Validation of Fiscal Impact of Hurricane Melissa for the Suspension of Fiscal Rules

(FY 2025/26)

Independent Fiscal Commission

Jamaica, West Indies

TABLE OF CONTENTS

EXECUTIVE SUMMARY

- **Trigger of Fiscal Rule Suspension:**

  - Hurricane Melissa, a Category 5 system that struck Jamaica on October 28, 2025, caused severe damage, particularly in the western parishes, resulting in significant loss of lives and livelihoods.
  - The island was subsequently declared a disaster area under the Disaster Risk Management (Hurricane Melissa) Order, 2025, thereby activating the suspension mechanism provided under the FAA (Amendment) Act, 2020.
  - Preliminary estimates by the World Bank in coordination with the Inter-American Development Bank (IDB) placed the physical damage at US$8.8 billion (41 percent of GDP). This scale of damage is expected to undermine the Government of Jamaica's ability to achieve its legislative Debt-to-GDP target of 60 percent or lower by March 2028, due to reduced revenues and increased expenditures in the short to medium term.
  - As a result, the Minister of Finance requested that the Independent Fiscal Commission assess whether the hurricane's estimated fiscal impact met the legislative threshold of at least 1.5 percent of GDP required to temporarily suspend the fiscal rules, in particular, the Debt-to-GDP target and the associated fiscal balance.

- **Fiscal Impact Findings:**

  - Based on information provided by the Planning Institute of Jamaica (PIOJ) and the Ministry of Finance & the Public Service (MoFPS), the fiscal impact is estimated at 5.3 percent of GDP over the period FY 2025/26 to FY 2029/30 - well above the legislative threshold of 1.5 percent to trigger suspension of the fiscal rules.

  - The fiscal assessment covered only the Central Government Accounts and not the wider Specified Public Sector as the MoFPS assumed a net zero impact on the overall balance of public bodies. This assumption places the full burden of fiscal adjustment on the Central Government.

- **Fiscal Commissioner Validation:**

  - While the information provided is not as comprehensive as desired – given that damage assessments are still underway – the Commission deems it broadly credible to validate suspension of the fiscal rules. With this validation, the Minster with responsibility for Finance may proceed to make an Order, subject to affirmative resolution, permitting the requirements of the fiscal rules to be temporarily suspended for at least an initial period of one year.

SECTION I: BACKGROUND AND MINISTER'S REQUEST

Context

Jamaica's Financial Responsibility Framework (FRF), established in 2010 through amendments to the Financial Administration and Audit (FAA) Act and the Public Bodies Management and Accountability (PBMA) Act, is a comprehensive framework underpinned by binding fiscal rules. **These rules are geared toward enhancing fiscal discipline and strengthening public financial management to achieve sustainable debt levels**.

The FRF was subsequently reinforced through additional amendments to the FAA Act, most notably in 2014, when escape clauses (suspension rules) were introduced, along with procedures for triggering the suspension of the fiscal rules. In 2021, the framework was further strengthened with the establishment of the Independent Fiscal Commission (IFC); a commission of Parliament, under the Independent Fiscal Commission Act, 2021. **The IFC's mandate includes promoting sound fiscal policy and serving as the pre-suspension validator of the fiscal impact of shocks**.

Event Description

Suspension of the fiscal rules may be triggered by *inter alia* a declared natural disaster. This condition was met when Hurricane Melissa, a Category 5 system, struck Jamaica on October 28, 2025, causing severe damage, particularly in western parishes, resulting in significant loss of lives and livelihoods. On the day of the hurricane's passing, the Most Honourable Prime Minister declared the island a "disaster area" under the Disaster Risk Management (Hurricane Melissa) Order, 2025, thereby activating the suspension mechanism provided under the FAA (Amendment) Act, 2020.

Minister of Finance & the Public Service's Intent

Following the initiation of the suspension process triggered by Hurricane Melissa (whose fiscal impact is expected to undermine the Government of Jamaica's (GOJ) ability to achieve its legislative Debt-to-GDP target of 60 percent or lower by March 2028 due to reduced revenues and increased expenditures in the short to medium term) the Minister of Finance and the Public Service requested that the IFC assesses whether the hurricane's impact met the threshold of 1.5 percent of

GDP required to temporarily suspend the fiscal rules that is, the Debt-to-GDP target and the associated fiscal balance (Revenue & Grants *minus* Expenditure).

Submissions Reviewed

The IFC received and subsequently reviewed the following formal submissions:

1. The Planning Institute of Jamaica (PIOJ): Preliminary estimates of the economic impact of Hurricane Melissa and related short-to-medium term real sector projections embedded in a Submission entitled **"*PIOJ Update on Most Recent Short-Term Projections – November 24, 2025*"** (Appendix I).
2. The Ministry of Finance & the Public Service (MOFPS): Preliminary projections of the fiscal impact, incorporating revised macroeconomic forecast and the GOJ's fiscal stance in addressing the socioeconomic fallout from Hurricane Melissa incorporated in a Submission entitled **"*Report to the Independent Fiscal Commission on Fiscal and Debt Impact of Hurricane Melissa and Proposed Suspension of the Fiscal Rules*"** (Appendix II).

SECTION II: LEGAL FRAMEWORK AND IFC MANDATE

Legal Framework

Under Section 48C(2) of the Financial Administration and Audit Act, fiscal rules may be temporarily suspended under at least one of the following eventualities:

1. Declaration of a public disaster per:
    - Section 20 of the Constitution of Jamaica
    - Order published under Section 26 of the Disaster Risk Management Act
    - Order made under Section 16 of the Public Health Act.
2. Severe economic contraction:
    - Cumulative GDP decline of at least 3.0 percent over four consecutive quarters, or
    - A one-time quarterly GDP decline of at least 2.0 percent.
3. Financial sector crisis.
4. Declaration of a public emergency.

Minister's Responsibility

The formal procedure for temporarily suspending the fiscal rules is briefly summarized as follows. Once a public disaster is legally declared, the Planning Institute of Jamaica must then submit a preliminary report assessing the economic impact of the event (e.g. Hurricane Melissa) to both the Minister of Finance and the Fiscal Commissioner, as required under the FAA Act. Such report will thereafter guide the Government's macroeconomic projections and fiscal response.

Subsequently, the Ministry of Finance will submit a detailed report to the IFC. This report will include a request for validation for suspension of the fiscal rules for an initial period, supported by revised fiscal projections reflecting the event's impact on Jamaica's fiscal accounts. Upon the receipt of a report from the Fiscal Commissioner confirming his validation, the Minister is to make an Order subject to affirmative resolution in Parliament to pave the way for the fiscal rules to be temporarily suspended.

Fiscal Commissioner's Responsibility (Section 48C)

The IFC, mandated to be the arbiter of Jamaica's fiscal rules, serves as the pre-suspension validator of shocks' fiscal impacts. One of its core functions is to monitor adherence to the Fiscal Responsibility Framework by evaluating whether the projected fiscal impact of a shock meets or exceeds the suspension threshold of 1.5 percent of GDP, in accordance with Section 48C of the FAA Act.

The Fiscal Commissioner is to review the PIOJ and MoFPS' submissions in order to validate and subsequently communicate to the Minister whether the conditions precedent for suspension of the fiscal rules, are satisfied.

SECTION III: ANALYSIS OF SUBMISSIONS (PIOJ AND MOFPS)

1. Review of Planning Institute of Jamaica (PIOJ) Submission

- **Document Title/Date:** ***PIOJ Update on Most Recent Short-Term Projections – November 24, 2025***

- **Economic Impact Data:**
    - **Damage & Losses Associated with impact of Hurricane Melissa:**
        - **Direct Cost:** Preliminary assessment of the physical damage caused by Hurricane Melissa by the World Bank in coordination with the Inter-American Development Bank using the **Global Rapid Post-Disaster Damage Estimation (GRADE) methodology, revealed a direct cost of US$8.8 billion (approximately 41.0 percent of Jamaica's nominal GDP in 2024)**. The parishes that were estimated to be impacted the most were mainly in the western region of the country, with *Residential Buildings* (including contents) (US$3.7 billion); and *Infrastructure* (US$2.9 billion) accounting for the largest shares of the total physical damage.
        - **Damage & Losses:** The PIOJ is currently in the process of assessing the damage (direct cost) and losses (indirect cost) associated with the Impact of Hurricane Melissa, which is expected to be completed by the end of the 2025. This is expected to provide a more comprehensive estimate of the impact in order to better guide the recovery efforts.
    - **Original vs. Revised Growth Forecast:**
        - **Original real GDP growth projection of 2.2 percent for FY 2025/26 was revised downwards to contract between -3.0 percent to -6.0 percent relative to FY 2024/25.**

- **Industry Impacts:**
    - The seven parishes most affected by Hurricane Melissa account for:
        - **Agriculture, Forestry & Fishing**: 74.0 percent of total hectares of domestic crops harvested, in addition to a significant share of export crop production and animal farm, as a result the Agriculture, Forestry & Fishing industry is expected to most adversely impacted.
        - **Accommodation & Food Service Activities**: 89.0 percent of the total hotel room stock,
    - **Electricity, Water Supply & Waste Management**: damage to electricity, water and waste management infrastructure is expected to negatively impact the provision of service and by extension the performance of the industry.
    - **Information & Communication**: significant damage to infrastructure and lack of electricity is expected to constrain performance of industry.
    - **Transport & Storage**: The temporary closure of international airports and the expected fallout in tourism arrival due to damage done to the country's hotel stock is expected to negatively impact the industry.

2. Review of Ministry of Finance (MOFPS) Submission

- **Document Title/Date:** "***Report to the Independent Fiscal Commission On Fiscal and Debt Impact of Hurricane Melissa and Proposed Suspension of the Fiscal Rules***"

- **Fiscal Deterioration Data:** Review of MOFPS' estimates concerning the Central Government Accounts.
    - **Fiscal Impact**:

- **Preliminary projections reveal an estimated cumulative fiscal impact of 5.3 percent of GDP between FY 2025/26 and FY 2029/30**.

    - **FY 2025/26** – Initial impact of 1.5 percent of GDP, reflecting a contraction of Tax Revenue of 0.7 percent and an increase in Expenditure by 0.8 percent of GDP. This, however, will be offset by inflows of $38.4 billion {1.1 percent of GDP} due to triggering of payouts from the Disaster Risk Financing instruments (Catastrophe Bond: US$150 million and CCRIF: US$88.9 million)

    - **FY 2026/27 to FY 2029/30** – An additional sum of $50 billion in capital expenditure annually to address reconstruction efforts which represents a cumulative 4.9 percent of GDP.

- **Debt-to-GDP Ratio**: The Debt-to-GDP ratio for the Specified Public Sector is expected to increase to 68.2 percent by end-March 2026 up from 62.4 percent registered at the end of March 2025 and is projected to be above the 60.0 percent target at the end of March 2028.

SECTION IV. FISCAL IMPACT VALIDATION

The Independent Fiscal Commission (IFC), in its inaugural *Economic & Fiscal Assessment Report (EFAR)*, identified climate risk as a critical threat to Jamaica's fiscal sustainability (IFC, 2025). This risk materialized on October 28, 2025, when Hurricane Melissa - a Category 5 system and the most powerful in Jamaica's history - made landfall. Preliminary estimates put physical damage at approximately US$8.8 billion.

Methodology:

To assess the fiscal impact of Hurricane Melissa, the IFC updated its **Causal Loop Diagram of Jamaica's Macro-Fiscal Dynamics** to incorporate natural hazard shocks (Appendix III). The analysis modelled the hurricane's potential effects on macro-fiscal variables and anticipates responses from domestic agents (households, firms, government) and external stakeholders. This is essentially a **counterfactual analysis** as it compared revised projections that include Hurricane Melissa's impact with previous forecasts that excluded the event.

A. Real GDP

Impact:

- **Capital Stock Destruction:** Damage to productive assets (e.g. hotels, fishing boats, factory equipment) reduces output.
- **Reduced Capacity Utilization:** Firms not directly damaged face operational constraints due to disrupted utility services and impaired infrastructure.

Response:
Higher spending on recovery is expected to temper the contraction in GDP, driven by:

- **Remittances:** Acting as automatic stabilizers during disasters.
- **Grants:** Support from foreign governments and international development partners for reconstruction.

- **Government Expenditure:** Increased spending to safeguard lives, invigorate economic activities in affected areas, and mitigate long-term economic damage.

B. Prices

Impact:

- **Domestic Prices:** Severe damage to agriculture reduces supply, pushing up prices of locally produced goods.
- **External Prices:** No significant impact, as major trading partners were unaffected.

Response:

- **Import Policy:** Temporary reduction in import duties on food to boost supply and moderate price increases.
- **Increase Spending:** Increased spending by GOJ to support agriculture is expected to ease food price pressures in the short to medium term. However, higher-than-usual demand for construction inputs, arising from necessary repairs to infrastructure and properties (residential and non-residential), will likely place upward pressure on prices over the same period.

C. Interest Rates and Exchange Rate

Due to market sensitivity, interest rate and exchange rate implications are not discussed in this report.

D. Current Account

Impact:

- **Exports:** Severe damage to Jamaica's productive industries, particularly the tourism sector, is expected to constrain the performance of services exports. In addition, devastation in the agricultural industry will limit exports of agriculture products and agro-processed goods.

Response:

- **Import:** The fallout in agriculture, as well as increased construction activity to repair damaged infrastructure and property, is expected to drive higher imports of raw material/intermediate goods and consumer goods.

E. Fiscal Impact

Impact:

- **Capital Expenditure Constraints:** Delays in the executing capital projects, particularly in the parishes most severely affected, are expected to further constrain growth.
- **Tax Revenue Constraints:** Reduced output will lower tax collections, though this effect will be partially offset by higher domestic prices.
- **Lower Grants:** Postponed capital projects tied to grant funding are expected to reduce grant inflows.
- **Non-Tax Revenue Gains:** Disaster risk financing instruments provide inflows, which outweigh baseline revenue fallout, including:
    - **Catastrophe Bond:** US$150.0 million
    - **CCRIF Payout:** Net payout of US$88.9 million from Tropical Cyclones and Excess Rainfall coverage.

Response:

- **Lower Tax Revenue:** Temporary tax reductions on imports to support recovery.
- **Higher Grants:** Increased inflows from bilateral and multilateral sources.

- **Higher Government Expenditure:** Expanded recurrent and capital spending for relief, recovery and rehabilitation partially offset by reallocating planned projects.
- **Debt Dynamics:** Lower revenue and higher expenditure will widen the fiscal deficit, increase debt stock, and raise the debt-to-GDP ratio amid slower GDP growth.

Quantitative Assessment:

The physical damage caused by Hurricane Melissa was estimated by the World Bank in coordination with the IDB at approximately 41.0 percent of GDP. Based on preliminary data from the PIOJ and the MOFPS the associated **estimated fiscal impact** - reflecting reduced tax revenues and higher expenditures to address socioeconomic challenges - has been deemed credible by the IFC at **5.3 percent of GDP**.

The IFC notes, however, that the information provided covers only the Central Government and not the wider Specified Public Sector (i.e. Central Government and Public Bodies, excluding the Bank of Jamaica and the Jamaica Mortgage Bank). The MoFPS assumes that the net impact on the set of public bodies will be nil, which places the full burden of the required fiscal adjustment on the Central Government.

Additionally, while not required for the suspension of the fiscal rules, the report does not propose a new date for achieving the legislative debt-to-GDP target of 60 percent or lower, nor does it outline the corrective measures needed to meet the target. The IFC therefore anticipates that these details will be provided in the forthcoming *Fiscal Policy Paper*, along with the necessary documentation of appropriate corrective measures to be enacted. Thereafter, the IFC will undertake a comprehensive assessment of said measures upon the presentation of that *Fiscal Policy Paper*.

IFC Finding:

Based on preliminary information on the scale of damage caused by Hurricane Melissa and the fiscal response outlined by the MOFPS, t**he IFC has validated that the estimated fiscal impact of 5.3 percent of GDP exceeds the 1.5 percent threshold specified in the FAA Act.**

SECTION V. CONCLUSION

- **Validation Statement:**

  I have examined the documents provided by the Planning Institute of Jamaica and the Ministry of Finance & the Public Service, along with the preliminary estimates of the impact of Hurricane Melissa on Jamaica. Based on the information available to date, I find the estimated fiscal impact to be *credible*. The estimated fiscal impact of 5.3 percent of GDP exceeds the legislative threshold of 1.5 percent and meets the overall criteria for the temporary suspension of the fiscal rules.

- **Implication for Minister:**

  Following this validation, the Minister with responsibility for Finance may proceed to make an Order - subject to affirmative resolution - permitting the requirements of the fiscal rules to be suspended for an initial period.

Courtney H. Williams (Mr.),
Fiscal Commissioner

APPENDICES

APPENDIX I: PIOJ SUBMISSION

November 24, 2025

Mr. Courtney Williams

Fiscal Commissioner

Independent Fiscal Commission

6 Saxthorpe Ave, Kingston 8

Dear Mr Williams

Amendment to Medium-Term Growth Projections Submitted for Inclusion in the Fiscal Policy Paper for FY 2025/26

The Planning Institute of Jamaica (PIOJ) writes in relation to the projections for economic performance in the medium term, which were submitted in January 2025, as the PIOJ's contribution to the Fiscal Policy Paper for FY 2025/26. A downward revision of these projections has been necessitated by the extensive damage and disruption caused by Category 5 Hurricane Melissa.

Jamaica experienced severe weather conditions associated with the system for several days beginning on October 25, 2025, as the storm intensified while moving across the Caribbean. The hurricane made landfall near New Hope, Westmoreland, on October 28, 2025, resulting in widespread flooding and destruction of infrastructure, housing, and productive assets, particularly across western and central parishes.

In anticipation of the hurricane's impact and to support emergency response and resource mobilisation, the Prime Minister, on October 28, 2025, declared Jamaica a disaster area pursuant to Section 26 of the Disaster Risk Management Act (2015). This declaration facilitated the mobilisation of emergency measures and post-impact relief operations.

A damage and loss assessment report on the impact of the event, led by the PIOJ, with support from the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) and the Inter-American Development Bank (IDB), has commenced. It is anticipated that the assessment will be completed by the end of the year. In the interim, through its Global Rapid Post-Disaster Damage Estimation (GRADE) assessment, the World Bank has estimated the preliminary cost of damage associated with Hurricane Melissa at US$8.8 billion.

Based on preliminary data and analysis, the PIOJ has revised its economic growth projections for the Jamaican economy for the October to December 2025 quarter and FY 2025/26, to a contraction greater than 2 per cent. An accompanying brief providing further details on the revised projections and associated sectoral expectations is attached for consideration.

Sincerely

Wayne Henry, CD, PhD, JP Director General

PIOJ Update on Most Recent Short-Term Projections – November 24, 2025

Hurricane Melissa made landfall on October 28, 2025 as a category 5 hurricane, the strongest to ever impact the island. Given this development, the Prime Minister by Order declared Jamaica to be a disaster area in accordance with Section 26 (i) of the Disaster Risk Management Act, 2015; as the country was impacted by high winds and heavy rains resulting in catastrophic flooding. With this declaration, several measures were instituted and enforced, in an effort to provide relief and curtail further damage caused by the unprecedented disaster.

Hurricane Melissa impacted the island as a devastating Category 5 system with maximum sustained winds of 185 miles per hour, rainfall exceeding 700 mm, and storm surges reaching up to 13 feet. Based on official and partner situation reports, it is estimated that the Hurricane adversely impacted over 400 000 persons, 123 communities experienced severe to moderately severe flooding, and 513 emergency shelters were activated, housing more than 7 200 persons[1]. To date, over 30 deaths have been confirmed.

The most severely impacted parishes were: St. Elizabeth, Westmoreland, St. James, Hanover, Trelawny, St. Ann and Manchester, resulting in deleterious effects on key drivers of economic activity, particularly the Agriculture, Forestry & Fishing; Accommodations & Food Service Activities; Electricity, Water Supply and Waste Management; Information and Communication; and Transport & Storage industries. These disruptions have amplified the overall macroeconomic impact and are expected to significantly affect Jamaica's economic performance.

In February 2025, the PIOJ provided estimates for inclusion in the Fiscal Policy Paper for FY 2025/26, which projected real GDP growth of 2.2 per cent for FY 2025/26. As at the end of September 2025 quarter the country was on track to attain this target. However, based on the adverse impact of the passage of Hurricane Melissa on domestic economic performance, the PIOJ wishes to indicate that revisions to the projections previously presented are required.

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[1] Compiled from multiple official and partner situation reports: UNICEF Jamaica Humanitarian Situation Report No. 2 (October 31, 2025); Pan American Health Organization Situation Report No. 3 (October 29, 2025); United Nations Office for the Coordination of Humanitarian Affairs Situation Report No. 1 (October 31, 2025); Jamaica Information Service update (October 30, 2025); and Office of the Prime Minister press releases.

Real Sector Developments

April to June 2025 and July to September 2025 Outturn (Pre-Hurricane Melissa)

Prior to Hurricane Melissa, the Goods-Producing Industry exhibited robust performance, especially the Agriculture, Forestry & Fishing, and Construction. Agriculture benefited from increased domestic and traditional export crop production, supported by favourable weather conditions. Construction reported higher activity in building and civil engineering. These factors outweighed the negative impact of reduced capacity utilization in the Mining & Quarrying industry, resulting in growth of 3.6 per cent in the Goods-Producing Industry for the April to June 2025 quarter. Meanwhile, the Services Industry expanded by 1.0 per cent, mainly driven by higher output in Accommodation & Food Service Activities, Financial & Insurance Activities and Transport & Storage. Accommodation was bolstered by increased foreign national arrivals and average length of stay. Financial & Insurance Activities was spurred by increased commercial banking activities. Transport & Storage grew due to increased cargo volume handled at the seaports. These positive factors offset strong contraction in the Electricity, Water Supply & Waste Management industry, attributed to lower electricity and water consumption during the quarter. Consequently, Real Value Added (RVA) for the April to June 2025 quarter expanded by an estimated 1.6 per cent. This resulted in GDP growth of 1.3 per cent for the first half of 2025.

For the July–September 2025 quarter, Jamaica's economic outturn was estimated to be positive, underpinned by anticipated recovery from the low production base experienced in the similar quarter of 2024. The economy was estimated to have recorded relatively strong growth, driven mainly by the industries which were most impacted by Hurricane Beryl, namely Agriculture, Forestry & Fishing; Electricity, Water Supply & Waste Management; and Accommodation & Food Service Activities. These industries benefitted from improved operational conditions and greater demand. Wholesale & Retail Trade and Transport & Storage also benefitted from the improved outturn of related industries. In addition, the Mining & Quarrying industry was estimated to have grown, reflecting recovery from Hurricane Beryl's adverse impact on infrastructure, particularly at the Rocky Point port, where damages previously constrained operations.

The ***Agriculture, Forestry & Fishing industry*** was positively impacted by higher output in Domestic and Traditional Export Crop production. With respect to the ***Electricity, Water Supply & Waste Management industry***, preliminary data for the quarter indicate that electricity consumption grew by 8.1 per cent due to higher electricity sales in all categories, with the largest growth recorded for Large Power (businesses using more than 500kVa) component, up by 10.6 per cent. For the Water supply component, preliminary data for indicate that water consumption increased by 3.6 per cent. This performance can be attributed to a general increase in both the Western and Eastern parishes, of 6.2 per cent and 2.2 per cent, respectively.

With respect to ***Accommodation & Food Service Activities***, the expansion was fuelled by increased foreign national arrivals, supported by greater passenger movement at the airports. Preliminary data for July–August 2025 indicate that Foreign National Arrivals increased by approximately 9.7 per cent to 494 233 visitors. With regard to ***Mining and Quarrying**,* growth in this industry was bolstered by increased capacity utilization. For July–September 2025, Crude Bauxite and Alumina production grew by 22.2 per cent and 2.0 per cent, respectively.

Against this background, it is estimated that the economy **expanded by 4.6 per cent during July–September 2025.** This is based on data and information received to date. This outturn, would result in an estimated GDP growth of 3.1 per cent for the first half of Fiscal Year 2025/26 (April-September 2025).

Short Term Economic Outlook: October–December 2025 & FY 2025/26 (Post-Hurricane Melissa)

For October–December 2025, prospects for the economy are generally negative, reflecting the passage of Hurricane Melissa. This outlook stems from the devastating impact that the Category 5 hurricane had on residential and productive assets including farms, transportation, telecommunications, electricity and water supply infrastructure. It is expected that there will be a significant fall in output and demand during the short to medium term.

The extent of the damage from Hurricane Melissa is unprecedented and far-reaching, affecting most industries. This is expected to result in increased unemployment, reduced output, lower export earnings and weakened demand. The expected economic contraction for October–December 2025 will be transmitted through the following industries:

1. **Agriculture**
    - The industry is the most adversely impacted, with the 7 most affected parishes[2] accounting for approximately 74.0 per cent of total hectares of land devoted to domestic crop production as well as a significant share of animal farming and export crop production.
    - There was significant damage to farmlands, fishing equipment, access roads,

residential infrastructure, transportation equipment as well as the loss of livestock etc. This implies that recovery for agriculture in some parishes will not be within the short-term

- The expected downturn in Agriculture has implications for imports given the need to meet domestic demand for agricultural products.

2. Accommodation & Food Service Activities

- The seven most affected parishes account for approximately 89.0 per cent of total hotel room stock. Infrastructure damage to some properties and impeded access has resulted in the temporary closure of some accommodation sites.
- There was the temporary closure of all 3 international airports, combined with below full capacity operations on resumption will adversely impact visitor arrivals. This will be exacerbated by the November 2025 US Level 3 Travel Advisory, advising its residents to reconsider travel to Jamaica at this time.

[2] St. Elizabeth, Manchester, Trelawny, St. Ann, St. James, Hanover, and Westmoreland

3. Construction

- The adverse impact on major capital projects with respect to expected delays in implementation, will result in reduced activities. Major projects likely to be impacted include the Montego Bay Perimeter Road, hotel expansion and construction projects and other logistics-related projects in western parishes.

- The contraction in the industry is expected to be countered by a potential upturn from the reconstruction activities. However, given that the immediate focus is on humanitarian efforts and planning logistics for recovery, the positive impact is not anticipated to be realized until late 2026.

4. Electricity, Water Supply & Waste Management

- Significant damage to electricity generation, distribution and transmission infrastructure, particularly in the Western parishes. Recovery is likely to be significantly delayed (up to a year) given that several communities are inaccessible due to destruction of the road network.

- Water infrastructure was significantly damaged. The pace of restoration would partly be dependent on the availability of electricity to provide power to the pumping stations.
- Both major utility providers will be faced with reduced number of customers and demand for at least a year.

5. **Information & Communication**
   - Infrastructure is significantly damaged and like other utility providers this industry will be impacted by reduced customer base, demand and sales in the upcoming quarters
6. **Transport & Storage**
   - Land, maritime and air transportation services are expected to be curtailed given the damage to the road network, airports and shipping ports.

In light of the foregoing, it is projected that the economy will **contract within the range of 11.0 per cent to 13.0 per cent during October–December 2025** relative to October–December 2024. This outturn, if it materializes, would end 3 consecutive quarters of economic growth[3], following the passage of Hurricane Beryl and Tropical Storm Rafael, which occurred in the July–September and October–December quarters of 2024, respectively. The estimated decline would also represent the most significant contraction recorded since the April to June 2020 quarter, when the country was impacted by the COVID-19 pandemic. The depth and duration of the decline is contingent on how soon initiatives to boost economic recovery activities become effective.

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[3] This includes the anticipated growth in the July–September 2025 quarter, reflecting recovery from the low production base in the corresponding quarter of 2024, when most industries were adversely impacted by Hurricane Beryl.

Fiscal Year 2025/26

Prior to the passage of Hurricane Melissa, the economy was poised for strong growth reflecting economic recovery following the adverse hydrological events of FY 2024/25. Growth was registered for the first quarter of the current fiscal year and even stronger growth is expected for the second quarter. However, the passage of Hurricane Melissa has placed significant downward pressure on most industries. As a result, the preliminary economic projection for **FY 2025/26** is for a contraction within the range of **3.0 per cent to 6.0 per cent relative to FY 2024/25**, down from the previous projection for growth of 2.2 per cent, highlighted in FPP FY 2025/26. This will be the weakest economic performance since COVID-19, when the economy declined by 9.8 per cent in FY 2020/21.

The key assumptions underpinning current projections for economic performance for FY 2025/26, are:

- Production delays following the passage of Hurricane Melissa
- Reduced Domestic and Traditional Export crop production as well as lower activity in Animal Farming
- Reduced electricity and water consumption, as assessments and repairs are ongoing
- Reduced telecommunication activity following the destruction of network equipment
- Lower domestic demand given the closure of some businesses due to infrastructure damage and/or loss of power
- Delays in the reconstruction and reopening of critical infrastructure such as schools and hospitals.

Other anticipated areas of adverse impact during FY 2025/26 may include:

i. Increased unemployment and underemployment
ii. Inconsistent or reduced income streams, including revenue
iii. Reduction in the standard of living, including ability to consume goods and services
iv. Risk of increased poverty. The displacement of families who have lost their homes due to the disaster significantly heightens the risk of poverty, as affected individuals and communities face substantial barriers to economic stability
v. Higher risks to public safety due to increased incidence of crime.

Conclusion

Preliminary data presented on economic performance indicate an expansion within the range of **2.5 per cent to 3.5 per cent for July–September 2025** and a contraction within the range of **11.0 per cent to 13.0 per cent during October–December 2025.** The expansion for the September quarter reflects the expectation of economic recovery from a low production base, while the December quarter will be reflective of the adverse impact of Hurricane Melissa. Against this background, the economy is expected to contract within the range of **3.0 per cent to 6.0 per cent** for FY 2025/26. In light of these results, the PIOJ wishes to signal that a reduction in the primary surplus target would be in keeping with the stipulations outlined in the Financial Administration and Audit [No.] 7 (Amendment) Act. 20/4 which allows for:

I. a revision during a period of public disaster within the meaning of section 20 of the Constitution of Jamaica; or

II. a severe economic contraction

whereby a "severe economic contraction" is defined as *a decline in gross domestic product over four consecutive quarters involving a cumulative reduction, that is equal to or greater than three per cent of gross domestic product relative to the corresponding quarter of the preceding financial year*, **OR *a one-time quarterly reduction in gross domestic product equal to or greater than two per cent, relative to the corresponding quarter of the preceding financial year.***

APPENDIX II: MOFPS SUBMISSION

Report to the Independent Fiscal Commission On Fiscal and Debt Impact of Hurricane Melissa And Proposed Suspension of the Fiscal Rules

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Subsequent to tabling of the FY 2025/26 Second Supplementary Estimates, Jamaica was impacted by Hurricane Melissa on October 28, 2025. The category 5 Hurricane caused a significant economic shock, with significant damage and loss to lives and livelihood primarily in the western parishes.

As a result of the economic impact of the Hurricane on the country, the medium-term macroeconomic projections have been revised. The revisions to the forecast of some key macroeconomic variables are provided below.

Macroeconomic Variables	Forecast	FY 2025/26 Est.	FY 2026/27 Proj.	FY 2027/28 Proj.	FY 2028/29 Proj.
Nominal GDP growth rate (%)	Current	-0.2	7.2	7.4	6.0
	Previous	8.9	6.8	6.1	6.1
Real GDP growth rate (%)	Current	-4.3	0.7	3.1	1.0
	Previous	2.2	1.0	1.0	1.0
Inflation: Annual Pt to Pt (%)	Current	9.5	5.0	5.0	5.0
	Previous	5.3	5.0	5.0	5.0
Oil Prices - WTI (Average US$/barrel)	Current	62.4	60.1	60.0	62.5
	Previous	78.2	80.2	80.0	80.0

The economic impact of the hurricane is expected to have adverse consequences on the public sector's revenue and expenditure profile, given the damage to the productive sector and the necessary public spending for the response and recovery efforts. It is expected that expenditure on recovery and reconstruction will occur over the next three to five years.

Fiscal Impact of Hurricane Melissa on the Central Government Budget

The Ministry of Finance & the Public Service (MOFPS) has generated a medium-term fiscal profile based on the revised macroeconomic projections and available information regarding public spending requirements. The revised profile shows that Central Government Tax Revenue is projected to fall by $43.6 billion (4.6%) below the FY 2025/26 Second Supplementary Estimates. This downward revision reflects a reduction in revenue by $25.8 billion (0.7% of GDP) due to the impact of Hurricane Melissa and a $17.8 billion (0.5% of GDP) reduction due to the lower Tax Revenue outturn for FY 2024/25 relative to the base on which the originally approved budget projections were predicated. At the same time, total above-the-line expenditure is projected to increase by $79.3 billion (7.2%) relative to the FY 2025/26 Second Supplementary Estimates. This increase reflects Hurricane Melissa-related spending of $29.3 billion (0.8% of GDP) and additional expenditure of $50.0 billion (1.4% of GDP) that emerged prior to the passage of the hurricane.

Non-Tax Revenue is projected to increase by $38.4 billion (1.1% of GDP) relative to the Second Supplementary Estimates, largely due to the triggering of payouts from the Disaster Risk Financing instruments (Catastrophe Bond expected payout of US$150 million and CCRIF payout of US$88.9 million). As a result, overall Revenue and Grants is projected to decline by $3.1 billion compared to the Second Supplementary Estimates.

The fiscal impact of Hurricane Melissa is projected to continue over the medium-term, primarily impacting the Capital expenditure of the Central Government. Specifically, a capital expenditure of $50 billion is projected for each of the four fiscal years from FY 2026/27 through FY 2029/30 to address the reconstruction efforts, resulting in a cumulative 4.9% of GDP spending over the period. A net zero contribution to the overall Specified Public Sector balance over the medium-term is assumed for the Public Bodies.

Consequently, the overall fiscal impact of Hurricane Melissa is projected to be at least -5.3% of GDP (For FY 2025/26: -0.7% impact on Tax Revenue, -0.8% impact on Expenditure, 1.1% impact on Non-Tax Revenue and -4.9% on Capital Expenditure over the period FY 2026/27 through FY 2029/30), based on currently available information. The actual impact could even be higher.

The deb-to-GDP ratio is projected to increase to 68.2% by end-March 2026 and remain above the 60% legislated target over the medium term.

Rationale for suspension of the fiscal rules

Jamaica has been declared a disaster area under section 26 of the Disaster Risk Management Act, 2015. Additionally, the MOFPS has assessed that the fiscal impact of Hurricane Melissa is at least 1.5% of GDP. These two conditions satisfy the requirements for the suspension of the fiscal rules in accordance with Section 48C (2) (a) and Section 48C (3) (a) of the FAA Act.

The significant fiscal impact of Hurricane Melissa has derailed the trajectory to attain the legislated debt/GDP target by FY 2027/28 and suggests that the GOJ will require more time to reduce the public debt to 60% of GDP. In this regard, the GOJ intends to suspend the fiscal rules and extend the target date by two years through amendment to the FAA Act.

While this extension may trigger negative reactions by international rating agencies, the GOJ considers it an appropriate and prudent policy response that facilitates the country's efforts to effectively address the socio-economic impact of Hurricane Melissa.

Conclusion

Jamaica's economy has suffered a severe economic shock arising from the passage of Hurricane Melissa. This is expected to impact the fiscal accounts adversely (loss in Tax Revenues and increase in Expenditure to respond to the socio-economic challenges). As a consequence of the forgoing, the GOJ will move to suspend the fiscal rules, since the fiscal impact arising from the hurricane for FY 2025/26 satisfies the 1.5% of GDP threshold.

APPENDIX III: EXTENSION OF CAUSAL LOOP DIAGRAM OF JAMAICA'S MACRO-FISCAL DYNAMICS (NATURAL HAZARD AND FISCAL RISK)