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JAMAICA

This preliminary version of the Economic Survey of Latin America, 1979, is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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JAMAICA

1. Recent economic trends: Introduction and summary

Very preliminary estimates of the evolution of real output in Jamaica in 1979 suggest an overall decline in the gross domestic product of approximately 2%.^{1/} If this is so, it would be the seventh consecutive year in which the level of economic activity has dropped.^{2/} (See table 1.)

Output decreased in every sector except tourism, according to partial indicators. Agriculture experienced a considerable production decline, owing in large measure to the mid-year floods that devastated the western part of the island, while there were sizeable reductions in the output of most of the principal manufactured goods, including those used as inputs in construction. Mining activity was paralyzed by a prolonged railway strike towards the end of the year and in consequence registered a small downturn. This, however, was more than compensated by the favourable evolution of alumina prices on the international market. The strong recovery of tourism in 1978 continued in 1979, but at a reduced pace. Tourist arrivals reached an all-time high.

The very marked acceleration in inflation in 1978 was checked in 1979 (see table 1), but unemployment reached unprecedented levels and real wages experienced a very substantial contraction for the second consecutive year.

The crisis in the external accounts noted in previous years worsened considerably in 1979, notwithstanding the relatively favourable performance of tourism. The volume of merchandise exports diminished, largely due to the floods and strike alluded to above, but also as a result of a growing shortage of imported inputs. In addition, the terms of trade deteriorated, mainly on

^{1/} Unless indicated otherwise, Jamaican dollars are used throughout. Data on the exchange value of the Jamaican dollar in 1979 are given in table 16.

^{2/} In last year's survey the main factors underlying the protracted economic decline of Jamaica were explored in some detail. See CEPAL, Economic Survey of Latin America, 1978, Volume I, (E/CEPAL/G.1103), 27 December 1979, pp. 571-608.

account of the leap in petroleum prices, while Jamaica's access to international capital markets remained blocked and efforts to renegotiate its foreign debt failed. Finally, in December the net international reserves fell below the level permitted in the IMF stabilization programme and Jamaica was precluded from receiving its scheduled allocation of foreign exchange credits from the Fund. At this juncture the economy faced the imminent prospect of even greater dislocations, unless a new agreement were reached with the IMF or an alternative source of balance-of-payments support could be tapped.

Since 1977 economic policy has been shaped increasingly by the need to confront both the grave disequilibria in the balance of payments and declining output, in circumstances in which domestic and international private sector confidence had already been seriously undermined and the public sector lacked the economic and management resources required to replace those withdrawn by the private sector. In June 1978 the government concluded an agreement with the IMF calling for the implementation of a comprehensive three-year stabilization plan, the contents of which implied the abandonment or reversal of many of the short-term economic policies that had clearly discouraged private sector activity. Likewise, many of the long-term policies (e.g., expansion of public participation in productive enterprises, land redistribution, restrictions on foreign investment) of the Government's development strategy were suspended or downgraded in priority as a result of the accords. In broad outlines the stabilization programme was designed to: (1) lower domestic demand to the reduced levels of supply; (2) create an environment conducive to investment and production, especially in the private sector; and (3) encourage a reallocation of resources in favour of exports. For these purposes, during the first year of the programme the exchange rate was raised markedly, while the nominal increases in wages and the money supply were held to levels well below the escalating rate of inflation. Consumption taxes were augmented, subsidies and price controls reduced, and the planned rate of growth of government spending curtailed. The real exchange value of the Jamaican currency fell notably; consumer demand diminished; unemployment rose substantially, particularly in manufacturing; and inflation soared, as noted above. But the response of

/investment and

investment and exports was weak (except in the case of tourism), although arrears on external transactions were practically eliminated.

In the second year of the agreement, beginning in June 1979, balance-of-payments support was doubled for the last two years of the programme and the performance test relating to arrears was discarded. Also, the mini-devaluations of the currency were terminated on the understanding that the ceiling on nominal wage increases would be reduced from 15% to 10% and that the Government's monetary and fiscal policy would be aimed at limiting inflation to 10%.

In 1979, monetary growth was held to under 8% in nominal terms, which may be compared with the 29% rate of inflation. Government spending was scheduled to rise by less than 1% nominally, according to the projections of the budget for the 1979/1980 fiscal year, which covers the April to March period. In this process public sector employment was to be reduced substantially and the remaining subsidies largely eliminated. Capital spending was to fall abruptly.

In 1979 the Government took several additional steps to restore private initiative, including reductions in corporate and personal income taxes. Perhaps the most important measure, however, was the conclusion of an agreement in October with the transnational corporations concerning the bauxite levy, which was lowered. As a result, it is expected that mining output will return to past high levels and refining capacity will be augmented.

During the year the Government also codified the general principles and administrative policies regarding the approval and regulation of foreign investment. Full foreign ownership is now welcomed in most areas of the economy. The previous 7% ceiling on the share of profits that could be remitted has been waived, limits on royalty payments have been relaxed, and repatriation of registered capital is now allowed without restrictions.

With respect to external trade policies, the Government eased the quantitative restrictions on some consumer imports and reduced tariffs on others, in accordance with the IMF plan. It also shelved its plan to impose quotas on imports from CARICOM countries. In addition to the extensive realignment of relative input and output prices discussed above, the authorities established

/various administrative

various administrative programmes to foster non-traditional exports, among them the Certified Exporter Programme and the Export Development Fund set up in June. These were designed to provide an adequate supply of foreign exchange for the import requirements of firms which can demonstrate a certain minimum export performance.

In 1979 the Government continued its policy of trade diversification. Long-term alumina sales contracts were effected with a number of countries with which Jamaica has traditionally conducted little or no commerce, such as the Soviet Union and Iraq. These contracts revived the feasibility of a long-delayed 600,000 ton alumina refining project. On the other hand, efforts to acquire alternative sources of capital imports have not so far proven very successful, and the various IMF agreements have not been sufficient to persuade the private international financial community to reconsider its lending policy to Jamaica.

Beginning in June, Jamaica was hit by one of its greatest natural disasters in recent decades when floods ravaged the western sector of the island. In addition to the loss of lives, an estimated 35,000 people were left homeless and completely destitute, while the homes and properties of an additional 125,000 people were damaged. Almost 8% of the population suffered direct losses, and preliminary estimates of damage to private and public property and crops and livestock ran into the hundreds of millions of dollars.

According to the Government, the foreign exchange losses caused by the flood damage (US\$ 20 million), together with the unanticipated increases in the oil import bill (US\$ 33 million), in other intermediate imports (US\$ 25 million), and in servicing of the foreign debt (US\$ 31 million), plus the delay in receiving a US\$ 25 million commitment from the World Bank for the Export Development Fund, largely explained the failure to comply with the net foreign reserves test. To this list may be added the exchange earnings foregone during the temporary paralyzation of the bauxite mines in part of the third and fourth quarters.

/It should

It should also be pointed out that the requirement for net foreign reserve holdings was raised by US\$ 55 million between the September and December tests.

As the year closed, Jamaica elected to apply to the IMF for a waiver of the foreign reserves test on the basis of the various imponderables listed above, although on the other hand there was a growing consensus in government circles that the costs of the stabilization plan outweighed its benefits.

2. Trends in economic activity

(a) Global supply and demand

Data on the evolution of supply and demand are not available for 1979. Between 1974 and 1978, however, global supply dropped almost 17%, while imports declined at an even more rapid pace (~23%). As a result, the import coefficient was reduced from over 43% to slightly less than 39%. With respect to the demand side, all components registered absolute declines. The fall was particularly marked in the case of gross fixed investment, which plunged over 50%. Consequently, the investment coefficient declined from 21% to 13% (see table 2). This was mainly due to the pronounced contraction experienced in construction, but it also reflected a downturn in investment activity throughout the economy. Although it is not possible to quantify the shares of the decrease attributable to the private and public sector, it may be affirmed that in 1977 private investment came to a virtual standstill in export agriculture, manufacturing for the domestic market and mining. Net private foreign direct investment, for its part, has been negative since 1974, and meanwhile the Government has been unable to fill the sizeable gap left by the foreign and domestic private sector. Efforts to finance a large share of the Government's ambitious development programme from external sources have largely proved unsuccessful. Indeed, overall net long-term capital inflows in this period dropped to zero. Moreover, since 1977 the public sector has been operating under severe budget constraints, which have been reflected in the curtailment of real growth in investment expenditures.

To close this section it should be noted that several of the trends described above were reversed in 1978. Thus, global supply rose because import volume climbed substantially. The counterpart increase in global demand also originated mainly in the external sector, but gross domestic investment also recorded a sizeable increase. However, more than one-half of this was accounted for by changes in stocks.

/(b) Evolution

(b) Evolution of the main sectors

(i) Agriculture. Data on the overall evolution of this sector in 1979 are not available. However, judging from the performance of the few commodities for which statistics have been compiled, it may be provisionally concluded that total output declined significantly (see table 3).

After a partial recovery in 1978, the output of sugar cane - the most important agricultural product - dropped by over a quarter in 1979, while the production of the second most important crop, bananas, declined by 10% in the twelve months ending in September and the output of cocoa fell by one-fifth. On the other hand, the 1979 coffee crop was more than double that of the previous year, and was one of the largest in recent years.

The decline in sugar output reached the point where Jamaica was not only unable to export sugar to the world market, and was thus prevented from taking advantage of the 86% rise in the open market price of sugar, but even failed to fulfill its quota with the EEC. On the other hand, the Government-fixed price of sugar in the domestic market, which normally absorbs about one-third of output, was so low that the industry suffered substantial losses on domestic sales of sugar, because the reduction in output caused the costs of production to rise about 23%, while the controlled price remained unchanged. At the same time, the share of production consumed by the domestic market rose to over 40%.

As regards the international prices of other agricultural exports, that of cocoa fell some 5%, but the prices of copra, bananas and coffee rose by 47%, 13% and 9%, respectively.

In contrast with the uniformly negative performance of export crops since the early 1970s, the output of most items destined mainly for domestic consumption has increased steadily, particularly in the last few years. In 1978, the most recent year for which data are available, the production of root crops, for example, increased 25%. Owing to the serious flooding, however, production gains - if any - were expected to be minimal in 1979.

Apart from the various common factors that combined to reduce output throughout the economy in 1979, agricultural production suffered from severe flooding in the second and third quarters. Over 1,600 acres of bananas were

/severely damaged

severely damaged and an estimated 3,000 tons of export fruit destroyed, while some 2,500 acres of sugar cane were flooded, with the loss of 13,000 tons of this crop. Furthermore, the value of the losses in the subsector producing food for the domestic market were estimated to have exceeded the combined total for bananas and sugar cane and, as in previous years, smut and rust disease continued to reduce the output of cane.

Over the course of the year there were increasing shortages of essential inputs (e.g., fertilizers and pesticides), owing to the progressive deterioration of the foreign exchange position of the economy, and these began to cause serious disruptions in agricultural production. At the same time, the real level of credit extended to agriculture by commercial banks fell by about one-third, following a 40% reduction in the previous year.

This development, while partly a reflection of the general contraction in real financial variables, may also be traced to a pronounced decline in private investment in agriculture in the last few years. One of the important factors behind the unfavourable behaviour of private investment in agriculture, as well as the poor production performance of export crops, has been the redistribution of land from the large estates to small farmers and co-operatives,^{3/} and while this latter sector has been largely responsible for the rise in the production of domestically consumed crops, this increase has not sufficed to offset, through a reduction in food imports, the foreign exchange losses sustained as a result of the deterioration of the agricultural export sector, partly because the food consumption habits of the population remain geared in large measure to imported foodstuffs. On the other hand, owing to the programme of fiscal restraint in force in the last three years, the Government has not been in a position to fill the vacuum left by the decline in private investment in agriculture.

The most important project commenced in this sector in 1979 was a forestry development programme, which includes the rehabilitation of 7,000 hectares of

^{3/} Between 1974 and 1978 the Government distributed 45,000 hectares of land to 30,000 small farmers and landless labourers under the "Landlease" programme.

existing plantations and the establishment of 9,250 hectares of new plantings. A pine sawmill is also to be constructed. The US\$ 12 million required to finance the project was provided by the World Bank.

(ii) Mining. Mining production, which had achieved a partial recovery in 1977 and 1978 following a pronounced decline in the preceding two years, fell slightly in the twelve months ending in September 1979 on account of railway strike that brought mining activity to a standstill during part of the third quarter. In this period, the output of both bauxite and alumina dropped about 1.5% (see table 4). However, world prices for these commodities rose over 19% in 1979 and thus more than offset the decline in the total output of bauxite and alumina, which was more than one-third below the historic high recorded in 1974.

Chief among the factors determining the unfavourable evolution of the bauxite industry in the last five years has been the consistent opposition of the transnational corporations which control the industry to the bauxite levy instituted in 1974. After that year, the corporations not only ceased new exploration and development activities but reduced considerably the utilization of existing mining and refining installations in Jamaica, while expanding significantly their operations in other producing countries. They have argued that the levy rendered Jamaican bauxite uncompetitive with alternative sources. However, one recent study 4/ shows that after the implementation of the levy the costs of production of bauxite mined in Jamaica and shipped to the United States market remained lower than those of any other producing country. Another study 5/ demonstrates that the magnitude of the reduction of output in Jamaica was congruent with the long-term diversification strategy implemented by the transnational firms in

4/ United Nations, Economic and Social Council, Transnational Corporations in the Bauxite Industry of Caribbean Countries, prepared by experts and consultants of the Joint CEPAL/CTC Unit for the Interregional Expert Group Meeting on Bargaining Capacity and Distribution of Gains in Primary Export Commodities, Bangkok, 8-13 October 1979, pp. 155 and 160.

5/ David S. Hoelscher, Evolution of Bargaining Capacity: The Case of the Alumina Industry, CEPAL/CTC Joint Unit, Santiago, Chile, March 1979, p. 56.

the early 1960s ^{6/} and argues that such a reduction would probably have occurred even if the levy had not been introduced.

Following intermittent negotiations between the Government and the corporations over the last five years, an agreement concerning the bauxite levy was finally reached in 1979. In October of that year the levy, previously fixed at 7.5% of the average realized price of aluminium ingots in the world market, was set at 4.6 US cents a pound, which was equivalent to 7.0% of the ingot price then prevailing in the world market. The primary difference between the old and new formulas, then, is that the former was fixed in percentage terms and the new one is fixed in monetary terms. The key to the agreement, from the point of view of the corporations, is that the world price of bauxite is expected to continue to rise over the course of the foreseeable future, so that the proportional tax burden will fall accordingly. Under the previous scheme, the absolute unit amount of the levy, together with bauxite prices, doubled between 1974 and 1979. The new agreement is to remain in effect until the end of 1983, and in return the corporations have expressed a willingness to increase the volume of bauxite mined and expand refining capacity.

Among other developments concerning the mining sector, in June the long-delayed 600,000 ton alumina smelter project received a boost in the form of an offer from Hungary to extend a US\$ 250 million credit for the purchase of equipment and machinery, and at the end of the year negotiations with Middle East sources to secure the additional US\$ 250 million required to finance the project were nearing completion. The Government also concluded long-term alumina sales agreements with the Soviet Union and Iraq. The first calls for the shipment of 50,000 tons annually between 1980 and 1983 and 250,000 tons thereafter; the second is for 150,000 tons annually, beginning in 1980.

With respect to the energy problem, at least three factors have aggravated the impact of the higher oil prices on Jamaica. First, no domestic energy sources capable of taking the place of imported oil are currently available to the country.

^{6/} As late as 1973, three of the five major aluminium corporations depended on Jamaican bauxite for over 55% of their worldwide output. United Nations, Economic and Social Council, op. cit., p. 158.

Jamaica is dependent on imported oil to supply 99% of its commercial, and some 90% of its overall, energy needs. Between 1973 and 1979, the proportion of the value of imports of goods and services accounted for by oil purchases jumped from 8% to 29%; a share surpassed only by Brazil among the region's oil-deficit countries. Second, the economy is very energy-intensive. In 1978 its per capita consumption of energy exceeded that of any developing country in the Americas with the exception of Venezuela and Trinidad and Tobago, and its energy consumption per unit of GNP was surpassed only by the latter country.^{7/} The high energy intensity of the economy is explained by the massive amounts of oil required in the bauxite industry, which accounted for over 45% of the oil import bill in 1979. These two basic structural features of the economy have meant that from the outset the satisfactory evolution of economic activity has been extremely sensitive to the behaviour of oil prices. Finally a third, contingent, factor has compounded the cost of the process of adjustment to higher oil prices. In contrast to the situation obtaining in most of the region's other oil-deficit countries, capital inflows to Jamaica have not been sufficient to help finance the increased costs of imported oil. In fact, after 1974 net direct private investment turned negative, and net foreign borrowing has fallen progressively. For Latin America and the Caribbean as a whole, total net external borrowing in 1978 was over four times above the 1973 level, but in Jamaica's case the 1978 figure was less than one-fifth that of 1973, amounting to a mere US\$ 24 million.^{8/}

Between 1973 and 1979 the volume of oil imported by Jamaica fell by approximately one-third, owing largely to the steep fall in bauxite production but also to the drop in the level of activity in the rest of the economy. Given the severe limitations on access to external finance, the five-fold increase in

^{7/} World Bank, World Development Report, 1979, New York, Oxford University Press, 1979, table 7, p. 139.

^{8/} The figures are for disbursed public and State-guaranteed private debt only. Net borrowing equals disbursements less amortization payments. World Bank, World Debt Tables, volume 1, December 1979.

the cost of the reduced volume of oil imports may therefore be considered as a very important factor in the contraction of activity in the rest of the economy.

(iii) Manufacturing. Between 1975 and 1978, the current value of manufacturing output increased 47%, while the consumer price index rose 65%. Estimates of manufacturing GDP are not yet available for 1979, but part-year indicators of the volume of manufacturing production suggest a further decline in the real value of the sector's product. With the exception of rum and other alcoholic beverages, which had some success in penetrating foreign markets in 1979, activities based on inputs from agriculture, particularly imported ones (e.g., wheat), suffered additional contractions in the twelve months ending in September (see table 5). There were even greater drops in output in the case of goods mainly used in construction (see section (iv) below).

Squeezed as it is between the marked fall in domestic demand and the growing foreign exchange crisis, it has become imperative to reorient the manufacturing sector towards export markets. In addition to the stimulus provided by the successive currency devaluations and the sharp fall in domestic demand, in 1979 the Government established two mechanisms to promote non-traditional exports. The "Certified Exporter Programme" benefits firms which either achieved a certain minimum level of exports in 1978, or were able to demonstrate that the specified level could be achieved in 1979. Over one hundred such firms, principally manufacturing enterprises, were incorporated into the programme. These companies receive preferential treatment in obtaining import licences for raw materials, spare parts and capital goods. A complementary programme is the Economic Development Fund, which provides financing for the import requirements of certified exporters. This fund is financed and controlled by the World Bank.

With respect to the recent performance of manufactured exports, data for 1979 are not available. In 1978, the current value of manufactured exports increased 52%, against a 35% rise in the consumer price index.

/(iv) Construction.

(iv) Construction. This sector has been in a pronounced depression since 1975, when the expansionary phase in tourism and mining came to an abrupt halt. As might be expected, the demand for housing has fallen even more drastically than the general level of economic activity. In addition to the collapse in demand, significant shortages of building materials have become prevalent in the last two years. Between 1975 and 1978, the nominal value of the construction GDP decreased by 3%, whereas the consumer price index rose 51%; over the same period employment in construction dropped over 20%. The few available indicators suggest another sizeable downturn in 1979 (see table 6). In the twelve months ending in September, output of two important building materials, cement and steel, dropped by more than a quarter.

(v) Tourism. Following the depression of 1976-1977, tourism recovered sharply in 1978 and recently released data show that in 1979 the total number of tourist arrivals rose over 12% to 598,000, which represents an all-time high. Furthermore, the rate of growth accelerated over the course of the year. In the fourth quarter, which encompasses the first half of the winter season, the number of tourist arrivals was fully 74% greater than in the fourth quarter of 1978.

In the twelve months ending in September tourist arrivals increased somewhat less than 8% (see table 7). The long-stay category recorded a 5.5% gain, while the short-stay one leaped 137%. The nominal level of tourist expenditure rose 44%, which may be compared to a rate of inflation of 33% over this period.

The average hotel room occupancy rate rose 6 percentage points, but remained far too low to provide a stimulus to construct additional capacity. In fact, it is estimated that given the present seasonal pattern of tourist arrivals, the sector could accommodate another 200,000 visitors annually, which is indicative both of the extent of the over-construction of hotel rooms in the early 1970s and of the future growth required to promote a significant increment in investment in this and closely allied activities. However, it should be noted that tourist arrivals climbed by over 200,000 between 1977, the worst year of the depression, and 1979.

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During the 1976-1977 period, when tourist arrivals plunged 30% and Jamaica's share of the Caribbean tourist market dropped from over 9% to less than 6%, the Government assumed the ownership of a number of hotels that would otherwise have ceased operations. Currently, the Government-owned hotels account for over 50% of room capacity in the sector. Apart from this direct intervention, designed essentially to prevent a pronounced contraction in the capacity and level of employment of the sector, the Government has instituted a number of programmes that have contributed to the recovery of tourism. One of the most successful has been the development of previously untapped markets such as the Midwestern United States and the Federal Republic of Germany. The number of visitors from the latter country has multiplied almost three times in the last two years. But basic to the recovery of the sector has been the turn-around in the overseas image of the country as regards its attraction for tourists, thanks mainly to the easing of the overt social tensions that frequently plagued the island in 1976 and 1977.

At the same time the steep devaluation of the Jamaican dollar has greatly enhanced the regional competitiveness of the tourist sector. Between 1978 and 1979 the successive devaluations amounted to 50% in terms of US dollars, 57% in terms of British pounds, and 58% in terms of German marks. At present, the cost of living in Jamaica is the lowest in the Caribbean. Due largely to this same reason, however, the foreign exchange contribution of tourism has not kept pace with the growth of tourist arrivals. Thus, although the number of tourists in 1979 surpassed the previous peak recorded in 1974, the current value of foreign exchange it generated was somewhat less.

(c) Employment and unemployment

Indexes of employment for 1975 to 1978 are given in table 8. Over this period the rate of unemployment rose from one-fifth to almost one-fourth of the labour force. Furthermore, as the level of output dropped by 16% and the level of employment increased by 10% between 1974 and 1978, the extent of the underemployment of the labour force increased significantly. This may also be appreciated when it is noted that the higher overall level of employment was accounted for by increases in the least productive sectors of the economy.

/Thus, the

Thus, the number of employed rose 42% in public administration, 21% in commerce and 15% in agriculture, against declines of fully one-fifth in construction and 3% in manufacturing.

Together with the inordinately high rate of unemployment, in recent years Jamaica has lost a substantial proportion of its already limited supply of managerial, technical and entrepreneurial personnel through emigration. This phenomenon has greatly complicated the process of adjustment of the economy to the changing international environment, hindered the implementation of an adequate system of management in the enlarged government sector, and forced delays in the implementation of numerous development projects for which financing has been secured.

No official data on employment and unemployment in 1979 have been released, but unofficial estimates for the first half of the year suggest that the rate of open unemployment may have approached 30% of the labour force, mainly on account of large-scale lay-offs in firms manufacturing goods for the domestic market and in construction, but also because of sizeable reductions in public sector employment.

3. The external sector

(a) Main recent trends

The progressive deterioration of the country's external accounts observed since 1975 continued unabated in 1979. The current value of exports of goods and services registered an increment of only 5%, while that of imports increased somewhat less than 14%. As a result, the trade deficit soared from US\$ 7 million to US\$ 94 million, while the current account deficit rose 67% above the 1978 figures and was three times as high as that of 1977, when the volume of imports was slashed by one-fifth for the second consecutive year. In view of the fact that international reserves amounted to the equivalent of a mere two weeks of imports at the beginning of the year and net short- and long-term capital inflows equalled only one-third of the current account deficit, the country was forced to rely, once again, on credit operations with the IMF to cover the major part of the current deficit.

/The extent

The extent of the deterioration of the country's external position after 1974 is illustrated by the data in table 9. Between that year and 1979 exports of goods and services, after deductions for payments to investment income and deflated by the import price index, fell by 36%. Over the same period remittances on investment income climbed by 160% and the price index of merchandise imports rose by 47%, whereas the current value of exports of goods and services registered a mere 4% gain. Furthermore, according to preliminary estimates, net receipts of long-term capital sank to zero after 1977. Consequently, before taking into consideration movements in short-term capital, international reserves and related items, the capacity to import dropped by 49% between 1974 and 1979, and the import volume fell by 28%.

In 1975 and 1976, the import volume was maintained substantially above the capacity to import by the depletion of reserve holdings, while subsequently short-term capital inflows and the use of IMF credit, particularly in 1978 and 1979, permitted the country to avoid reducing import volume to the extent implied by the decline in the capacity to import. However, despite the initial designs and expectations, the stabilization programme agreed upon by the Government and the IMF in June 1978 has, by itself, not yet proven sufficient to promote a significant expansion in overall export earnings nor to persuade the international banking community to renew its lending to Jamaica.

The principal features of the IMF accord were the following: in exchange for US\$ 240 million in balance-of-payments support, to be distributed in quarterly installments over a three-year period from the Extended Fund Facility (EFF), Jamaica agreed to adopt various measures designed to induce a reallocation of resources in favour of investment in general and investment in export activities in particular. These included the curtailment of growth in government spending and a reduction of taxes on capital income; a phasing out of consumer subsidies and price controls; limits on nominal increases in wages and the money supply; and a large devaluation of the currency. The fiscal and monetary performance of the Government was to be monitored through a series of financial tests relating to the net foreign and domestic assets of the Bank of Jamaica, net bank credit

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to the public sector, and arrears on foreign transactions. The quarterly allocation from the EFF was made contingent on the Government's compliance with these tests.

In view of the fact that investment, exports (with the exception of tourism) and the foreign banking community had responded weakly to the stabilization programme (all features of which were successfully implemented), with the result that the foreign exchange position of the economy had worsened, the IMF agreed in June 1979 to modify the original accord to permit Jamaica to borrow an additional US\$ 170 million from the Supplementary Extended Fund Facility over the final two years of the programme. In addition, the crawling peg devaluation of the currency was terminated on the understanding that the ceiling on nominal wage increases would be reduced by one-half, to 10%, and that price inflation would also be held to 10%.

Shortly after this agreement was signed, the large increases in oil prices and the severe flooding in the island upset many of the calculations upon which it was based, and in September the Government of Jamaica was allowed to borrow the equivalent of US\$ 42.6 million from the IMF's Compensatory Financing Facility, owing to an expected export shortfall in the twelve months ending in October. In September, the Government was also allocated US\$ 1.4 million from the Buffer Stock Financing Facility in connexion with the stocks of sugar constituted by Jamaica under the terms of the 1977 International Sugar Agreement.

In December, the Government failed to meet the net international reserves test. According to the agreement, these reserves must not fall below minus US\$ 370 million on 31 December, which represented a US\$ 55 million increase over the 31 September target. However, the actual figure turned out to be minus US\$ 500 million, and consequently Jamaica will not be allowed to make any further drawings unless it negotiates a new agreement with the IMF.

(b) Merchandise trade

(i) Exports. In 1979 the current US dollar value of merchandise exports registered a gain of 3.5% (see table 10). Export volume fell by 4%, owing mainly to the 25% drop in sugar cane production, which was affected by severe

/flooding, and

flooding, and to a small decrease in bauxite and alumina shipments, which were partially paralyzed between the middle of September and the end of October by a strike of railway workers.

The unit value of exports rose by 8%, reflecting the favourable evolution of the world market price for alumina (up 16%) and a 20% rise in the price paid for imported sugar by the EEC.

Data on the composition of merchandise exports for 1979 are not available. Table 11 contains such data for 1970 and 1976 through 1978, expressed in current prices at the prevailing rate of exchange. As may be seen, between 1970 and 1978 the degree of dependence on the three principal traditional exports (alumina, bauxite and sugar) rose from less than 75% to more than 80%. Overall, the share corresponding to the main traditional exports remained virtually unchanged. The only favourable development in this regard was the substantial increase in the participation of alumina, which requires a significant degree of processing, as compared to the relative decline in the share provided by bauxite, the primary material from which alumina is elaborated. However, this change occurred in 1972, the last year in which alumina refining capacity was expanded. At the same time the relative performance of alumina over this period was also a consequence of the steady deterioration of export agriculture and the failure to achieve a substantial increase in "other exports", which consist mainly of manufactures.

(ii) Imports. In 1979 the volume of merchandise imports rose 3% but still remained almost one-third below the 1975 level. The current US dollar value increased by over 14% (see table 10). Once again, the main determinant of import volume was the foreign exchange position of the economy, notwithstanding the depressed levels of consumer and investment demand.

Throughout the year, but with particular intensity in the fourth quarter, shortages of raw materials and producer goods affected output levels in virtually every sector of the economy. Likewise, many final consumption goods, including a host of food items, were frequently in short supply. Towards the end of the year a black market in smuggled imported goods was flourishing in Kingston and

/other parts

other parts of the island, while a survey conducted by the Jamaica Manufacturers' Association found that an estimated 25% of the manufacturing labour force was threatened with lay-offs by the year's end or shortly thereafter because there was simply not enough foreign exchange available to replenish stocks of imported raw materials and spare parts. The outlook became even more grave when Jamaica failed to meet the international reserves test in December and was thus prevented from drawing the scheduled installment of US\$ 40 million under the EFF.

Data on the composition of imports does not allow a complete or clear appreciation of the situation in 1979, because they refer only to the first half of the year and are expressed in current Jamaican dollars, the value of which has varied significantly since 1977 (see table 12). However, a few brief comments concerning changes in the composition of imports during the 1970s are in order. Between 1970 and 1979 the share of consumer goods in total merchandise imports was cut in half and that of capital goods dropped 45%. On the other hand, the proportion accounted for by intermediate goods soared from 32% to 65%. In the first part of the decade the relative shares of consumer, intermediate and capital goods imports changed, largely as a result of the rise of the sector producing substitutes for imported final consumer goods. Also, the construction boom of the late 1960s/early 1970s, spawned by major building projects in tourism and mining, sharply increased the demand for capital and raw material imports. In the second half of the decade the protracted contraction of economic activity on the one hand, and the progressive increase in the price of oil on the other, shaped the observed changes in the composition of imports.

Preliminary indications suggest that the US dollar value of oil imports for the whole of 1979 rose by one-third, and equalled 30% of the value of exports of goods and services. The volume of oil imports fell 2% and thus remained fully one-third below the 1973 level.

(iii) The terms of trade and the purchasing power of exports. In 1979 the terms of trade index deteriorated by rather less than 3%, and thus stood 21% below the level of 1975 when, thanks to record sugar prices, Jamaica confronted the most favourable set of relative trade prices in its recent

/history. The

history. The purchasing power of exports declined by an even greater margin in this period because of the fall in export volume (see table 10).

(c) The services trade and factor payments

After a small surplus in 1978, merchandise trade registered a US\$ 59 million deficit in 1979 (see table 13). The traditional deficit on the services trade, for its part, rose by 21%, to US\$ 35 million, owing solely to increased transportation costs, as the volume of merchandise trade actually declined slightly, while the usual surplus on the trade account rose 12% and reached its highest level in five years. Net payments to foreign capital climbed to US\$ 161 million as a result of increased outflows of interest. Such payments have multiplied six times since 1974, while profits on foreign capital have in fact declined. It may be recalled that 1974 was the year in which the bauxite levy was adopted.

(d) The current account and its financing

The net effect of the above trends was a jump in the current account deficit from US\$ 143 million to US\$ 240, two-thirds of which was covered by the use of IMF credit (see table 13). A breakdown of the sources of the remaining inflows is not available, but preliminary indications suggest that they consisted almost entirely of long-term bilateral and multilateral capital. By year's end, Jamaica was encountering great difficulty in maintaining an adequate supply of short-term trade credits because of the accumulation of arrears on existing accounts in an attempt to meet the foreign reserves test.

Total net external financing and the policy on arrears permitted Jamaica to increase marginally its international reserves to 5.7% of the value of imports of goods and services in 1979, or about 3 weeks' imports.

(e) External debt

It had been anticipated that compliance with the conditions of the June 1978 IMF stabilization programme, plus the receipt of additional balance-of-payments support under the Supplementary Fund Facility (June 1979) and the Compensatory Financing Facility (September 1979) would encourage the international banking community to renew its lending to Jamaica. However, in September a consortium of private international banks not only turned down Jamaica's request

for a US\$ 200 million standby loan, but refused to discuss a possible renegotiation of the terms of Jamaica's external debt. This failure, coupled with the weak response of the bilateral sources to which Jamaica has looked for long-term capital and a series of unforeseen events (e.g., the delay in the receipt of an approved US\$ 30 million loan from the World Bank, the foreign exchange losses from the flood damage and the railway strike, and the oil price rises) made it impossible for the country to meet the net international reserves test in December.

Table 14 traces the evolution of Jamaica's external debt position (public and State-guaranteed private debt only) through the end of 1978. Following a moderate increase in the 1973-1976 period, external indebtedness grew only 12% between 1976 and 1978, while net borrowing (disbursements less amortization payments) plunged from US\$ 165 million to only US\$ 24 million. If interest payments are taken into account, the net flow was minus US\$ 52 million. As may be seen, in 1978 Jamaica actually effected a sizeable reduction in the size of its debt with private lenders (mainly commercial banks) because these refused to lend to the country, while service payments rose substantially. This situation was repeated in 1979, according to available information.

Not included in the debt statistics are the obligations the country has accumulated with the IMF, most of which were incurred in 1978 and 1979 (see table 15). As of 31 December 1979, these totalled the equivalent of US\$ 351 million, which meant that Jamaica has received, in terms of its quota, more balance-of-payments support than any other IMF member country. This flow of funds permitted Jamaica to avoid a further reduction in imports, but nothing more.

(f) Exchange rate régimes

The evolution of the nominal and real exchange rates between 1977 and 1979 is shown in table 16. After a long period of stability the nominal exchange rate was first altered in 1977, when a dual régime was introduced with the aim of halting the depletion of international reserves without affecting the existing levels of income, employment and prices. A special rate was thus applied to what were considered non-essential imports (mainly

/consumer goods

consumer goods other than food). The existing or basic rate was retained for all other transactions. The special rate, which entailed a nominal appreciation of 37.5% in the exchange rate (or a devaluation of 27.3% in the exchange value of the Jamaican currency) more than made up for the fall in the real exchange rate (or overvaluation of the currency) that had accrued since 1975. On the other hand, the basic exchange rate kept the currency overvalued until the first quarter of 1978, when it too was raised. In May 1978 the dual régime was discarded and the new single exchange rate was increased by 53% with respect to the basic rate.

The elimination of the dual régime and the large reduction in the exchange value of the currency were prerequisites for the negotiation of the June agreement with the IMF. Small monthly increases were also programmed under this agreement. The revaluation of the nominal exchange rate in May led to a significant increase in the real exchange rate, in spite of the accelerated inflation to which it gave rise (see table 16), and the small monthly adjustments, together with the notable deceleration of inflation in the third quarter of 1978, were reflected in a consistent rise in the real exchange rate until the third quarter of 1979, by which time the programmed revaluations had been terminated under the new agreement with the IMF.

An evaluation of the effects of the elevation of the exchange rate on the balance-of-payments situation in Jamaica may begin with a consideration of the fact that almost four-fifths of the value of exports of goods and services is accounted for by products (sugar, alumina, bauxite) the prices of which are determined in international markets. This means, of course, that overseas demand for these products will not be affected by a reduction in the exchange value of the Jamaican currency. On the other hand, the products and services - principally those found in manufacturing and tourism - in which exports are directly stimulated, i.e., via a fall in price, by exchange devaluation,

/are relatively

are relatively much more dependent on imports than those the foreign demand for which is not affected.^{9/}

Furthermore, it should be recalled that a rise in the exchange rate may result in a reduction in the amount of foreign exchange returned to the economy by the foreign-owned mining sector even if mining exports were to increase, because devaluation cheapens the domestic costs of production. In this situation, profit remittances could expand more rapidly than export earnings.

These factors thus appear to suggest that exchange devaluation is not the most effective nor efficient means of increasing exports and maximizing the corresponding foreign exchange inflow in the short term, notwithstanding the fact that, other things being equal, an increase in the exchange rate renders exportation more remunerative in so far as it augments the amount of domestic currency received for a given sum of foreign currency and may thus be expected to induce an increase in the supply of goods and services offered for export. And in Jamaica, as has been shown, various factors have combined to cut back supply, i.e., other things are not equal.

In any event, between 1977 and 1978, when the value of the Jamaican currency in terms of US dollars was slashed by 57%, the (current US dollar) value of exports increased less than 4% and the rate of inflation soared from 11% to 35%. The corresponding changes in 1979 were 24% and 5%, respectively. The rate of inflation was 29%.^{10/}

^{9/} One recent government survey found that the value of imports equalled fully 50% of gross sales in the case of non-traditional exports (mainly manufactured exports). For tourism, it is estimated that about 37% of each tourist dollar is destined to finance the imports required by the sector. The import content of both export agriculture and bauxite mining is very low; that of bauxite refining is lower than tourism.

^{10/} The real devaluation of the currency amounted to almost 28% in 1978 and 6% in 1979. (See table 16.) The question of the effects of the increase in the exchange rate on prices and wages is discussed in section (4).

4. Prices and wages

(a) Prices

Following the leap from 11% to the record level of 35% between 1977 and 1978, the annual average change in the consumer price index slowed to somewhat less than 29% in 1979. (see table 17). The extent of the decline in the rate of inflation may be appreciated by reference to the December-to-December figure, which fell from 49% in 1978 to 18% in 1979. This trend was largely a consequence of the exchange rate policy, as noted above, but another important factor was the anti-inflation policy adopted by the Government within the context of the IMF stabilization programme. Outstanding measures in this respect were the reduction of the fiscal deficit, curtailment in the growth of the money supply and in particular, limits on wage increases in both the public and private sectors. Thus, between 1978 and 1979 the fiscal deficit was reduced from 35% to 26% of total government expenditure; the rate of growth of the money supply dropped from 18% to 8%; and the ceiling on wage increases was lowered from 15% to 10%.

On the other hand, part of the reduction of the fiscal deficit was achieved by eliminating or reducing a large number of consumer subsidies, and this of course entailed a direct, one-time increase in the prices of the affected goods and services. Among the most important goods affected were petroleum products, the remaining subsidies on which were reduced sharply or eliminated after the mid-year increases in world market petroleum prices. This raised the price of kerosene, which is consumed heavily in rural areas, and that of diesel oil, which is used in the generation of electricity.

In addition, price controls on a number of goods and services were eliminated or liberalized, to restore or increase profitability and thus encourage an upturn in investment and production.

(b) Wages

According to the available information, the average rate of increase granted in nominal wages (including social benefits) in 1978 was around the 15% ceiling contemplated in the stabilization programme. If so, real wages suffered a decline of the order of 15%, after taking into account the rate of inflation. Expressed in terms of US dollars average wage levels fell approximately 27%; in terms of British pounds, 31%.

/The lowering

The lowering of the limit on wage increases to 10% in June 1979, together with the same target for price rises, was the condition for the termination of the monthly mini-devaluations during the second year of the IMF programme. A comparison of contracts negotiated before and after that date shows that by and large the new ceiling has been adhered to. Assuming that the average gain amounted to 15% in 1979, this means that real wages declined by another 11%. With respect to US currency, the reduction would have been somewhat less (about 8%).

Between 1977 and 1979, then, it may be estimated that average real wages decreased by roughly 38% or, expressed in terms of the exchange rate, by about 32%. Thus, the central but most costly and potentially most difficult to realize feature of the stabilization plan was successfully implemented. Compliance with the ceiling on nominal wage increases served to moderate to a significant extent the increase in domestic price levels following devaluation, and this ensured that the exchange value of the Jamaican currency fell in real terms. The very substantial decline in real wages and in the purchasing power of the largest group of consumers also provided a direct incentive for investment in export activities.

Gross fixed investment rose 9% in 1978, but in constant prices it was only one-half of the amount invested in 1975. Data on investment in 1979 are not available, but statistics on changes in the loan portfolios of commercial banks and on government capital expenditure programmes suggest that it probably fell. In any event it has already been seen that exports have failed to respond to what turned out to be a very large real devaluation of the currency. In the meantime the extent of the fall in real wages in Jamaica in 1978-1979 was one of the largest recorded anywhere since the Great Depression.

5. Monetary and fiscal policy

(a) Introduction

Since June 1978 monetary and fiscal policy has been determined within the context of the stabilization programme, with the aim of countering the inflationary effects of the currency devaluation and directly stimulating private sector investment. Specific targets concerning revenues, expenditures and the money supply (among other variables) were established in the programme, and the quarterly financial tests involved ceilings on net foreign and domestic assets of the Central Bank and on the banking system's net credit to the public sector.

In the first year of the programme the various targets and ceilings were met and, as already noted, a real devaluation of the exchange value of the currency was accomplished, while consumption, including that of the Government, was reduced.

In June 1979 several modifications were introduced for the second year of the programme, the most noteworthy of these in the present connexion being that the authorities were committed to lower the rate of inflation to 10%, in exchange for the ending of the monthly devaluations. Accordingly, targets on monetary and fiscal variables were made more restrictive.

In fulfillment of another obligation assumed under the stabilization plan the authorities implemented in 1979 several programmes specifically designed to foster private sector confidence and investment. These programmes concerned the structure and level of fiscal revenues, the most important one being the agreement dealing with the bauxite levy, which was reduced. In addition, the corporate tax rate was lowered, and a surtax on real estate was eliminated. Finally, the rate of taxation of personal income was decreased for all levels of income, the largest reduction being granted to the wealthiest tax payers.

(b) Monetary policy

In 1979 the money supply (M_1) expanded less than 8% in nominal terms, which meant that the real M_1 contracted sharply for the second consecutive year (see table 18). The extent of the reduction was greater in 1979 and may be appreciated when it is recalled that inflation approached 29%.

/Domestic credit

Domestic credit outstanding increased by one-fifth. Two-thirds of the increment went to the public sector (58% to government and 8% to official entities), and the fact that only one-third was absorbed by the private sector may be interpreted as an indication of its continued reluctance to reverse the decline in real investment activity and/or possibly of the shortage of foreign exchange, since the commercial banking system is still characterized by a considerable margin of excess liquidity in spite of negative real rates of interest (see table 19).

Statistics on the lending operations of commercial banks through September are also shown in table 19. It appears that only manufacturing received a real increase in credit outlays, which may be indicative of a certain amount of success in increasing penetration of overseas markets, inasmuch as domestic demand for manufactured goods has plunged along with the purchasing power of wage-earners during the last two years. Demand for investment funds in agriculture once again declined in nominal terms. Central and local government borrowing, which accounts for only a fraction of commercial bank loans, also declined for the second consecutive year.

(c) Fiscal policy

Data on government income and expenditure for 1979 refer to the amounts budgeted for the 1979/1980 fiscal year (see table 20). Statistics on actual income and expenditure are available for the first quarter only and will be mentioned at the close of this section.

Total expenditures were programmed to increase a mere 1%, which implied a large decrease in real government spending, given the rate of inflation prevailing when the budget was introduced (April 1979). Current income and expenditure were slated to grow by 16% and 3%, respectively, which would have generated a modest saving on the current account - the first of the decade. Capital expenditures were to be reduced by 8%. On this basis the fiscal deficit would be lowered by one-fifth, in which case the deficit as a proportion of total expenditure would equal 26%, compared with 38% in 1978. In 1976, the fiscal deficit had equalled fully two-thirds of total government spending. The lion's share of the deficit would be financed from domestic

/sources, principally

sources, principally by transfers from the capital development fund, the revenues of which come from the bauxite levy. In 1979 the levy produced US\$ 380 million, which equalled some two-thirds of projected capital expenditures or two-thirds of the fiscal deficit.

The large contraction planned in real government spending was to be achieved largely by a reduction in public sector employment and the elimination of subsidies on consumer goods and services (such as sugar, medicines and diesel fuel). With respect to capital expenditure, budget allocations were restricted to the financing of existing programmes. Among these, priority was assigned to those which will yield the greatest foreign exchange return within the shortest time span. All medium- and long-term development and projects were given lower priority.

Data on actual levels of income and expenditure for the first quarter of the fiscal year show that the fiscal deficit equalled somewhat less than 23% of the projected amount.

Table 1

JAMAICA: MAIN ECONOMIC INDICATORS

	1974	1975	1976	1977	1978	1979(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of Jamaica dollars at 1974 prices)	2 269	2 212	2 028	1 989	1 955	...
Population (millions of inhabitants)	1.99	2.04	2.07	2.09	2.11	...
Per capita gross domestic product (Jamaica dollars at 1974 prices)	1 140	1 084	980	952	927	...
<u>Growth rates</u>						
B. Short-run economic indicators						
Gross domestic product	-2.0	-2.5	-8.3	-1.9	-1.7	...
Per capita gross domestic product	-3.0	-4.9	-9.6	-2.9	-2.6	...
Terms of trade	29.6	18.3	-12.7	-	-6.6	-2.7
Current value of exports of goods and services	63.3	6.7	-15.1	4.9	3.9	5.2
Current value of imports of goods and services	39.6	21.1	-13.8	-17.5	10.2	13.7
Consumer price index						
December-December	20.6	15.7	8.3	14.1	49.4	18.1
Variation between annual averages	27.2	17.5	9.7	11.2	34.9	28.8
Money	27.3	20.2	2.4	37.6	17.6	7.6
Wages and salaries (b)	16.0	6.9	3.2	-7.9
Rate of unemployment (c)	21.2	20.5	22.4	24.2	24.5	...
Current income of government	...	20.6	2.2	21.3	61.6	15.6
Total expenditure of government	...	34.6	34.1	0.8	41.0	-0.8
Fiscal deficit/total expenditure of government (d)	40.8	47.1	62.3	48.3	38.4	26.2
<u>Millions of dollars</u>						
C. External sector						
Trade balance (goods and services)	-49	-208	-193	50	-7	-94
Balance on current account	-83	-288	-306	-73	-143	-240
Variation in net international reserves	69	-57	-230	-4	-84	-160
External debt (d)	512	696	905	990	1 020	...

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Average real wages of manual and non-manual workers.

(c) Percentage.

(d) Disbursed public and State-guaranteed private debt.

Table 2

JAMAICA: TOTAL SUPPLY AND DEMAND

	Millions of Jamaica dollars at 1974 prices			Percentage breakdown		Growth rates		
	1976	1977	1978	1974	1978	1976	1977	197
	<u>Total supply</u>	<u>2 796</u>	<u>2 640</u>	<u>2 715</u>	<u>143.4</u>	<u>138.9</u>	<u>-12.7</u>	<u>-5.6</u>
Gross domestic product	2 028	1 989	1 955	100.0	100.0	-8.3	-1.9	-1.
Imports of goods and services	768	651	760	43.4	38.9	-22.5	-15.2	16.
<u>Total demand</u>	<u>2 796</u>	<u>2 640</u>	<u>2 715</u>	<u>143.4</u>	<u>138.9</u>	<u>-12.7</u>	<u>-5.6</u>	<u>2.</u>
Domestic demand	2 215	2 012	1 931	106.0	98.9	-6.9	-9.2	-4.
Gross domestic investment	382	239	287	23.6	14.6	-29.5	-37.4	20.
Gross fixed investment	341	234	255	21.1	13.0	-33.3	-31.4	9.
Changes in stocks	41	5	32	2.5	1.6	32.3	-87.8	540.
Total consumption	1 832	1 773	1 646	82.4	84.3	-0.3	-3.2	-7.
General government	423	408	390	17.0	19.9	5.8	-3.5	-4.
Private	1 409	1 365	1 256	65.4	64.3	-2.0	-3.1	-8.
<u>Exports of goods and services</u>	<u>581</u>	<u>628</u>	<u>784</u>	<u>37.4</u>	<u>40.0</u>	<u>-29.5</u>	<u>8.1</u>	<u>24.</u>

Source: CEPAL, on the basis of official data.

Table 3

JAMAICA: PRODUCTION OF SELECTED AGRICULTURAL ITEMS

	1977	1978	1979(a)	Growth rates		
				1977	1978	1979
				Sugar cane (milled)(b)(c)	3 252	3 641
Bananas (c)(d)	81	76	65(e)	3.9	-6.2	-10.1(f)
Citrus (b)(g)(h)	63	69	...	-3.8	9.5	...
Pimento (h)	2 022	2 585	...	-52.4	27.8	...
Copra (h)	3 090	1 927	...	-39.4	-37.6	...
Cocoa (h)	4 502	2 493	1 793	9.4	-44.6	-21.1
Coffee (h)	1 208	1 521	3 498	-37.4	25.9	129.9
Cattle slaughtered (i)	68	58	...	1.7	-14.5	...
Hogs slaughtered (i)	131	126	...	42.3	-4.6	...
Poultry meat (c)	30	31	10(j)	11.1	2.3	2.0(k)

Source: Department of Statistics, Jamaica, Production Statistics, 1978; and data supplied to CEPAL

(a) Provisional figures.

(b) Crop year ending in the year shown.

(c) Thousands of metric tons.

(d) Exports only.

(e) January-November.

(f) January-November 1979 with respect to January-November 1978.

(g) Oranges and grapefruit only.

(h) Metric tons.

(i) Thousands of head.

(j) January-June.

(k) January-June 1979 with respect to January-June 1978.

Table 4

JAMAICA: MINING PRODUCTION

	Thousands of metric tons			Growth rates			
	1977	1978	1979	1976	1977	1978	1979
Bauxite	11 412	11 732	10 478(a)	-6.1	9.0	2.8	-1.4(b)
Alumina	2 048	2 141	1 726(c)	-27.4	25.0	4.5	-1.5(d)
Gypsum	209	135	...	3.8	-16.1	-35.4	...

Source: Department of Statistics, Jamaica, Production Statistics, 1979, and data supplied to CEPAL.

(a) January-November.

(b) January-November 1979 with respect to January-November 1978.

(c) January-October.

(d) January-October 1979 with respect to January-October 1978.

Table 5

JAMAICA: INDICATORS OF MANUFACTURING PRODUCTION

	Thousands of metric tons			Growth rates		
	1977	1978	1979(a)	1977	1978	1979(b)
1. Production of selected manufactures						
Sugar	297	292	262(c)	-19.5	-1.9	-6.2(d)
Flour (wheat)	54	49	35	6.9	-10.0	-15.7
Animal feeds	198	211	169(c)	-1.4	6.6	-2.1(d)
Rum and alcohol (e)	18	17	17	2.3	-5.1	7.5
Fertilizers	30	30	6(f)	21.9	0.3	...
Petroleum products (e)	1 155	1 175	1 241	-25.0	1.7	15.3
Textile fabrics (g)	8 018	7 838	...	35.3	-2.2	...
2. Indicators of manufacturing production						
Electricity sales to industry and commerce by public utilities (h)	635	635	542	-	-	-6.8
Industrial employments (i)	76	79	...	0.9	3.4	...

Source: Department of Statistics, Jamaica, Production Statistics, 1978, and Banks of Jamaica, Research Department, Statistical Digest, January 1980.

(a) January-November.

(b) January-November 1979 with respect to January-November 1978.

(c) January-September.

(d) January-September 1979 with respect to January-September 1978.

(e) Millions of litres.

(f) January-March.

(g) Thousands of metres.

(h) Millions of KWH.

(i) Thousands.

Table 6

JAMAICA: INDICATORS OF CONSTRUCCION ACTIVITY

	1977	1978	1979(a)	Growth rates		
				1977	1978	1979(b)
1. Production of selected building materials						
Cement (c)	333	294	203	-8.8	-11.7	-25.1
Paint (d)	4 683	5 513	2 564(e)	-15.6	18.0	-2.3(f)
Steel (b)	10	14	10	-22.4	36.5	-28.3
Bagasse board	33	6	...	-68.6	-83.0	...
2. Employment (g)	33	33	...	-13.3	-0.2	...

Source: National Planning Agency, Jamaica, Economic and Social Survey, 1977 and 1978 Bank of Jamaica, Statistical Digest, January 1980.

- (a) January-November.
 (b) January-November 1979 with respect to January-November 1978.
 (c) Thousands of metric tons.
 (d) Thousands of litres.
 (e) January-June.
 (f) January-June 1979 with respect to January-June 1978.
 (g) Thousands.

Table 7

JAMAICA: INDICATORS OF TOURIST ACTIVITY

	1977	1978	1979(a)	Growth rates		
				1977	1978	1979(b)
Total visitors (c)(d)	386.5	532.9	448.7	-17.9	37.9	7.6
Long stay (d)(e)	254.5	369.8	303.6	-18.6	45.3	5.5
Short stay (d)(f)	10.5	12.0	22.5	-25.5	14.3	136.8
Others (d)(g)	121.5	151.1	122.6	-15.0	24.4	2.4
Hotel room occupancy rate (h)	31.3	39.5	46.5	-2.8	26.2	14.5
Length of stay (i)	8.7	8.5	...	1.2	-2.3	...
Estimated expenditure (j)	101.1	223.6	242.2	-4.3	121.2	44.3
Direct employment (k)	8 421	10 196	...	-7.2	21.1	...

Source: National Planning Agency, Jamaica, Economic and Social Survey, 1978; and Bank of Jamaica, Research Department, Statistical Digest, January 1980.

- (a) January-September.
 (b) January-September 1979 with respect to January-September 1978.
 (c) Excludes nationals residing abroad.
 (d) Thousands.
 (e) Three or more nights.
 (f) One or two nights.
 (g) Includes cruise-ship passengers and members of armed forces.
 (h) Percentage.
 (i) Nights.
 (j) Millions of current Jamaica dollars.
 (k) In hotels, guest houses and cottages.

Table 8

JAMAICA: EMPLOYMENT AND UNEMPLOYMENT
(1974 = 100)

	1975	1976	1977	1978
1. Rate of unemployment (a)	20.5	22.4	24.2	24.5
2. Labor Force				
(Index 1974 = 100) (a)	104.6	107.8	111.0	114.5
Agriculture	101.6	109.3	109.3	115.1
Manufacturing	91.0	92.9	93.7	97.2
Construction	109.1	93.1	80.9	80.6
Commerce	105.6	104.4	114.3	120.5
Public administration	128.8	139.1	145.5	142.2
Employment	105.6	106.1	106.7	109.6
Unemployment	100.9	113.9	126.7	132.7

Source: Department of Statistics, Jamaica, The Labour Force, 1979; National Planning Agency, Jamaica, Economic and Social Survey, 1978; and data supplied to CEPAL.

(a) Annual averages.

Table 9

JAMAICA: CAPACITY TO IMPORT AND IMPORT VOLUME
(1974 = 100)

	1975	1976	1977	1978	1979
1. Exports of goods and services less payments on investment income (a)	92	77	71	68	64
2. Net capital inflow (a)(b)	82	32	2	0(c)	0(c)
3. Capacity to import (1 + 2)	90	68	57	55(c)	51(c)
4. Import volume	106	84	67	70	72
5. International reserves (a)	58	15	20	23	24

Source: CEPAL, on the basis of official data.

(a) Deflated by import prices.

(b) Net receipts of private transfers and long-term capital.

(c) Estimates.

Table 10

JAMAICA: MAIN FOREIGN TRADE INDICATORS

	1974	1975	1976	1977	1978	1979
<u>Growth rates</u>						
Exports of goods						
Value	91.8	7.5	-18.4	15.3	1.7	3.5
Volume	6.3	-19.6	-9.2	8.7	1.7	-4.2
Unit value	80.5	33.7	-10.1	6.2	0.0	8.0
Imports of goods						
Value	42.2	19.5	-18.4	-15.8	12.6	14.1
Volume	2.1	5.8	-20.7	-20.5	5.2	3.0
Unit value	39.2	13.0	2.9	6.0	7.0	11.1
Terms of trade	29.6	18.3	-12.7	0.0	-6.6	-2.7
<u>Indexes (1970 = 100)</u>						
Terms of trade	113.6	134.4	117.4	117.4	109.7	106.0
Purchasing power of exports of goods	140.4	133.6	105.9	115.2	109.4	101.0
Purchasing power of exports of goods and services	128.1	122.6	101.0	99.6	96.8	92.0

Source: CEPAL, on the basis of official statistics.

Table 11

JAMAICA: EXPORTS OF GOODS

	Millions of Jamaica dollars			Percentage breakdown		Growth rates		
	1976	1977	1978	1970	1978	1976	1977	1978
<u>Main traditional exports</u>	<u>475</u>	<u>595</u>	<u>907</u>	<u>85.4</u>	<u>85.8</u>	<u>-28.8</u>	<u>21.0</u>	<u>52.4</u>
Alumina	275	343	555	39.6	52.5	-29.5	21.6	61.8
Bauxite	114	146	202	24.3	19.1	16.6	28.3	38.4
Sugar (unrefined)	56	68	93	10.7	8.8	-60.0	21.6	36.8
Bananas	12	17	27	4.2	2.5	-18.5	40.3	61.1
Others	15	21	30	6.6	3.0	0.0	40.0	42.9
<u>Other exports</u>	<u>86</u>	<u>98</u>	<u>150</u>	<u>14.6</u>	<u>14.2</u>	<u>16.2</u>	<u>14.0</u>	<u>53.0</u>
<u>Total</u>	<u>561</u>	<u>693</u>	<u>1 057</u>	<u>100.0</u>	<u>100.0</u>	<u>-23.1</u>	<u>23.5</u>	<u>52.5</u>

Source: National Planning Agency, Jamaica, Economic and Social Survey, 1978, and Department of Statistics, Jamaica, External Trade, June 1979.

Table 12

JAMAICA: IMPORTS OF GOODS

	Millions of Jamaica dollars				Percentage breakdown		Growth rates			
	1976	1977	1978(a)	1979		1970	1979	1977	1978	1979(d)
				(b)	(c)					
<u>Consumer goods</u>	<u>150</u>	<u>100</u>	<u>185</u>	<u>111</u>	<u>30.0</u>	<u>14.0</u>	<u>-33.1</u>	<u>84.8</u>	<u>40.6</u>	
Food	80	52	106	66	12.3	8.3	-34.6	102.3	38.3	
Other non-durables	33	25	41	21	9.0	2.7	-24.0	64.4	32.7	
Durables	37	23	38	24	8.7	3.1	-37.8	67.0	56.5	
<u>Intermediate goods</u>	<u>468</u>	<u>510</u>	<u>788</u>	<u>516</u>	<u>31.9</u>	<u>65.3</u>	<u>9.1</u>	<u>54.5</u>	<u>71.8</u>	
Petroleum and other										
fuels	185	223	300	232	6.4	29.4	20.7	34.4	142.2	
Others	283	287	488	284	25.6	35.9	1.5	70.1	38.7	
<u>Capital goods</u>	<u>212</u>	<u>172</u>	<u>287</u>	<u>163</u>	<u>37.3</u>	<u>20.6</u>	<u>-19.3</u>	<u>67.4</u>	<u>35.3</u>	
Construction materials	65	70	111	48	7.1	6.1	7.8	57.8	-1.2	
Transport equipment	24	15	31	31	4.6	3.9	-36.8	103.3	188.9	
Other machinery and										
equipment	109	73	145	65	25.4	8.2	-33.3	100.0	32.2	
Others	14	13	-	19	0.8	2.4	-6.3	-	62.6	
<u>Total</u>	<u>830</u>	<u>782</u>	<u>1 260</u>	<u>790</u>	<u>100.0</u>	<u>100.0</u>	<u>-5.8</u>	<u>61.2</u>	<u>58.1</u>	

Source: National Planning Agency, Jamaica, Economic and Social Survey, 1978, Department of Statistics, Jamaica, External Trade, June 1978-June 1979.

- (a) These figures understate the true total of imports entering the country because of certain administrative delays in documentation procedures.
- (b) January-June.
- (c) Preliminary figures.
- (d) January-June 1979 with respect to January-June 1978.

Table 13

JAMAICA: BALANCE OF PAYMENTS
(Millions of US dollars)

	1974	1975	1976	1977	1978	1979(a)
Current account						
Exports of goods and services	1 030	1 099	933	979	1 017	1 070
Goods FOB (b)	752	809	660	760	773	800
Services	278	290	273	219	244	270
Transport	60	74	77	69	70	75
Travel	133	129	106	72	103	120
Imports of goods and services	1 079	1 307	1 126	929	1 024	1 164
Goods FOB (b)	311	970	792	667	751	859
Services	268	337	334	262	273	305
Transport	162	194	171	147	155	170
Travel	21	52	59	12	18	25
Net payments of profits and interest on foreign capital	-68	-103	-115	-138	-152	-161
Profits	-46	-59	-50	-39	-37	-38
Interest	-22	-44	-65	-99	-115	-123
Net private transfer payments	34	23	2	15	16	15
Balance on current account	-83	-288	-306	-73	-143	-240
Capital account						
Net external financing (a+b+c+d+e)	83	288	306	73	143	240
a) Long-term capital	205	200	88	-9	} 70	} 80
Direct investment (net)	31	-2	-1	-7		
Private sector	89	80	11	5		
Loans (net)	127	115	57	42		
Amortization payments	-14	-35	-46	-37		
Other liabilities and assets (net)	-24	-	-	-		
Official sector	85	122	78	-7		
Loans	99	132	101	41		
Amortizations payments	-7	-8	-25	-47		
Other liabilities and assets (net)	-7	-2	2	-1		
b) Short-term capital (net)	-63	5	-46	64		
Private sector	-42	66	-44	65		
Official sector	5	2	2	1		
Other liabilities and assets	-12	2	5	-		
Errors and omissions	-14	-65	-9	-2		
c) Exceptional financing	20	21	30	9	-11	
d) Official transfer payments (net)	-10	5	4	5	...	
e) International reserves (minus sign indicates and increase)	-69	57	230	4	84	160
Use made of IMF credit	-	-	64	22	63	170
Other liabilities	-	14	46	-10	31	...
Monetary gold	-	-	-	-	-	...
Special Drawing Rights	2	1	4	-16	12	5
IMF reserve position	-	-	-	-	-	...
Foreign exchange and other assets	-71	42	116	8	-22	-15

Source: 1974-1978: International Monetary Fund, Balance of Payments Yearbook, vol. 30; 1979: CEPAL, on the basis of official data.

(a) Provisional figures.

(b) Including non-monetary gold.

Table 14

JAMAICA: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of US dollars)

	1975	1976	1977	1978
1. <u>Total external indebtedness (a)</u>	696	905	990	1 020
Official lenders	190	371	431	534
International organization	54	76	104	160
Government lenders	136	295	327	375
Private lenders	506	534	559	486
Financial institutions	484	469	468	401
Suppliers	22	18	27	25
Other	0	47	64	60
2. <u>Net borrowing</u>	196	165	62	24
Official lenders	50	175	63	104
Private lenders	146	-10	-1	-80
3. <u>Servicing of external debt</u>	79	109	147	212
Amortization payments	30	56	86	136
Interest payments	49	53	61	76
4. <u>Servicing of external debt as a percentage of total exports</u>	7.2	11.6	14.5	19.8

Source: World Bank, World Debt Tables. Volume II, December, 1979.

(a) Disbursed public and State-guaranteed private debt only.

(b) Disbursements less amortization payments

Table 15

JAMAICA: USE OF IMF CREDIT(a)
(Millions of US dollars)

	1974	1975	1976	1977	1978	1979
Credit tranche drawings, ordinary	-	-	-	23.4	25.0	16.1
Compensatory drawings	16.2	15.5	46.2	48.3	62.3	97.5
Buffer stock drawings	-	-	-	-	-	1.4
Extended facility, ordinary	-	-	-	-	54.7	101.6
Extended facility, supplementary	-	-	-	-	-	102.6
Oil facility drawings	-	-	33.9	35.5	38.0	31.2
<u>Total</u>	16.2	15.5	80.1	107.1	180.5	351.4
Memorandum item: net yearly flow	0.2	-0.7	64.6	27.0	73.4	170.9

Source: International Monetary Fund, International Financial Statistics, vol. 33, No. 4, April 1980.

(a) Cumulative totals.

Table 16

JAMAICA: EVOLUTION OF EXCHANGE RATES AND PRICES
(1975 = 100)

Period	Exchange rate (a) (1)	Exchange rate index (2)	consumer price index (3)	Adjusted consumer price index (b) (4)	Real exchange rate index (5)=(2)/(4)
1977	.909	100.0	122.1	110.0	90.9
I	.909	100.0	114.8	105.7	94.6
II (c)	.909 (1 250)	100.0 (137.5)	119.5	107.4	93.1 (128.0)
III (c)	.909 (1 250)	100.0 (137.5)	125.0	112.2	89.1 (122.5)
IV (c)	.909 (1 282)	100.0 (141.0)	129.2	114.5	87.3 (123.1)
1978	1 423	156.5	164.7	134.9	116.0
I (c)	1 049 (1 351)	115.4 (148.6)	134.6	116.6	99.0 (127.4)
II	1 343	147.7	151.1	127.0	116.2
III	1 621	178.3	183.1	151.6	117.6
IV	1 678	184.6	190.2	154.0	119.9
1979	1 767	194.4	212.2	157.5	123.4
I	1 729	190.2	198.1	154.7	122.9
II	1 776	195.4	206.6	155.9	125.3
III	1 782	196.0	217.3	159.0	123.3
IV	1 782	196.0	226.9	160.5	122.0

Source: Basic data from International Monetary Fund, International Financial Statistics, vol. 33, No. 4, April 1980.

(a) Jamaica dollars per US dollar.

(b) Jamaica consumer price index deflated by US wholesale price index.

(c) Real exchange rate.

Table 17

JAMAICA: EVOLUTION OF INTERNAL PRICES

	1974	1975	1976	1977	1978	1979
	<u>Variation between annual averages</u>					
Total	27.2	17.5	9.7	11.2	34.9	28.8
Food and beverages	29.0	17.8	8.9	9.5	36.7	36.5(a)
	<u>Change December-December</u>					
Total	20.6	15.7	8.3	14.1	49.4	18.1
Food and beverages	19.8	15.5	7.7	12.3	54.2	21.1(b)

Source: International Monetary Fund, International Financial Statistics, various years; United Nations, Monthly Bulletin of Statistics, various years.

(a) January-September 1979 with respect to January-September 1978.

(b) September 1979 with respect September 1978.

Table 18

JAMAICA: MONETARY BALANCE

	Balance at end of: (millions of Jamaica dollars)				Growth rates		
	1976	1977	1978	1979	1977	1978	1979
<u>Money</u>	359	494	581	625	37.6	17.6	7.6
Currency outside banks	138	182	173	220	31.9	-4.9	27.2
Demand deposits	200	292	397	410	46.0	36.0	3.3
<u>Factors of expansion</u>	1 009	1 122	1 113	1 250	11.2	-0.8	12.3
Foreign assets (net)	-217	-246	-626	-848	-	-	-
Domestic credit	1 226	1 368	1 739	2 098	11.6	27.1	20.6
Government (net)	500	691	921	1 130	38.2	33.3	22.7
Official entities	73	117	130	161	60.3	11.1	23.8
Private sector	653	560	688	807	-14.2	22.9	17.3
<u>Factors of absorption</u>	651	628	532	625	-3.5	-15.3	17.5
Quasi-money							
(savings and time deposits)	559	570	665	793	2.0	16.7	19.2
Other items (net)	92	58	-13.3	-168	-37.0	-	-

Source: International Monetary Fund, International Financial Statistics, vol.33, No. 4, April 1980.

Table 19

JAMAICA: LOANS AND ADVANCES

	Millions of Jamaica dollars			Growth rates		
	1977	1978	1979(a)	1977	1978	1979(b)
<u>Commercial banks</u>						
Loans and advances outstanding	659	768	858	-6.2	16.5	18.2
Agriculture	89	82	78	7.9	-7.9	-6.8
Manufacturing	119	133	175	-3.4	11.7	32.3
Construction and land development	109	128	129	-13.8	16.9	5.3
Central and local government	28	28	25	76.4	-2.1	-1.2
Personal	117	119	141	2.0	2.1	25.4
Distribution	71	81	87	-33.7	13.2	11.9
Net excess liquidity (c)	90	107	88	437.5	18.9	-10.7
Holdings of central government securities	249	317	...	155.4	27.4	...
Prime lending rates	11	11	11	-	-	-
<u>Central bank</u>						
Holdings of central government securities	407	506	...	324.1	24.5	...

Source: Bank of Jamaica, Research Department, Statistical Digest, January 1980.

(a) January-September.

(b) January-September 1979 with respect to January-September 1978.

(c) Average liquidity less the sum of required minimum liquidity and loans from the Central Bank.

Table 20

JAMAICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE
(Millions of Jamaica dollars)

	Fiscal year (a)				Growth rates		
	1976	1977	1978	1979(b)	1977	1978	1979
1. <u>Current income</u>	522	633	1 023	1 183	21.3	61.6	15.6
Tax revenue	488	485	724	820	-0.6	49.3	13.3
Direct	236	228	274	316	-3.4	20.2	15.3
Indirect	120	132	269	271	10.0	103.8	0.7
On foreign trade	39	27	50	67	-30.8	85.2	34.0
Non-tax revenue	40	57	27	63	42.5	-52.6	133.3
2. <u>Current expenditure (c)</u>	753	840	1 142	1 180	11.6	36.0	3.3
Economic services	116	121	134	102	4.3	10.7	-23.9
Public debt and fiscal services	113	151	212	277	33.6	40.4	30.7
Other	524	568	796	801	8.4	40.1	0.6
3. <u>Saving on current account (1-2)</u>	-232	-207	-119	3			
4. <u>Capital expenditure (c)</u>	499	422	638	585	-15.4	51.2	-8.3
Economic services	240	231	152	147	-3.7	-34.2	-3.3
Public debt and fiscal services	145	70	238	183	-51.7	240.0	-23.1
Other	114	122	248	255	7.0	103.2	2.8
5. <u>Total expenditure (2+4)</u>	1 245	1 262	1 780	1 765	0.8	41.0	-0.8
6. <u>Fiscal deficit or surplus (1-5)</u>	-730	-629	-757	-582			
7. <u>Financing of deficit</u>							
Domestic financing	411	507	554	520	23.4	9.3	-6.1
Capital development fund (d)	80	110	261	300	37.5	137.3	14.9
Other (e)	331	397	293	220	19.9	-26.2	-24.9
External financing (f)	86	82	301	157	-4.7	267.1	-47.8

Source: Bank of Jamaica, *Statistical Digest*, January 1980.

- (a) The actual fiscal year covers the period April to March. Thus, fiscal year 1976-1977 is shown under 1976 and so on.
- (b) Programmed income and expenditure.
- (c) Revised estimates less appropriations-in-aid.
- (d) All transfers to current account.
- (e) Change in gross internal outstanding debt.
- (f) Change in gross external outstanding debt.