

# Quarterly market update

As of December 31, 2020

## Global economic highlights

- < US economic growth is forecast to be near 5% in 2021 due to continued economic re-openings and fewer COVID restrictions, despite an increase in COVID cases
- < US growth is also supported by fiscal support programs and interest rates, which should remain low for the foreseeable future
- < Economic growth in many other markets has slowed due to a sharp increase in COVID cases and subsequent business restrictions, to contain the spread of the virus
- < US unemployment rates had gradually dropped but are expected to remain above pre-COVID levels for the next several years
- < A strong rebound is expected to start in Q2 due to:
  - < an increase in vaccinations, which would allow the economy to reopen more quickly
  - < considerable pent-up demand for goods and services
  - < strong momentum experienced by several industries prior to the recent surge in COVID
  - < substantial wealth effects from an increase in savings, investments and home prices
  - < an increase in immigration, which results in an increase in spending
  - < an increase in government fiscal support
  - < interest rates that should remain low to assist the recovery

Source: Scotia Global Economics, Global Outlook and Forecast, December 2020

## Local economic highlights

- < The Jamaican economy declined by 10.7% in the third quarter of 2020 when compared to the third quarter of 2019. There were declines in both the services and goods producing industries of 13.1% and 3.5% respectively. The economy was impacted by the continued spread of COVID-19 and the measures implemented to limit its spread
- < During the fourth quarter of 2020, the Jamaican dollar (JMD) depreciated by 0.90% relative to the US dollar (USD). For the entire calendar year, the JMD depreciated by 8.16% due to an uptick in demand for foreign currency which exceeded supply during the period. For the final quarter of 2020, the weighted average rate went as low as JMD 142.62:1 USD and as high as JMD 149.53:1 USD
- < The BoJ maintained its benchmark policy rate at 0.50% during the second quarter. The decision to hold the policy rate unchanged is based on the Bank's continued view that monetary conditions are generally appropriate to support inflation remaining within the target range of 4.0% to 6.0% over the next eight quarters

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- < Debt as a share of GDP ended fiscal year 2018/19 at 96.4%. In February 2020, the debt to GDP ratio was estimated at 91.5%. COVID-19 poses significant challenges to the balance of payments position, and in response to the challenge that Jamaica faces Jamaica's Fiscal Rules were suspended for fiscal year 2020/21, and the target date for attainment of the debt/GDP objective of 60% had been pushed back by two years to 2027/28
- < For the fourth quarter of 2020, the Main Market index and Junior Market index increased by 3.99% and 3.43% respectively. For the year ended December 2020, the Main Market and Junior Market declined 22.42% and 21.07% respectively. Some of the main winners for the year were Eppley Limited, Key Insurance Company Limited, and Pulse Investments Limited for the Main Market and Mailpac

Group Limited, Caribbean Cream Limited, and IronRock Insurance Company Limited for the Junior Market. The main losers for the year were Palace Amusement (1921) Company Limited, Sagicor Select Funds Limited – Financial, and Mayberry Jamaican Equities Limited for the Main Market, and Stationery and Office Supplies Limited, Jetcon Corporation Limited, and Caribbean Producers Jamaica Limited for the Junior Market

Source: Scotia Investments Jamaica Limited, December 2020

## Legal

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