MEASURING GROWTH IN THE JAMAICAN ECONOMY

MEDIA BRIEFING

AUGUST 30, 2018

Presented by:
Miss Carol Coy, M.B.A.
Director General
Statistical Institute of Jamaica
GDP is the measurement of the total production of an economy. It is the total UNDUPLICATED value of the goods and services produced in the country during a given period.

The GDP is ONE of the key aggregates in the System of National Accounts (SNA).
GROSS DOMESTIC PRODUCT (GDP)

- GDP combines in a single figure, and with no double counting, all the output (goods and services) carried out, in a given country during a given period, by all the:

- The contribution of each entity is calculated not as its output, but as its VALUE ADDED.
- i.e. the value that the firm adds to that of the firms that supply its inputs.
**How Is The GDP Calculated?**

### Production approach:
- The sum of the value added of all industries.
- The value added of an industry is equal to its gross output (mainly its sales) less its purchases from other industries (intermediate consumption).

### Expenditure approach:
- The sum of household spending, government spending on goods and services, investment in fixed capital (construction, machinery and equipment), change in inventories and exports less imports of goods and services.

### Income approach:
- The sum of compensation of employees, operating surplus, consumption of fixed capital and taxes on production and imports less subsidies on production and imports.
PRODUCTION APPROACH

• The estimates are compiled by product groups based on the Jamaican Industrial Classification (JIC) which covers all productive activities in the economy.

• Estimates of the GDP using the production approach are compiled for 230 product groups which are aggregated into industries for reporting purposes.
**Production Approach – An Example**

Gross Output ($2,500)
- Sales of Breads ($2,000)
- Sales of Buns ($500)

Intermediate Consumption ($1,200)
- Flour ($700)
- Electricity ($100)
- Rent ($150)
- Transportation Costs ($250)

GDP ($1,300)
GDP is calculated at both **CURRENT** and **CONSTANT** prices.
**Growth Rate of the GDP**

- The growth rate of the GDP refers to the change in the GDP from one period to the next and is usually expressed as a percentage.

- The change in the GDP is a result of:
  
<table>
<thead>
<tr>
<th>A change in the <strong>volume</strong> of goods and services produced</th>
<th><strong>AND</strong></th>
<th>A change in the <strong>price</strong> at which the goods and services are sold</th>
</tr>
</thead>
</table>

- The rate of change in the GDP at constant prices provides an indication of economic performance as it eliminates the price effect and only shows the change in volume of goods and services produced.
**Understanding The Numbers**

The **LEVEL** of the GDP • provides information on the size of the economy

The **GROWTH RATE** of the GDP • indicates whether the economy is expanding or contracting

**NOMINAL** GDP or GDP at current prices • measures both changes as production is valued at prices of the given period

**REAL** GDP or GDP at constant prices • measures the volume change as production is valued at base year prices.

The current base year is **2007**
CALCULATING JAMAICA’S GDP
Coverage Of The GDP

• Jamaica’s national accounts emphasizes the exhaustiveness of the GDP, with a focus on ensuring that all activities are included in the estimates.

• STATIN recognises the impact of under coverage and has put in place strategies to reduce this.

• Where activities are not captured through the basic data gathering mechanisms, alternate methods have been developed to estimate their output.

• STATIN also makes every effort to ensure that new and emerging activities such as business process out-sourcing are incorporated in the estimates.

August 30, 2018
Media Briefing
**Coverage of the GDP**

**Supply based methods**
- Data on the supply of inputs such as labour are used to estimate output.

**Demand based methods**
- Production is determined by using indicator data on specific uses of a good or service.

**Commodity flow method**
- This method involves balancing total supplies and uses of individual products.
The System Of National Accounts (SNA)

Implementing the 2008 SNA
THE SYSTEM OF NATIONAL ACCOUNTS (SNA)

• The internationally agreed standard for compiling measures of economic activity.

• It provides a comprehensive conceptual and accounting framework for compiling and reporting macroeconomic statistics for analysing and evaluating the performance of an economy.

• Developed by the UN and other international statistical agencies and was first adopted in 1953.
  • To date there has been 5 revisions of the SNA
  • The 2008 SNA was the last revision
Main Changes in the 2008 SNA

- Clarification
- Refinement
- Reclassification
- Harmonization
**Main Changes in the 2008 SNA**

Further specification and clarification of certain concepts and the scope of some transactions.

Refinement of the treatment and definition of financial instruments and assets.

Reclassification of certain items as capital rather than inputs.

Research and development and weapon systems are now treated as investment rather than intermediate input.

Adjustment in the method for calculating some aspects of financial services (FISIM).

Conceptual changes such as the recording of pensions.
79 of 193 UN Member States have implemented or partially implemented the 2008 SNA in the compilation of their national accounts (UNSD, August 2017).

Jamaica, like the majority of developing countries, produces the GDP based on the 1993 SNA.

The Statistical Institute of Jamaica (STATIN) is, however, currently in the process of converting to the 2008 SNA.
IMPLEMENTING THE 2008 SNA IN JAMAICA

The revision of the Jamaican national accounts system will include:

• The conceptual changes due to 2008 SNA.

• Inclusion of new data sources such as the 2017 Household Expenditure Survey.

• Conversion to a new industrial classification system, the 2016 Jamaica Industrial Classification (JIC)