

PM: Jamaica out of recession

Prime Minister Bruce Golding yesterday (May 10) announced that Jamaica is "officially out of the recession" while chiding the Opposition People's National Party for only last week harping on the fact that the local economy has seen no growth for the past three years.

Addressing Parliament during his contribution to the 2011/2012 Budget Debate at Gordon House in Kingston, Golding in admitting that the three years of negative growth with a cumulative decline of five per cent was a worrying outcome, said "it was not unexpected, given the impact of the global recession". However, he said happy to confirm that "Jamaica is now officially out of the recession, as in the January to March quarter the economy registered modest but positive growth". A detailed analysis of the outturn and the projections for the future will be presented by the Planning Institute of Jamaica at a press briefing set for Wednesday of next week, he added. In the meantime, however, he noted that the country, since the start of the recession in 2008, lost some US\$2.7 billion in export earnings, J\$16.5 billion in bauxite revenue and J\$5.7 billion in General Consumption Tax. "I said before that we are not yet out of the woods. We have not recovered from the ravages of the global recession. Our export earnings are less than half of what they were in 2008. People have lost jobs; businesses have been forced to lay off workers -- some have even gone out of business. Even self-employed persons have seen their businesses go down because the spending power of their customers has been weak," Golding said. "This is not fantasy; it is our reality. It is the burden we carry when we sit at the bargaining table with public sector workers who demand wage increases; it is the burden we carry when we try to pacify citizens protesting against bad roads or lack of water; it is the burden we carry when we are called on to roll back taxes," he added. He countered arguments by Opposition Leader Portia Simpson Miller last week that the administration had not done enough for the poor and was making feeble efforts to save or provide jobs. Pointing out that countries like Canada, the United States and the United Kingdom have dealt with their "reality" by cutting government spending and laying off public sector workers, Golding said Jamaica has taken the road less travelled. "How have we dealt with ours? If we take out debt service payments, we have reduced our budget in real terms by 15 per cent over the last two years. Some see this as a lack of compassion for the poor. The experts say we have not gone far enough, the cuts should have been deeper, our decisions should have been tougher," he said. "How much tougher could we have been? Some countries chose to reduce wages to public sector workers; some restricted them to a four-day week; some even cut pensions. We have not gone there," he added. He noted, however, that had the Government heeded the insistent calls for it to spend more in order to do more for the poor it would lead to that situation. "Insisting that we must pay wage increases that we simply cannot afford, however reasonable they may be, will drag us there. Clamouring for a rollback of taxes when the revenues cannot cover what we are already spending will drag us there. That is the reality," the prime minister argued. "I ask the Opposition to understand that we cannot afford to go there; I ask the unions to understand that we cannot afford to go there because what you might gain today would disappear in no time when the forces of inflation and devaluation respond in their fury," he said. He also contended that the administration could not roll back the gas and electricity costs without dire consequences. "There is a notion that government can use its enormous power to do anything it wants to, like rolling back gas prices and electricity costs. We have already reduced the tax on gas at a cost of \$3.5 billion. We cannot go any further," Golding said. Addressing the issue of the national debt, which had also been a sore point with the Opposition, Golding said this was within target. "There is hardly anyone over the last 15-20 years that has expressed more concern about our increasing debt burden than I. We have had to undertake significant borrowings to help us through the financial crisis and to make up for the fall-off in foreign exchange earnings and capital flows," the prime minister said. He, however, pointed out that the debt ratio of 128 per cent at the end of March is well within the ceiling of 139 per cent as set out in the Standby Agreement forged with the IMF last year.