fixed-rate multilateral loans being converted to variable rates, resulting in changes to the debt-service payment period.	
Capital Expenditure	**13,727.7**	**17,601.7**	**-3,873.9**	**-22.0**	The lower-than-projected capital spending reflects delays in *inter alia* the procurement of equipment impacted by logistics challenges associated with the ongoing war in the Middle East, spending shortfalls associated with the renovation of the Western Children and Adolescent Hospital ($316.0 million), the implementation of the *National Identification System* (NIDS) ($391.8 million) and the Western Parishes Water Supply and Resilience Improvement Programme ($1.5 billion).	**Explanation is reasonable.**

Source: Compiled by the IFC using data obtained from the Ministry of Finance and the Public Service.

2.0 Analysis of the Public Bodies

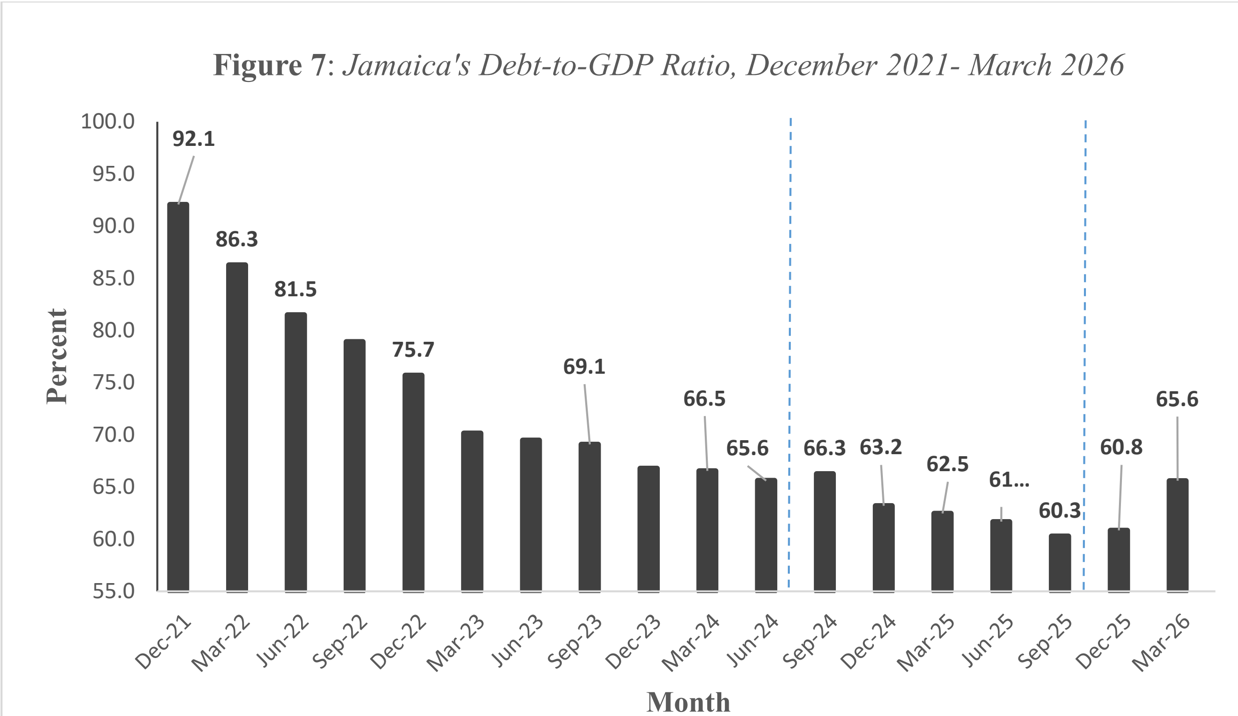
At end-June 2026, *preliminary* data revealed that the Self-Financing Public Bodies ran an overall balance surplus of $15.4 billion compared with a projected surplus of $1.5 billion. The higher-than-anticipated balance was largely due to a $13.4 billion under expenditure in capital. *National Housing Trust* ($5.4 billion), *Port Authority of Jamaica* ($4.5 billion) and the *Airports Authority of Jamaica* ($1.1 billion) were the SFPBs that were primarily responsible for the overall underspend in capital expenditure.

IFC notes that the improvement in the SFPBs' overall balance surplus primarily arose from the large under-execution in capital projects during the quarter, similar to what obtained with the Central Government. Accordingly, the Specified Public Sector experienced a Capital Budget under-execution of $17.3 billion (38.5 percent) at end-June 2026. The 38.5 percent of capital expenditure for the Specified Public Sector that was *unspent* during the first quarter of FY 2026/27 accentuate the longstanding slow pace in the implementation of capital projects and continued uncertainty in fiscal planning and budget execution.

3.0 Public Debt

The stock of **Public Debt** outstanding for the ***Specified Public Sector*** stood at approximately **$2.3 trillion** at end-June 2026; up $142.4 billion (6.5 percent) relative to the debt recorded end-June 2025. Specifically, during the April-June 2026 quarter, the total debt stock declined by $33.6 billion (1.4 percent); down from the $2.4 trillion registered at the start of FY 2026/27. The overall decline in debt stock was driven primarily by a $26.3 billion (1.1 percent) reduction in Central Government debt.

At end-June 2026, Domestic debt accounted for $1.0 trillion (**43.9 percent**) of overall Central Government debt stock while External debt amounted to $1.3 trillion (**56.1 percent**). Of note, the **actual *debt-to-GDP ratio*** at end-March was **65.6** percent, up from the 62.5 percent registered at end-March 2025 (**Figure 7**).



Note: Vertical line represents the month during which Hurricane Beryl and Hurricane Melissa, respectively (affected Jamaica on July 3, 2024 and October 28, 2025).

Source: Compiled by the Independent Fiscal Commission using data from the MoFPS.

SECTION IV: MACRO-FISCAL RISKS

Jamaica's economic recovery continues despite notable headwinds.

Jamaica's stronger-than-expected economic performance in the first quarter of FY 2026/27 has reinforced the country's macroeconomic resilience. However, as a small, open island economy, the country remains vulnerable to external shocks, geopolitical developments, commodity price fluctuations and natural disasters. Consequently, the outlook continues to be shaped by significant downside risks, underscoring the importance of maintaining macroeconomic stability, strengthening resilience and preserving policy flexibility.

1.0 Macroeconomic Outlook and Risks

The global economic outlook has weakened amid escalating geopolitical tensions, increasing the likelihood of slower growth, higher inflation and renewed supply-side disruptions over the near to medium term. Ongoing conflicts and geopolitical uncertainty have heightened risks to global energy, commodity and agricultural supply chains, contributing to a less favourable external environment for both advanced and emerging economies. The IMF's July 2026 *World Economic Outlook* (WEO) Update revised global growth downward to 3.0 percent from 3.1 percent projected in April 2026, reflecting the adverse effects of ongoing conflicts, commodity price volatility and uncertainty in global trade policies. The WEO projects global headline inflation to remain elevated in the near term, rising to 4.7 percent in 2026 before moderating to 3.9 percent in 2027.

The global outlook has weakened across both Advanced Economies and Emerging Market & Developing Economies (EMDEs). Growth forecasts were revised down by 0.1 percentage point to 1.7 percent for Advanced Economies and 3.8 percent for EMDEs. Net energy-importing economies remain especially exposed to commodity price shocks, terms-of-trade losses, and exchange rate pressures, increasing the risk of tighter financial conditions through a reassessment of policy rate expectations.

For Jamaica, these developments increase downside risks to economic activity, particularly through weaker tourism demand, lower export earnings, tighter financing conditions and higher imported inflation (**Box 2**). Weak growth may limit the government's ability to generate sufficient revenue to meet national development goals. This challenge is further compounded by climate change, which necessitates substantial investment in resilient infrastructure.

Against this backdrop, **Jamaica's macroeconomic outlook is *mixed* relative to the assumptions underpinning the FY 2026/27 Budget**. On the positive side, economic activity has performed better than anticipated, with stronger-than-projected GDP performance supporting a more favourable debt-to-GDP trajectory and stronger fiscal outcomes. These developments have enhanced the country's macro-fiscal position and strengthened debt sustainability indicators. However, **inflation remains a significant concern in the near term**. Headline inflation increased to 7.5 percent in July 2026, exceeding the upper limit of the Bank of Jamaica's target range. While domestic economic fundamentals remain broadly sound, escalating tensions in the Middle East and the continued Russia-Ukraine conflict have heightened uncertainty and increased the risk of persistently elevated energy, commodity and shipping costs. These developments have reinforced imported inflationary pressures and increased downside risks to the outlook.

Box 2: Potential Headwinds to Growth

Jamaica's growth outlook remains exposed to downside risks from weaker external demand, domestic implementation constraints, and climate-related shocks. These risks could slow economic activity, weaken the external position, and increase inflationary pressures.

External risks. Slower global growth could reduce tourism arrivals and export demand, while geopolitical tensions, supply chain disruptions, and commodity price volatility may keep energy and other imported cost elevated. Tighter global financial conditions could also restrain foreign direct investment and weaken external demand.

Domestic risks. Delays in reconstruction projects and bottlenecks in public investment execution could slow the recovery. Higher reconstruction-related imports, elevated commodity prices, and weaker tourism and mining exports may widen the trade deficit and place pressure on the current account and the foreign exchange market. Headline inflation remaining above the BOJ's target range could increase inflation expectations and place upward pressure on interest rates, dampening domestic consumption and private investment.

Sector-specific risks. Agriculture remains vulnerable to drought and other climate-related shocks. Recovery in mining and quarrying could be delayed by operational disruptions, while tourism remains exposed to weaker global growth and softer consumer demand in key source markets.

Although economic growth is expected to be supported by reconstruction activity and public investment spending, the balance of risks has shifted to the downside owing to heightened external uncertainty and persistent inflationary pressures (**Box 3**).

Box 3: Jamaica- Inflation Outlook and Risks

Inflation is expected to stay above the Bank of Jamaica's (BOJ) target band of 4.0–6.0 percent in the near term. Headline point-to-point inflation reached 7.5 percent in July 2026, driven by higher fuel, transportation, and food costs that have triggered broader second-round price adjustments. Although headline inflation is projected to gradually converge to the target band over the near term, the balance of risks remains tilted to the upside.

Upside Risks

- **External price shocks.** Geopolitical fragmentation, maritime shipping disruptions, and commodity volatility could keep imported energy, freight, fertilizer, and food costs elevated, delaying convergence to the target band.
- **Post-disaster reconstruction.** Accelerated recovery spending following Hurricane Melissa—especially for imported building materials, logistics, and skilled labour—threatens to intensify demand-pull pressures and compound cost-push inflation.
- **Agricultural disruptions.** Prolonged drought linked to the Super El Niño weather pattern poses persistent downside risks to domestic food supplies, sustaining upward pressure on agricultural food prices.
- **Second-round *pass-through*.** Continued near-term price increases could de-anchor short-term inflation expectations, triggering compensatory wage demands and generalized price-setting revisions.

Mitigating Factors

- **Credible policy framework.** The BOJ's proactive monetary stance and clear communication continue to anchor medium-term inflation expectations.
- **External buffers.** Ample international reserve cover and stable foreign exchange conditions limit import price volatility.
- **Demand deceleration.** Compressed real household purchasing power is expected to naturally dampen non-essential domestic demand over the forecast horizon.

Meanwhile, the country's robust international reserves, relatively stable foreign exchange market and sound financial sector buffers provide important sources of resilience. The banking system's capital adequacy and liquidity positions, together with the improvement in the NPL ratio, suggest that financial sector vulnerabilities remained contained during the review quarter.

While private business credit growth has decelerated between June 2025 and June 2026, consumer borrowing remains resilient. Jamaican businesses are slowing their accumulation of new debt amid ongoing economic uncertainty, while households continue to borrow aggressively, relying on credit to cope with persistent inflation and the financial burdens of post-disaster recovery.

Overall, the monetary and financial environment is characterized by a relatively stable financial system and foreign exchange market conditions, but with heightened inflationary risks. The combination of above-target inflation, geopolitical uncertainty, drought conditions and the lingering effects of Hurricane Melissa will require continued monitoring. The Bank of Jamaica's September 2026 policy rate decision will therefore be critical for the near-term inflation and interest rate outlook.

In summary, Jamaica enters FY 2026/27 from a stronger macroeconomic position than previously anticipated. Stronger economic performance, improved debt dynamics and robust international reserve buffers provide important resilience against external shocks. However, rising geopolitical uncertainty, elevated inflationary pressures, external sector vulnerabilities and climate-related risks have shifted the balance of risks to the downside. Maintaining fiscal discipline, accelerating the implementation of productive public investment, strengthening climate resilience and preserving macroeconomic flexibility will be essential to sustaining growth and safeguarding macroeconomic stability over the medium term.

2.0 Fiscal Risks

Fiscal risks are essentially factors that may cause fiscal outturns to differ from the projections and assumptions underpinning the approved budget. Numerous factors can cause actual deviations from the fiscal outcomes projected at the time of budget formulation. Such influences include *inter alia* the risks of upward pressure and uncertainty from protracted wage negotiations, revenue shortfalls, under-execution of capital expenditure, climate-related shocks and global geopolitical conflicts affecting commodity prices.

Wage Pressure

Protracted wage negotiations can materially increase uncertainty in fiscal budgets, especially when they are neither tied to macroeconomic outcomes (such as GDP growth) *nor* mandated to take place within a defined negotiation cycle. In this context, the new wage agreement with the JCTU (reached midway the second of a 3-year cycle) presents a potential avenue for a material deviation in *Wages & Salaries* from budget.

Additionally, protracted negotiations and potential industrial action from some bargaining groups who are yet to settle on new wage pacts pose additional fiscal risks. Notably, the Jamaica Medical Doctors Association (JMDA) currently has a submission before the Industrial Disputes Tribunal (IDT) with a claim for $31.0 billion for retroactive overtime compared with Government's calculated cost of $23.0 billion. The difference of $8 billion represents a sizeable fiscal risk, were the IDT to rule in favour of the JMDA. Moreover, it is doubtful whether the $42.8 billion contingency provided for in the FY 2026/27 Budget is adequate to cover the eventual costs of settlements for all public sector groups.

Nothwithstanding the foregoing, the IFC views the August 27, 2026 signing of the 3-year wage agreement for select public sector employees as a welcomed move that will partly reduce fiscal risk, in the subsequent fiscal year, emanating from the *hitherto* protracted wage negotiations. Furthermore, it is critical that Government seeks to quickly conclude wage negotiations involving the remaining bargaining groups in order to bring more certainty to the overall budget.

Revenue Underperformance

Government revenue was noticeably exposed to fiscal risks during the quarter ending June 2026. Revenues and Grants were $28.7 billion (9.8 percent) below budget for the period, with Non-Tax revenue underperforming by 51.8 percent. Selected tax revenue categories were also significantly below budget. Revenue shortfalls can materialise from sources such as forecasting errors, implementation lags and unforeseen changes in macroeconomic conditions.

Lower-than-projected nominal growth (inflation and real economic growth) can depress the nominal tax base and consequently reduce collections from certain tax types. Moreover, a notable fiscal risk that the IFC flagged in its February EFAR – delay in implementing announced revenue measures, has materialized. A near 6-month delay in legislating the new Environmental Levy rate will result in estimated revenue loss of $1.8 billion for FY 2026/27.

Capital Spending Under-Execution

Another important source of fiscal risk is the persistent under-execution of capital expenditure. There was a 23.6 percent and 22.0 percent under-execution of capital expenditure for the previous fiscal year and the quarter under review, respectively. The recurrent negative deviation in capital expenditure erodes prudent fiscal policy and limits the economic growth opportunities brought about by government investment in infrastructure to boost economic activity. Such lower economic growth outcome would have the spillover effect of stymieing the expansion of the revenue base.

Weather-related Shocks

Jamaica is situated in one of the world's most vulnerable regions to the impacts of climate change and intensifying climatic shocks. The increasing frequency and intensity of climate-related events expose the fiscal budgeting process to greater uncertainty *via* lower-than-projected tax revenues from affected productive sectors and significant unplanned expenditure on emergency relief, recovery and reconstruction. Fiscal implications from climate-related fiscal risk can linger for multiple fiscal years, leading to increased public debt, eroded public investment and adopting fiscal policy that actually reduces growth in times of economic distress.

Commodity Price Shock

Commodity (in particular oil) price shocks pose a significant fiscal risk to Jamaica. During budget preparation, the Government forecasts oil prices for the fiscal year, which may lead to significant deviations from the budget for both expenditures and revenues if actual oil prices materially differ from forecasts. Extreme fluctuations in oil prices can cause significant over- or under-execution of GOJ housekeeping expenditure in areas such as transportation and energy. Likewise, oil prices directly affect the *ad valorem* portion of the SCT on petroleum and petroleum-based products, thereby directly influencing Government's SCT revenue.

Against the backdrop of the aforementioned fiscal risks, the IFC therefore reiterates the importance of concluding public sector wage settlements in time for the annual budget preparation in order to bring greater certainty to the wage cost for the budget. Likewise, the GOJ should move with alacrity to remove persistent impediments to timely and efficient execution of capital projects and growth-enhancing recurrent programmes. Given Jamaica's vulnerability to climate-related shocks, the continual rebuilding of disaster risk financing buffers should be seen as a critical priority. Furthermore, the current elevated uncertainty in global commodity markets points to the need for closer monitoring of oil prices, maintenance of fiscal buffers and greater investments in diversified energy sources.

SECTION V: Update on IFC Considerations to Strengthen Fiscal Sustainability/Resilience

In its inaugural *Economic and Fiscal Assessment Report (EFAR)* (IFC, 2025a), the IFC proposed several measures to mitigate fiscal risks and strengthen economic resilience. These considerations were last updated in the 2026 *EFAR*. The following provides a status update on their implementation.

1. Strengthen Compliance with the Fiscal Responsibility Framework ***(Status: Ongoing)***

- **Tabling of revenue measures with budget documents** *(Completed)*
- **Comprehensive fiscal reporting for the Specified Public Sector (SPS)**—including revenue, expenditure, fiscal balance and debt—in the *Fiscal Policy Paper (Not compliant)*
- **Establishment of a public sector wage negotiation cycle aligned with the budget cycle** *(Not compliant)*

2. Reduce Informality in the Economy ***(Status: Ongoing)***

High informality continues to adversely affect macroeconomic and fiscal indicators.

Actions to date include:

- Establishment of the *National Identification and Registration Authority* (*NIRA*)
- Digital modernization of the *Revenue Administration Information System* (*RAiS*)
- Planned introduction of General Consumption Tax (GCT) on digital services, effective Q4 FY 2026/27.

3. Reduce Fiscal Uncertainty from Tax Filing Timing ***(Status: Completed)***

- Amendments to the *Income Tax Act* and *Assets Tax (Specified Bodies) Act* were approved to shift the deadline for corporate income tax and asset tax returns from **March 15** (end of the fiscal year) to **April 15** (start of the new fiscal year), effective 2026.

4. Address Climate-Related Fiscal Risks ***(Status: Ongoing)***

- The *National Reconstruction and Resilience Authority (NaRRA) Act* was passed and the CEO appointed in June 2026. NaRRA will essentially spearhead post-disaster reconstruction beginning toward the end of FY 2026/27, with a focus on **"building back better."**

5. Rebuild Disaster Risk Financing Buffers *(Status: In Progress)*

- The GOJ upsized its parametric insurance arrangement with a **US$200-million catastrophe bond**, strengthening fiscal resilience and risk management capacity.

6. Accelerate Operationalization of NaRRA and Publish Reconstruction Plans *(Status: Ongoing)*

- Enabling legislation for NaRRA *(Completed)*
- Detailed project lists *(not yet available)*
- Cost estimates *(not yet available)*
- Procurement timelines *(not yet available)*
- Implementation capacity assessment *(not yet available)*

7. Improve Capital Project Execution *(Status: Ongoing)*

- The establishment of NaRRA is expected to improve coordination and execution of capital projects. However, implementation details remain limited.

8. Reintroduce a Fiscal Rule for *Wages & Salaries (Status: Ongoing)*

The Minister of Finance and the Public Service has initiated discussions and expressed her intention to reintroduce a fiscal rule (specifically, an "wage *expenditure rule"*) following consultations with bargaining groups aimed at aligning the public-sector wage-bill with GDP.

Courtney H. Williams (Mr.),

Fiscal Commissioner

Appendices

Appendix I: Update on Revised *Revenue Measures* for 2026/2027

A new *Specific* SCT on *ready-to-consume* non-alcoholic sweetened drinks took effect on May 1, 2026, at a rate of $0.22 per gram of added sweetener. After the first two months of implementation, the Jamaica Customs Agency reported collections of $149.6 million from the new measure.

In the case of imported cigarettes containing tobacco, the *Specific* SCT rate rose to $20 per stick (up from $17 per stick) effective May 1, 2026. Import volumes during March–April 2026 were approximately 110.0 percent higher than what was registered during the corresponding period of 2025, indicating a marked acceleration *before* the higher tax rate took effect. It *appears* that the rise in the *Specific* SCT rate on tobacco products might have contributed to an early clearance of the related imports from bonded warehouses at the old tax rate in order to avoid the tax increase. Moreover, import volumes during April–June 2026 declined by 8.8 percent while SCT (Imports) collections from cigarettes fell by 7.5 percent notwithstanding the higher tax rate. To the extent that inventories were actually removed from bonded warehouses before the effective date of the new *Specific* SCT on tobacco products, the SCT revenue yield from the policy change is expected to fall short of budget in FY 2026/27.

Turning to the Environmental Levy, the required legislative amendments are *yet* to be completed and the Ministry projects the measure to take effect on October 1, 2026. **The IFC's assessment of the Environmental Levy indicates that an overall shortfall of $646.4 million occurred over the three-month period (approximately $216 million per month)**. This was broadly in line with the IFC's earlier conjecture that the delay would result in the targeted additional revenue not being fully realized (see IFC, 2026, p. 49). In the May 29, 2026 edition of the *Statement on Fiscal Performance*, the Commission further stressed the importance of implementing the required legislative changes in a timely manner to minimize revenue foregone. To this end, the **IFC reiterates the importance of prompt implementation of revenue measures**.

Appendix II: Glossary of Key Terms

Fiscal Balance	The difference between Government's total revenue (including proceeds from asset sales) and its total expenditure.
Fiscal Risk	Possibility that Government's fiscal outcomes deviate from what was projected at the time of budget formulation.
Fiscal Rule	A long-lasting constraint on fiscal policy that sets numerical limits on government spending, debt or revenue.
Gross Domestic Product	Gross Domestic Product (GDP) is the total monetary value of all final goods and services produced within an economic territory during a given period (e.g. quarter, year, etc.).
Inflation	The rate at which the general price level of goods and services in an economy increases over time (e.g. quarter, year, etc).
Medium Term	One fiscal year ahead plus the subsequent fiscal years.
Net International Reserves	Net International Reserves (NIR) represents External Foreign-currency assets readily available to and controlled by Central bank, such as foreign currency, used to finance balance of payments needs or intervene in exchange markets less short-term foreign currency liabilities and obligations.
Primary Balance	Difference between Government's total revenue (including proceeds from asset sales) and its total expenditure excluding interest payments on debt.
Public Debt	All financial liabilities created as a result of borrowing or guarantees by Government (including Government Securities).
Specified Public Sector	Central Government-financed Ministries, Agencies and Departments as well as the Self-Financed Public Bodies with the exception of public bodies currently exempt from the fiscal rules (i.e. the Jamaica Mortgage Bank and the Bank of Jamaica).
Tax Buoyancy	A measure of the responsiveness of a change in tax revenue to a movement in GDP and discretionary changes in tax laws or administration.
Tax Ratio	Tax revenue expressed as a percentage of GDP.

Appendix III: CPI Division Abbreviations

CPI Division	CPI Division Abbreviations
ALL DIVISIONS - ALL ITEMS	**ALL ITEMS**
FOOD AND NON-ALCOHOLIC BEVERAGES	**FOOD & NON-ALC. BEV.**
ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS	**ALCOHOL, TOBACCO & NARCOTICS**
CLOTHING AND FOOTWEAR	**CLOTHING & FOOTWEAR**
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	**HOUSING & UTILITIES**
FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE HOUSEHOLD MAINTENANCE	**HOUSEHOLD GOODS & MAINT.**
HEALTH	**HEALTH**
TRANSPORT	**TRANSPORT**
INFORMATION AND COMMUNICATION	**INFO & COMMUNICATION**
RECREATION, SPORT AND CULTURE	**RECREATION & CULTURE**
EDUCATION	**EDUCATION**
RESTAURANTS AND ACCOMMODATION SERVICES	**RESTAURANTS & ACCOM.**
INSURANCE AND FINANCIAL SERVICES	**INSURANCE & FINANCIAL SVCS.**
PERSONAL CARE, SOCIAL PROTECTION AND MISCELLANEOUS GOODS AND SERVICES	**PERSONAL CARE & MISC.**

Source: IFC compilation based on CPI Division titles obtained from STATIN.

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