

Budgeting for Recovery, Stability and Confidence



Jamaica’s 2026/27 National Budget comes at a defining moment for the economy. After Hurricane Melissa, elevated interest rates and renewed global uncertainty, the Budget signals a careful policy choice: protect stability, fund recovery and preserve confidence without placing added strain on households and businesses still rebuilding.

What the Budget Signals About Policy Direction

We all understand budgeting as an exercise in managing scarcity. At the household level, it means weighing needs against wants, planning for the unexpected, and making difficult trade-offs when income cannot stretch to meet every demand. A national budget operates on the same principle, except the shocks are larger, the timelines longer, and the consequences are felt across the economy.

Jamaica’s 2026/27 National Budget must be read through this lens. It

comes after an unprecedented sequence of events: recovery from the global pandemic, a prolonged period of elevated interest rates, Hurricane Beryl, and, most significantly, Hurricane Melissa, a record-breaking Category 5 hurricane that inflicted widespread devastation across the island.

Hurricane Melissa tore through Jamaica’s crucial agricultural belt and key tourism-centred parishes, destroying homes, businesses, and livelihoods. Entire communities were displaced, major infrastructure damaged, and many businesses were forced to pause operations for

extended periods. Early assessments point to damage running into the tens of billions of dollars, making it one of the costliest natural disasters in Jamaica’s history. That scale of disruption is critical to understanding both the tone and the structure of the 2026/27 Budget.

The Economic Backdrop: Inflation, Rates, and Rising Global Risk

When the Budget was prepared, inflation had eased significantly, settling around 4 to 4.5%, down from the highs seen in the immediate post-pandemic period and broadly

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within the Bank of Jamaica’s (BOJ) target range.

This downward trend was supported by tighter monetary policy, improved supply conditions, and exchange-rate stability. However, both Hurricanes Beryl and Melissa temporarily reversed some of that progress. Damage to crops and distribution networks placed upward pressure on food prices, while infrastructure disruptions increased operating costs across sectors.

At the same time, renewed global geopolitical tensions, particularly the escalating US–Israel–Iran conflict, have pushed energy prices higher, threatening freight costs, electricity charges, and imported inflation. Against this backdrop of easing inflation but rising uncertainty, the Bank Of Jamaica (BOJ) has maintained a cautious policy stance, with the policy interest rate now at 5.50%, down slightly from earlier peaks but still restrictive by historical standards. This context heavily influences fiscal decision-making.

Revenue: Stability Without Added Strain

For the 2026/27 fiscal year, total revenue and loan receipts are projected at approximately J\$1.34 trillion, up from about J\$1.26 trillion in 2025/26. Revenue growth, however, remains modest and measured, reflecting a clear policy choice. Tax revenue rises to J\$979.4 billion, an increase of just over 3%.

Importantly, the Government has avoided imposing new, broad-based income tax measures at a time when households and businesses are still

recovering from storm-related disruptions. PAYE thresholds remain intact, and income taxes contribute a slightly smaller share of total revenue than in previous years. Instead, incremental gains continue to come from consumption-based taxes, particularly GCT and SCT, which now account for well over half of total tax collections. This approach allows revenue to grow alongside spending activity, without directly increasing the cost of work or discouraging employment.

Non-tax revenue, by contrast, falls sharply from J\$139.8 billion to J\$97.3 billion, a decline of roughly 30%. This reflects the unwinding of exceptional, non-recurring inflows that supported revenue during the immediate post-disaster and post-pandemic periods.

The Fiscal Gap — and How It Is Being Financed

This brings us to one of the most important signals in the Budget.

While revenue grows moderately, expenditure increases significantly. Total spending for 2026/27 rises to approximately J\$1.44 trillion, up from J\$1.26 trillion the year before — an increase of over 14%. The result is a clear fiscal shortfall, deliberately accommodated rather than avoided. That gap is being financed primarily through higher borrowing, with loan receipts rising to approximately J\$247 billion, an increase of more than 50% year-over-year. Both domestic and external borrowing contribute to this increase.

Crucially, this is not borrowing to fund excess. It is borrowing to fund

recovery, resilience, and continuity of essential services. Put simply, the Government has chosen to spread the economic cost of Hurricane Melissa over time rather than compress spending abruptly or impose sharp tax increases in a weakened environment.

Spending Priorities: Where Policy Becomes Visible

Nowhere is policy direction clearer than on the expenditure side.

Recurrent expenditure rises to approximately J\$1.36 trillion, accounting for the bulk of the spending increase. This underscores that the Budget is operations-heavy, aimed at maintaining institutions, protecting households, and restoring normalcy after disruption.

Spending is concentrated in a few key areas:

- **Finance and the Public Service (J\$589 billion)** — reflecting wages, pensions, and debt obligations
- **Education (J\$218 billion)** — supporting skills development and future productivity
- **Health and Wellness (J\$190 billion)** — up more than 20%, reinforcing healthcare resilience
- **National Security (J\$129 billion)** — recognising the link between safety and economic stability

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Together, these allocations reflect a clear priority: social stability must underpin economic recovery. Capital expenditure also increases by roughly 27%, but remains measured. This signals a focus on repair, rebuilding, and resilience, rather than aggressive new expansion at a time of global uncertainty and elevated interest rates.

Structural Reforms That Matter

Beyond the headline figures, the Budget introduces changes with longer-term market implications. Notably, the Government has increased the permissible foreign-currency investment limits for pension funds and life insurance companies. This allows these institutions to diversify portfolios internationally, reduce concentration risk and achieve more stable long-term returns, while still serving as core anchors in the domestic bond market.

At the same time, reforms to public procurement processes, including clearer procurement lists and pathways, are designed to give micro, small, and medium-sized enterprises (MSMEs) greater access to public sector contracts. This is especially important in the post-hurricane recovery phase, ensuring that reconstruction spending supports domestic entrepreneurship and employment.

What This Means for Markets, Tourism, and Investors

Financial markets have responded with cautious resilience. The Jamaica Stock Exchange has experienced volatility, shaped by high interest rates and storm-related disruptions,



but valuations remain supported by strong corporate balance sheets and improving earnings expectations. The bond market, meanwhile, continues to be underpinned by institutional demand, particularly from pension funds and insurers, even as issuance increases.

For tourism, the Budget's emphasis on security, infrastructure repair, and labour support signals a commitment to restoring confidence in Jamaica as a destination, even as global travel faces higher fuel costs and geopolitical uncertainty. For investors, the message is clear: this Budget is not about short-term stimulus or austerity. It is about managed recovery, policy continuity, and preserving confidence through

disciplined, but flexible, fiscal management.

The Bottom Line

The 2026/27 Budget is shaped by extraordinary circumstances. A record-breaking Category 5 hurricane, global inflation risks, and renewed geopolitical tensions have all forced difficult trade-offs.

In response, the Government has chosen stability over shock, recovery over retrenchment, and confidence over caution. Like a household rebuilding after disaster, the emphasis is not on ambition, but on resilience. And in the current environment, that may be the strongest policy signal of all.