

Jamaica's Economic Outlook for 2025

Consumer confidence drives economic growth, shaping spending habits and market trends. As Jamaica reflects on the economy in 2024, key insights from the Consumer Confidence Index (CCI) offer a glimpse into 2025's economic outlook. This article explores how past trends inform future expectations, offering a comprehensive view of what lies ahead for businesses and consumers alike.

Understanding the Consumer Confidence Index and Spending Habits

A key tool for understanding consumer sentiment is the Consumer Confidence Index (CCI), which reflects how optimistic or pessimistic people feel about their financial situation and the economy. This index captures consumers' willingness to save or spend. A CCI score below 100 indicates pessimism, with consumers saving more and spending less, potentially slowing economic growth. Conversely, a score above 100 reflects optimism, where people are more inclined to make significant purchases within the next 12 months.

For the period 2023–2024, Jamaica's CCI consistently remained above 165 points, signalling strong consumer confidence. In 2023, the index climbed steadily each quarter, reflecting growing trust in the economy. This momentum continued into 2024, starting with a strong Q1 CCI of 174.4. However, the index declined by 3% in Q2 and approximately 1% in Q3. This was influenced by rising living costs, ongoing concerns about crime, and the disruptive effects of Hurricane Beryl, which impacted livelihoods across various sectors. Despite these challenges, Q4 saw a 5% rebound, with the CCI reaching its highest level during the observed period. This resurgence demonstrated renewed confidence in Jamaica's economic resilience and recovery potential.

Notably, the JSE Combined Market displayed movements in market capitalisation that aligned with the trends in the CCI during this period. In 2023, the stock market's capitalisation peaked at 1.68 trillion JMD, and by the end of 2024, it had grown to 1.78 trillion JMD. This steady increase in the economic landscape reflects improved investor confidence. The wealth effect becomes evident when the CCI and stock market capitalisation move in the same direction, signalling greater consumer and investor optimism.

Looking Back at the Economy in 2024

In 2024, Jamaica's financial landscape exhibited notable developments that have positively influenced consumer confidence and spending behaviours. The Jamaica Stock Exchange (JSE) experienced a 3% increase, reaching a market valuation of approximately \$2.1 trillion. JSE Managing Director Dr. Marlene Street-Forrest expressed optimism, stating that this upward trend is expected to continue into 2025. Concurrently, inflation rates have shown a favourable decline. The Statistical Institute of Jamaica (STATIN) reported that the Consumer Price Index (CPI) for December 2024 stood at 143.5, marking a 1.2% increase from the previous month. This brings

the calendar year-to-date inflation rate to 7%, a significant decrease from the 8.35% average inflation rate observed from 2002 to 2024.

Looking Ahead to the Economy in 2025

These positive trends in the stock market and inflation rates have enhanced consumer purchasing power and financial security. As people feel more confident in their economic standing, there is a corresponding increase in consumer spending, which is expected to further bolster economic growth in 2025.

However, measuring the wealth effect comes with challenges. While the CCI and market data offer useful insights, they are based on consumer perceptions that may not always match actual economic conditions. People's perceptions of their financial situation can be influenced by a variety of factors, including media narratives, personal experiences, or short-term economic fluctuations, which may not always reflect the broader, long-term economic reality. Moreover, the wealth effect can vary across different demographic groups. While rising asset values may encourage spending for those who hold investments or real estate, individuals without significant assets may not feel the same sense of security or financial well-being. This creates disparities in how different segments of society respond to economic shifts, making it difficult to generalise the wealth effect's impact on the entire economy.

Despite these challenges, the CCI remains a helpful tool for understanding public sentiment towards the economy. It provides a snapshot of consumer confidence, which often drives economic behaviour, even if it doesn't perfectly align with actual economic data. However, to gain a more complete picture, the CCI should be used in conjunction with other economic indicators, such as employment rates, inflation trends, and income levels, to assess the broader health of the economy and the potential impacts of the wealth effect.