



BIBLIOTECA NACIONES UNIDAS MEXICO

ECONOMIC SURVEY 1976

JAMAICA

(Jamaica dollars used throughout) 1/

Economic activity in Jamaica during 1976 was retarded by various adverse circumstances. While many of the factors could be described as economic in origin, the situation appeared to be further complicated by socio-political problems in light of 1976 being an election year. Consequently, the application of economic policies which might have been adequate for stimulating growth in other circumstances, seem to have met with unsuccessful results in 1976.

Some of the adverse influences during the year included:

(i) continued unfavourable climatic conditions (in the form of droughts) for the third successive year, which severely affected agriculture and to some extent manufacturing; (ii) low market demand for bauxite and alumina, resulting in reduced production; (iii) a severely depressed tourist industry; (iv) a significant decline in export earnings which increased the Balance of Payments deficit, and added downward pressures on foreign exchange reserves; (v) the persistence of a "higher-than-normal" increase in the rate of inflation; (vi) the flight of capital which could otherwise have been used for domestic investment; and (vii) considerable social and industrial unrest, which gave rise to economic uncertainty and instability.

These adverse circumstances retarded the growth of output during the year. Provisional estimates indicate that the GDP in current prices, increased by just 4 per cent compared with increases of 29 per cent and 18 per cent in 1974 and 1975, respectively (see Table II Statistical Appendix). Since there was a 10 per cent rise in the consumer price index, during 1976, GDP would have declined in real terms; as was the case in 1975.

1/ The Jamaica dollar had a fixed parity with the US dollar during 1976 at the rate of US\$1.00 = J\$0.9091.

As already indicated, economic activity was sluggish in most sectors of the economy, and this was particularly true for the normally dynamic sectors of mining, construction and tourism. Mining suffered severely from the effects of reduced demand for Jamaica's bauxite and alumina in world markets. Construction activity, which provides stimulus for other economic sectors, was also considerably depressed. Two factors negatively influenced the Sector; over-capacity in hotel accommodation was one factor, the other was the virtual cessation of construction of private residential and commercial buildings. With respect to tourism the number of visitors, length of stay and estimated expenditure all declined. The efforts of the Government to stimulate construction activity fell short of the objectives because of the long gestation period of construction projects and a relative scarcity of funds. While the real output of the agricultural sector increased only slightly, a decline was experienced in the sector's export earnings. Manufacturing was affected by material shortages and high prices for inputs, the closing of some establishments, and by uncertainty resulting from the socio-political and industrial unrest.

With the exception of Government's activity, the services sectors normally dependent on the performances of the goods-producing sectors and the external sector, performed badly. This was mainly because of a reduction of imports which was not compensated for by a commensurate increase in domestic production and because of the decline in tourism. As for the public sector, it was hampered by the fact that despite increased foreign and local borrowing, the available resources were inadequate to meet fiscal objectives, given the slow rate of increase in its revenue. These various elements were directly linked to the external sector, through lower sugar prices, reduced receipts from tourist expenditure, lower earnings from alumina and bauxite production and the unfavourable effects of the continued decline of the pound sterling on the prices of certain exports, quoted in that currency. Although imports were reduced in 1976 as a result of the Government's more restrictive monetary policy, the decline was not large enough to prevent a large increase in the deficit on merchandise trade. Lower net inflows on the services and capital accounts of the balance of payments, provided little relief.

The cumulative effect, therefore, was a substantially larger balance of payments deficit in 1976 than was experienced in 1975. The country's international reserves were severely drained as a result, and the net foreign exchange position became increasingly negative during the year.

With the plan to diversify and expand international trading relations, coupled with Government's other policy objectives during 1976, the economy should improve in 1977 as these policies work their way through the economy.

PERFORMANCE IN THE MAJOR SECTORS

Agriculture

Preliminary official estimates of Agriculture GDP are given in Table I of the Statistical Appendix. The figure for 1976 is \$229 million in current purchasers' values representing a 13 per cent increase over the 1975 figure. It will be observed, however, that the 13 per cent increase is much lower than the average rate of growth of nearly 24 per cent during the three earlier years. In real terms it appears that GDP of the sector increased slightly during 1976 following relatively small increases also in 1974 and 1975.

With regard to the export sub-sector, milled sugar cane is estimated at only slightly above the quantity milled in 1975. Production of bananas, which has been on a declining trend over the past several years, increased apparently stimulated by a 13 per cent increase in volume of banana exports. Nevertheless, banana exports were still considerably lower than in 1973. Coffee and citrus production was lower, but there was no substantial change in the production of cocoa, while the output of spices, especially pimento, was substantially higher than in 1975. Export prices for several of these commodities were fairly firm during the year. However, since most shipments of agricultural products were quoted in pounds sterling (£), foreign

earnings were adversely affected by the continued downward drift of this currency. What was more damaging to the sector was the sharp fall in world prices of sugar, the country's principal agricultural export.

Estimates of output of the domestic sub-sector show a small increase for 1976. In general, the trend in output of individual commodities was mixed, but food crop production including roots and vegetables, is estimated to have increased.

Livestock production appears to have declined below the 1975 figure but in current value terms the contribution to GDP would have increased as a result of price increases. Cattle production appears to have suffered the most while milk and poultry declined slightly and hog slaughterings increased. Fishing and forestry seem to have managed to attain a level of production roughly comparable to the previous year.

Two factors operated during 1976 to retard the growth of output in the agricultural sector. The more important of these was a drought in several parts of the island, and in some areas going as far back as 1974. The effect was to retard the expected expansion of output from the banana replanting programme and literally to wipe out some new acreage of sugar cane. Vegetable and root crops, as well as livestock, were also affected by the drought. Secondly, industrial disputes in certain agricultural areas impeded the expected expansion of output.

Recognizing the importance of agriculture to the country, particularly in terms of its employment capacity and its linkages with other sectors of the economy, the Government introduced new measures and widened the scope of existing ones in order to encourage agricultural expansion. The broad aims of current policy can be summed up as follows:

- (a) to encourage reverse migration to the rural areas where employment opportunities exist;
- (b) to increase the degree of self-sufficiency in food production; and
- (c) to save extremely scarce foreign exchange.

Among the measures introduced are the following: (i) the "First Rural Development Project" inaugurated in 1975. This scheme is an enlargement on existing land reform and rural development efforts. It aims to promote land settlement and land improvement works through provision of the necessary infrastructure, and it also provides for training and assistance in the marketing of produce; (ii) the construction of micro-dams, especially in areas continuously affected by droughts. The first micro-dam was completed in early 1976 and plans call for 234 other dams with a total capacity of some 17.5 billion gallons. They will be able to irrigate 50,000 acres when completed in four years time. It has been stressed that a significant aspect of this project is that it avoids the need to use expensive advanced technology; (iii) establishment of sugar workers' co-operatives on Government-owned lands. The first of three such farms was inaugurated in 1974, and the programme has been expanded since then to include several other farms; (iv) introduction of a programme called "Operation GROW" with two basic components, "Project Land Lease" and "Project Food Farms". It appears that the land lease projects have been very successful. The food farms project seems to concentrate mainly on developing permanent tree crops, but it also encourages cultivation of root crops and vegetables on Government-owned farms.

Other measures being implemented include the special employment programmes in rural road building, water-shed protection, reforestation and the establishment of co-operatives on several land lease properties. In this respect, two other projects have begun. The first is geared towards the development of rice and the second, towards the increased production of cassava (root), for the purpose of blending it with the traditional imported wheat, in flour production.

It is worthy to note that assistance for many of these projects is being provided by multilateral agencies, such as the World Bank, IADB, as well as bilateral agreements with other countries.

Mining and Quarrying ^{2/}

Available data on the level of activity in the mining sector for 1976 indicate a drop for the second successive year. The value of GDP in current prices, fell by nearly 12 per cent below the 1975 figure; in 1975 the decline was about 9 per cent.

Bauxite/alumina activities accounted for some 97 per cent of the sectoral GDP. During 1976, the production levels of both bauxite (mined) and alumina were about 9 per cent and 28 per cent respectively, below the figure for 1975. Values of bauxite shipped during 1976 showed a marginal (5.3 per cent) rise over the figure for 1975, but there was a 20 per cent decline in the value of alumina shipped. It may be noted that volume of alumina exports also changed by approximately the same amount. Reduction in the quantity of aluminium demanded in North America and Europe, was the major reason for the depressed bauxite/alumina production, but industrial disputes and a temporary halt in bauxite/alumina operations by one major company also partly accounted for the lower trend in 1976.

During 1976, public policy with respect to the bauxite/alumina industry was modified. The main Government policy objective is to control and utilize its mineral resources in the "best interests" of the nation. To this end government has taken measures towards increasing the amount of tax revenues collected from the foreign bauxite/alumina extraction and processing operations; it has re-acquired all mined-out bauxite lands; and in 1976, sought to acquire majority ownership in all mining operations with an option to participate in alumina processing operations as well. During 1976 the country's National Bauxite Commission negotiated a settlement with a major company, for the purchase of all the company's bauxite lands (7,000 acres) and a 51 per cent participation in its mining operations.

^{2/} Includes alumina processing.

It is worth noting, that the Government has embarked on a joint alumina plant project (JAVEMEX) with the governments of Venezuela and Mexico. The plant is to be located in Jamaica, with the Jamaican Government having a majority shareholding in the project. Although the feasibility study has only been recently completed, preliminary work is well advanced. Another joint venture of great significance is the JALUMEX project - an aluminium smelter plant to be owned jointly by Jamaica and Mexico and located in Mexico. Mexico is expected to have majority shareholding in JALUMEX, alumina for which will be provided by JAVEMEX.

During the final quarter of 1976, a slight recovery was noted in world demand for aluminium, the average prices of which registered a 7.7 per cent rise between January and September 1976. This development should generate an increase in the output of bauxite as well as alumina, and Jamaica is advantageously placed to benefit from the economic recovery in North America. Furthermore, Jamaica stands to gain directly from any rises in prices since its bauxite tax is tied directly to the price of aluminium. If market conditions continue to improve, the sector's performance in 1977 could increase appreciably over that of 1976.

Manufacturing

Manufacturing GDP in purchaser's value at current prices for 1976 increased by 18 per cent over the previous year. This improvement reflects a price increase rather than an increase in real output. (See Tables I and II of the Statistical Appendix).

In spite of the various incentives offered by the Government to stimulate growth in manufacturing, the overall volume of output showed a declining trend in 1976. Tables VII and VIII in the Statistical Appendix give details of the output of some of the more important items. Volume of production of flour, animal feeds, edible oil, condensed milk, cigars and gasoline increased while production of alcoholic beverages, cigarettes, cloth, paints and fertilizers are among the commodities which showed declines.

Various endogenous and external factors influenced the level of manufacturing activity during 1976. Shortages of foreign inputs coupled with higher import prices, seem to have continued to plague local manufacturers. In addition, lower consumption of manufactured goods resulted in the closure of some marginal business enterprises and retrenchment of workers. Social and industrial unrest for some months preceding the December 1976 national elections also aggravated the country's industrial climate considerably. Furthermore, with the elections coming up there was uncertainty about the economic and political future of the country, and this helped to depress output, rather than expand business operations.

During 1976, the Government formulated further policies designed to achieve self-sufficiency in food, housing and clothing. In response to the recent "lack-lustre" performance of the manufacturing sector a comprehensive 5-year plan was developed for industry.

The main objectives of this programme are to: (i) create at least 40,000 new jobs in manufacturing during the 5-year period beginning 1976; (ii) achieve a 10 per cent annual increase in real sectoral Gross Domestic Product during the period; and (iii) increase manufacturing output so as to permit an average increase of 30 per cent in the volume of exports of manufactured goods.

The elements of the strategy include inter-alia direct participation by the public sector in industrial activity and measures to induce utilization of existing capacity. Examples of the latter type of measures are special loan arrangements for the development of small businesses, a broadening of export credit facilities after October 1975, special financing to encourage the use of local raw materials, and finally, lower interest rates.

It is expected that implementation of these measures will result in the development of local resource-based industries; enhancement of industrial skills, rational adaptation and development of indigenous technology and exploitation of market opportunities under trade agreements both bi-lateral and multilateral - examples of which are the Generalized System of Preferences, the Lomé Convention, (between the European Economic Community and the A.C.P. countries) and the Caribbean Common Market Agreement.

Construction

Construction activity was considerably restrained during 1976. The contribution of the sector to total GDP, in current value terms, declined by 15 per cent below the 1975 level, compared with a 17 per cent increase in 1975. (See Tables I and II of the Statistical Appendix).

Private sector construction was again very low, and all types of construction, including home building, appear to have been affected. The decline in tourism in the last two or three years, coupled with a spurt of new hotel buildings completed during this period had resulted in over-capacity and led to a contraction of construction of this nature. (See Table I).

The Government has been providing incentives in an attempt to stimulate private construction activities. One of the newer incentives involves giving the sector high priority with respect to commercial bank loans and advances. However, commercial bank prime lending rates have been relatively high in nominal terms, averaging 11 per cent during 1976 and 10 per cent during 1975. This has apparently discouraged borrowing, (only 7.6 per cent of total loans and advances went into the Construction Sector) and the measures have therefore been generally unsuccessful in achieving the desired goals. Another factor is that a general "wait and see" attitude may have developed because of an uncertainty as to the future economic direction of the country; given the existing conditions.

In view of the slowdown in private sector construction, the Government introduced measures to stimulate public construction activity basically for two reasons: the first was in order to maintain present levels of employment; and the second, to boost other sectors dependent on construction, and create linkages within the construction sub-sector. Implementation of this programme was considerably restrained, however, by a slowdown in the rate of growth of fiscal revenue and the eroding effects of inflation.

Table 1

Some Indicators of Construction Activity: 1972-1976

	Units	1972	1973	1974	1975	1976 P
Imports of Capital Construction materials	\$ million	35.6	63.6	88.9	89.2	65.2
Cement production	'000 tons	424	397	393	399	359.4
Steel products (basic)	'000 tons	17	18	16	21	13.6
Net addition to tourist accommodation	rooms	n.a.	1004	1002	164	n.a.
Loans owing to commercial banks as of end December each year <u>1/</u>	\$ million	72.3	104.9	125.4	141.0	127.0

P = Provisional n.a. = not available

1/ Include land acquisition and development.

Source: Statistical Digest: Bank of Jamaica - April 1977.

Tourism

The slight upturn in the number of tourists during the last two months of 1975 and the first few months of 1976 reflected the seasonal nature of Jamaican tourism rather than the expected recovery of the sector. All available data for 1976 indicate a very depressed performance.

The total number of visitors during 1976 was 15 per cent lower than the figure for 1975 (see Table 2). "Stopover" visitors, the most important category, declined by about 14 per cent, and declines were also registered in other categories of visitors, as well as in average length of stay. Tourist expenditure for 1976 declined by about 16 per cent below the 1975 level, and room occupancy rate declined considerably for the third successive year.

During 1974 and 1975 rising prices, including substantially higher travel costs (air and cruise-ship fares), and recession in the United States (the principal source of visitors) adversely affected the country's tourism. In spite of the upturn in the United States economy, the number of visitors from that country declined in 1976. Although the number of visitors from Canada and Europe rose, this increase could not compensate for the drop in United States visitors. Local socio-economic stresses, including industrial action, further aggravated the situation. There has been some criticism, too, that the standard of service in some areas of the industry has fallen, and this may have discouraged some visitors.

In an attempt to arrest the declining trend in the sector, the Government had decided to implement various plans to streamline the industry. It is hoped that these measures will help to achieve orderly growth and to integrate the sector more fully with the rest of the economy. The Government suspended investment incentives under the new hotel and cottages scheme with the objective of temporarily halting the expansion of tourist accommodation and thereby minimizing excess capacity in the industry. Nevertheless, a high level of excess capacity will continue to exist until the downward trend in visitor arrivals is reversed.

Recognizing the effect that the slump has had on the level of employment in the sector, the Government established a special loan fund of \$3 million to aid the hotel industry. This fund provides financial assistance in the form of working capital for hotels and allied operations experiencing temporary difficulties. The prime objective of the fund is to maintain employment levels by permitting re-employment of laid-off hotel personnel, to provide services for increasing domestic tourism, and to cater for the resurgence of this industry.

Meanwhile, the Tourist Board has been restructured and will expand its promotion activities. A new agency, the Tourist Production Development Company, has been established with the principal aim of ensuring the highest operating standards possible. The strategy to be adopted in meeting this goal includes the implementation of a comprehensive training programme for personnel at all levels of the industry. In addition, the Jamaican Hotel School, which in the past had concentrated on training junior service staff, has now been reorganized and will also provide training for middle management personnel. It is thus hoped to achieve an overall improvement in the workers' efficiency and their attitude towards visitors. These measures are expected to eliminate some of the complaints that have affected the industry in recent years.

Table 2
Selected Tourism Statistics

	1973	1974	1975	1976	% Change $\frac{1976}{1975}$
Number of Rooms	10,069	11,071	11,235	n.a.	n.a.
Number of Beds	19,897	21,827	22,220	n.a.	n.a.
Total visitors ('000)	517.4	530.7	553.3	470.7	-15.0
Room occupancy rate (per cent)	50.3	43.8	43.5	31.1	-28.5
Length of stay (nights)	8.3	8.4	8.8	8.6	- 2.3
Estimated expenditure (J\$ million)	115.9	121.2	116.8	96.1	-16.4

n.a. = not available

Source: Economic and Social Surveys, 1974 and 1975, National Planning Agency, Jamaica; Travel Statistics, October 1976; The Jamaica Tourist Board, Jamaica; and Statistical Digest, April 1977, Research Department, Bank of Jamaica, Jamaica; and data supplied CEPAL.

THE EXTERNAL SECTOR

The performance of the external sector was mostly unsatisfactory in 1976. In spite of Government incentives in recent years (including 1976) to boost export-oriented products in order to reduce the country's perennial trade imbalance, the value of exports declined by 22 per cent (see Table XI of the Statistical Appendix) whereas imports declined by 18 per cent, the result being an adverse merchandise trade balance of about \$142 million, on a balance of payments basis, as compared with a deficit of \$145 million in 1975.

There was a larger net deficit on services transactions, in 1976 -- about 35 per cent greater than the 1975 figure. Freight and insurance payments declined but were more than offset by increases in investment income outflows and decreases in foreign travel receipts. Altogether, current transactions showed a deficit of \$291 million, almost 20 per cent higher than in 1975.

The inflow of foreign capital declined substantially during 1976. Net official capital inflows declined drastically but remained positive while net private capital inflows actually became negative. Reports of unofficial flows of capital from Jamaica in 1976 suggest that the level has been very substantial as much as \$300 million has been quoted. These factors further weakened the country's balance of payments position and placed the level of international reserves in an increased negative position at the end of 1976.

Data on the value of the country's major export items show that only bauxite, coffee and spices and mineral fuels and lubricants increased during the year. Alumina and banana exports each declined by approximately 20 per cent and sugar exports by 60 per cent. The value of exports of manufactured goods, especially petroleum products, increased during the period, but these values were too small to significantly affect the total picture.

It may be noted that the average unit value of sugar and banana exports in 1976 declined by approximately 56 per cent and 27 per cent respectively, compared with the figures for 1975. The implicit average unit price of bauxite and alumina exports was higher during 1976 arising from increases in the average prices of primary aluminium which is the basis for calculating export prices. This slight increase in unit prices of the latter two commodities reflects the mild upturn in consumption demand for these commodities on the export markets.

As regards volume, in the same period, banana shipments were significantly higher and bauxite shipments only slightly so. On the other hand, the volume of sugar exports was lower than in 1975, while the volume of alumina shipments fell severely.

Full-year import data show that for the first time since 1973, imports of capital goods registered a decline; construction materials and transport equipment, declining by 27 and 70 per cent, respectively. (See Table V). Raw material imports dropped slightly (about 5 per cent) and food items substantially (about 32 per cent).

The declining trend in the value of imports is attributable mainly to more stringent restrictions imposed on imports during 1976. Shortages and higher prices of some items plus the relative stagnation of economic activity, also contributed to reducing the demand for imported goods.

Preliminary data for 1976 show no significant shift in Jamaica's trade with her major trading partners (See Table 3). The United States and the United Kingdom in that order, continue to be Jamaica's most favoured individual trading partners on both sides of the trading account. The share of exports to the United States, however, has risen slightly for the full year 1976 being 41 per cent in 1976, compared to 38 per cent in 1975. Imports from Central and South America have shown significant improvement in recent years, reflecting mostly trade in crude petroleum. The share of exports to the Caribbean Community and Common Market, though relatively small, also showed an upward trend in 1976, but imports though still higher than exports, showed a significant decline. (See Table X).

Table 3
Percentage Shares of Trade by Major
Trading Partners

	EXPORTS			IMPORTS		
	1974	1975	1976	1974	1975	1976
U.S.A.	47.1	36.9	41.0	35.3	37.4	37.2
Canada	5.4	3.6	5.5	5.4	4.9	5.9
ECM	16.8	23.5	19.1	20.7	19.9	17.2
(U.K.)	(15.7)	(23.0)	(17.3)	(12.4)	(13.1)	(10.9)
EFTA	14.3	14.0	17.6	1.8	1.6	1.5
CARICOM	4.5	4.2	6.8	7.6	8.4	7.0
(ECCM)	(0.5)	(0.4)	(0.5)	(0.1)	(0.2)	(0.2)
Latin America ^{1/}	1.6	1.3	4.6	17.6	16.2	16.4
Others	10.3	16.4	5.4	11.6	11.6	14.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

^{1/} Continental Latin America.

Sources: Statistical Abstract, 1974; External Trade, 1976 (Provisional), Department of Statistics, Jamaica.

PRICES

The average level of retail prices, as measured by the All-Jamaica Consumer Price Index, increased nearly 10 per cent in 1976, compared with an increase of more than 17 per cent in 1975. This suggests a continued decline in the rate of inflation, from the 27 per cent rise recorded for 1974 as shown in Table 4 below.

Food and beverages, the most heavily weighted component of the index (53 per cent of the total weight), increased by 9 per cent compared with 1975 and thus tended to moderate the rise of the overall index. During 1976 the rates of increase recorded for other

components of the index such as household furnishings and furniture, housing, clothing and miscellaneous expenses, were higher than that for food and beverages (See Table XII).

The more moderate increase in prices during 1976 must be attributed in part to the effectiveness of the Government's programme to combat inflation. During 1976, the system of price controls was broadened and absorbed into the country's price and incomes guidelines. At the same time, consumption of locally produced commodities was increasingly encouraged through incentives and direct Government participation, and indirectly by the foreign exchange conservation measures.

In view of the country's large import coefficient, the relatively modest rise in prices of imported goods in 1976 (noted earlier) also exerted a moderating influence on local prices. However, a considerable proportion of raw materials input as well as capital and consumption goods is still imported.

Table 4
Consumer Price Index
(January 1975 = 100)
Annual Percentage Changes "All Items" (1971-1976)

	Kingston Metropolitan Area	Other Towns	Rural Areas	All Jamaica
1971	4.9	5.7	5.7	5.3
1972	6.6	4.5	4.5	5.4
1973	19.1	15.5	18.3	17.6
1974	27.4	26.8	27.0	27.2
1975	16.5	17.8	18.5	17.4
1976	10.3	9.7	9.0	9.7

NB: Data are averages of monthly indexes.

Source: Economic and Social Survey 1975, National Planning Agency, Jamaica; Statistical Digest, Vol. IX No. 4, Bank of Jamaica, April 1977; on basis of indexes compiled by Department of Statistics.

MONETARY AND FISCAL POLICY

Monetary Policy

Monetary policy is an integral part of the comprehensive scheme of controls being implemented by Government in an attempt to restore some measure of balance in the country's national and international accounts. The general objectives of the monetary measures are to control more closely the liquidity of the banking system and to try and reduce the severe leakages in foreign exchange. The instruments utilized include: (i) increases in the central bank rate and prime lending rates of commercial banks; (ii) increases in the minimum required liquid assets ratio of commercial banks from 23.5 per cent to 24.5 per cent on 9 March 1976 and then to 29.6 per cent by September 1976; (iii) ceilings on the use of rediscounting facilities; and (iv) limitation and subsequent reduction of the proportion of loans outstanding in the "personal" category in order to make more funds available for financing business.

The monetary position is given in Table XIII and XIV and it indicates lower rates of increase for most of the figures during 1976, compared with the rise over 1975. This suggests a considerable reduction in growth, as money supply (M_1) expanded by nearly 26 per cent in 1975, compared with 7 per cent in 1976.

The main factor behind the slower expansion of the money supply was the sharp contraction of net foreign assets that occurred because of the country's balance of payments difficulties. The outflow of foreign assets offset almost all the effects of expanded credit to the domestic sector and the Government. While the growth of domestic credit appeared to slacken somewhat, net credit to the Government maintained a very high rate of expansion.

Partial information suggests that restrictive credit policies achieved a measure of success in 1976. New instalment credit had declined with respect to 1975 by 13 per cent and commercial bank loans and advances rose only slightly, about 1 per cent (see Table XIV). It is interesting to note that loans to the agricultural sector increased by 16 per cent, while personal loans decreased by 12 per cent, thus realizing one of the main policy objectives.

In February the bank rate was increased from 8 per cent to 9 per cent. Automatically, the prime lending rate moved to 11 per cent, for the rest of 1976. This measure had the apparent effect of stimulating savings, especially time deposits, while reducing the demand for loans.

Fiscal Policy

Recently, the main thrust of fiscal policy has been to diversify and restructure the economy, to provide for a more equitable distribution of income, and to ensure that more social services are available to lower income groups.

The ability of the Government to carry out its fiscal programme in 1976 was severely retarded, however, as a result of a number of adverse circumstances. On the one hand, stagnation of economic activity adversely affected revenue growth. On the other, inflation, severe unemployment, and mounting socio-political pressures, all tended to boost requirements for additional expenditure. The result was that the authorities found themselves in a deepening fiscal crisis during the year.

Provisional figures on government recurrent revenue for 1976 indicate an 11 per cent rise over the figure for the year 1975 (see Table XVI). The slowdown in domestic economic activity naturally affected the Government's revenues adversely, as reflected in negative growth rates for income and excise taxes, while the lower level of imports mandated as part of the foreign exchange conservation programme helped to account for reduced growth of receipts from customs duties. In addition, receipts from the Bauxite Levy declined severely following the slump in the bauxite industry.

By October 1976, Government's expenditure commitments stood far in excess of its general revenue. A provisional estimate of total expenditure for all 1976 is \$1,142.3 million - a 20 per cent rise over the 1975 figure. The recurrent component rose by almost 14 per cent, while capital expenditure grew by nearly 30 per cent (see Table XV). Expenditures on necessary social services and economic services, including those to the agricultural sector remained top priority areas. However, the higher level of expenditure was largely due to increases in certain items of recurrent expenditure particularly, general administration, education and social welfare.

Because of the substantially lower rate of increase in Government revenue compared with expenditure, the country's deficit for the year 1976 reached crisis proportions, amounting to approximately \$514.4 million (45 per cent of the level of expenditure) as against \$391 million (40 per cent of the level of expenditure) at the end of 1975. To finance the deficit, the Government therefore had to increase its foreign and local borrowing, and make drawings from the Capital Development Fund that is financed out of revenues from the Bauxite Levy. External financial assistance came by way of loans under schemes of the International Monetary Fund designed to help members overcome shortfalls in export earnings and Balance of Payments deficits. Jamaica also successfully negotiated loans from her CARICOM neighbours (mainly Trinidad and Tobago), among other sources. The country's national debt figure as of 1976 therefore showed a sizeable increase, rising to \$1,113 million as against \$863 million in 1975 (see Table XVI).

STATISTICAL APPENDIX

CORRIGENDA

Table VI: Output of Selected Agricultural Products

In the line for (i) Citrus under 1976 delete "2,066" ^{6/} and replace by n.a. (not available). (ii) Delete footnote ^{6/}.

Table VIII: Output of Selected Manufactured Commodities,
1973-1976

In the line for Textile (cloth) under 1976 delete "1,543,850" and replace by "6,479,655".

Delete Table X of original and replace by Table X attached.

Table XI: Balance of Payments: 1974-1976

In the last line of table, Total Surplus (+) or Deficit (-) delete "+ 34.1" and replace by "+54.1".

Table XV: Central Government Income and Expenditure

In line 6, under Annual Growth Rates for 1976, delete "-31.3" and replace by "31.3".

JAMAICA

TABLE X

TRADE WITH MAJOR TRADING PARTNERS
(J\$ Million)

Trading Partners	1974	1975	1976 P
<u>EXPORTS BY DESTINATIONS</u>			
U.S.A.	307.7	273.5	235.6
CANADA	35.1	26.8	31.8
ECM	109.5	174.1	109.9
(U.K.)	(102.4)	(170.2)	(99.7)
EFTA	93.2	103.8	101.1
CARICOM	29.4	31.3	39.3
(ECCM)	(3.2)	(3.0)	(3.1)
LATIN AMERICA ^{1/}	10.7	9.9	26.3
OTHERS	67.4	121.2	31.3
TOTAL:	653.0	740.6	575.3
<u>IMPORTS BY ORIGIN</u>			
U.S.A.	299.9	382.3	308.3
CANADA	46.1	49.6	48.9
ECM	175.9	203.6	142.6
(U.K.)	(105.3)	(133.9)	(90.3)
EFTA	15.3	16.4	12.7
CARICOM	65.0	85.8	58.0
(ECCM)	(1.2)	(2.0)	(1.9)
LATIN AMERICA ^{1/}	149.8	165.0	136.5
OTHERS	98.8	118.7	122.8
TOTAL:	850.8	1,021.4	829.8

NB: ECM = European Common Market;

EFTA = European Free Trade Association.

^{1/} Central American Common Market and Latin America Free Trade Association Countries plus the Republic of Panama.

Sources: Statistical Abstract, 1974; External Trade, 1976, (provisional) Department of Statistics, Jamaica.

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