

Growth is the Only Sustainable Path Forward

For much of Jamaica's economic history, we have struggled to achieve sustained, high levels of growth. Our journey has been marked by significant volatility and periodic shocks, which created an unstable growth trajectory. For instance, we would experience growth over four consecutive quarters, only to see it reversed with declines over the next three. Many of these economic shocks were exogenous—beyond our direct control. From natural disasters and supply chain disruptions to global oil price spikes, external events have often undermined our growth efforts.

High Growth Elusive

However, it would be neither accurate nor constructive in our self-assessment to attribute Jamaica's low growth largely to these external shocks. Growth has been equally constrained by domestic factors, such as weak institutions, inefficiencies in public administration, and a lack of robust domestic investment. In fact, before the onset of the COVID-19 crisis, which was a significant external shock, our economy was already on a downward trajectory, despite registering positive growth figures.

Specifically, in 2019, the three quarters leading up to the pandemic showed a marked decline in economic growth. From April to June, growth was at 1.3%, dropping to 0.6% in the July to September period. By the October to December quarter, the economy had stalled completely, showing no growth compared to the similar quarter in 2018. In other words, the economy remained stagnant in the final quarter of 2019. Fast forward to 2024, the Planning Institute of Jamaica (PIOJ) estimated that real growth for the first half of the year stands at 0.8%. This figure does not account for the impact of Hurricane Beryl, which affected the island in July. However, it does include the downturn in tourism owing to an adverse travel advisory issued by the U.S. government.

For far too long, we have relied on an economic model that has proven inadequate and ill-equipped to deliver the sustained high levels of growth we need. This has impeded our ability to provide a better quality of life for our citizens, with the improved infrastructure and services they deserve. It is also a key reason why Jamaica's GDP per capita—an important measure of the country's wealth per citizen—remains among the lowest in the Caribbean, at under US\$8,000.

A clear illustration of the consequences of our low-growth dilemma is the recent securitization transaction brokered by the government. This deal involved selling 12 years of future revenue flows collected from the Norman Manley International Airport, under the concession agreement with PAC Kingston, the Mexican company currently operating the airport, in exchange for upfront cash. Using future revenues to finance the national budget in a single fiscal year, as a matter of principle, is not an ideal approach. While it may provide the needed finances, it underscores a larger issue: the urgent need for higher levels of growth to generate increased government revenues. Securitizing future receivables to fund the budget is neither sustainable nor advisable in the long run.

The ineffective economic model I refer to is characterized by an over-reliance on a few key industries, particularly tourism. As this year has demonstrated, tourism is highly vulnerable to adverse travel advisories from the U.S. Our growth prospects should not be largely hinged on such a susceptible structure. While tourism is undeniably vital, the economy has not sufficiently expanded into other sectors, such as manufacturing and technology. This lack of diversification limits opportunities for high-quality job creation and innovation, making it challenging to achieve sustainable growth.

When discussing a shift towards manufacturing, we encounter additional challenges, including high energy costs and the slow integration of more renewable energy into the national grid, which hinder the manufacturing sector's development. On top of that, low productivity levels persist across various sectors, driven by limited access to modern technology, inadequate skills training, and a workforce that may not meet the evolving demands of the economy. Ultimately, low productivity stifles growth and competitiveness, preventing the economy from reaching its full potential. We must also strengthen fair trade and competition policies to ensure that consumers are not burdened with unreasonably high prices for basic goods and services.

Emphasizing Value-Added Export Growth

To unlock genuine economic progress, we must fundamentally reframe our understanding of growth in Jamaica. Historically, our over-reliance on low-skill, low-wage jobs, particularly within the Business Process Outsourcing (BPO) sector, has hindered our potential. While these roles have provided employment opportunities, they cannot serve as the foundation for a robust and resilient economy. To truly advance, Jamaica must pivot towards a future that prioritizes value-added exports.

We must focus on producing and exporting goods and services that yield higher value. This necessitates investments in industries that capitalize on our creativity, intellectual assets, and rich natural resources. Jamaica can become a regional leader in innovative products across agro-processing, manufacturing, and digital services, cultivating a reputation for excellence in products that are proudly 'Made in Jamaica' and commanding premium prices in the global marketplace.

A Stronger Coordinated Role for Government

Realizing this vision demands more than just initiatives from the private sector; it requires a strong, coordinated response from the government. The state must evolve from a passive observer to an active partner in this transformation, strategically investing in industries with high growth and value potential.

A future PNP government will implement policies that incentivise innovation, research, and development, delivering essential support where it is needed most. This includes investing in vital infrastructure, ensuring that entrepreneurs have access to financing, and cultivating a business environment that nurtures growth. Greater support must also extend to small and

medium enterprises (SMEs) in value-added sectors, helping them scale and compete in international markets.

Institutional weaknesses, ranging from bureaucratic inefficiencies to fragmented coordination between agencies, often limit the success of national strategies and undermine government-led initiatives. Therefore, to maximize their impact, we need a coordinated national export strategy that brings together JAMPRO, the Development Bank of Jamaica (DBJ), and the Scientific Research Council (SRC) under a unified vision. This strategy must identify high-potential value-added sectors and create a roadmap for their development, focusing on reducing bureaucratic red tape and ensuring more seamless support for businesses throughout the product development, financing, and exporting processes.

Addressing Foundational Literacy and Numeracy

None of this will be sustainable unless we confront one of the most pressing issues facing our country: the alarming state of foundational literacy and numeracy among our youth. Education reform must go deeper than surface-level changes. We cannot pursue advanced learning when so many of our children and young adults struggle with basic reading and arithmetic. A comprehensive national effort is needed to ensure that every child exits primary school with a solid foundation in literacy and numeracy. This is essential for enhancing labour productivity, and to improve the skills and capabilities of our workforce, we must start at the very beginning.

Undoubtedly, a strategic focus on value-added exports, coupled with strong government support and a commitment to education reform, will lay the groundwork for sustainable growth and a brighter future for all Jamaicans. By embracing this path, we can build an economy that is resilient, diversified, and poised for long-term success.

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