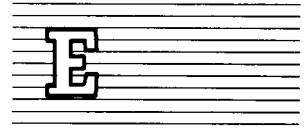


UNITED NATIONS

ECONOMIC
AND

SOCIAL COUNCIL



Distr.
LIMITED

E/CEPAL/L.286/Add.22

January 1984

ORIGINAL: ENGLISH

ECLA

Economic Commission for Latin America

ECONOMIC SURVEY
OF LATIN AMERICA

1982

JAMAICA

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.

Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

JAMAICA

1. Recent economic trends: Introduction and summary

Not unexpectedly, the 1982 performance of Jamaica's export-led economy essentially reflects the continued depressed world market for bauxite and alumina, which together account for 70% to 80% of its merchandise exports. While domestic activity maintained the upward if somewhat hesitant trend evident in 1981, and there was marked recovery in tourism, the combined overall performance was an estimated 0.2% real growth. Bauxite and domestic agriculture both declined, but a strong performance was turned in by construction, and this was supported by growth in manufacturing and services. But this was not enough to maintain the 3% growth recorded in 1981, so that at best 1982 only marginally improved on that year's figures.

The Economic Recovery Programme initiated in April 1981 with a three-year IMF Extended Fund Facility loan continued in 1982, reinforced by a 17-year Structural Adjustment Loan from the World Bank. The objective is to bring about a measure of balance between saving and investment, between current public revenues and expenditures, in the balance of payments, and in the labour and goods markets, thereby eliminating tendencies towards wage and price instability and promoting economic recovery. In addition to restrictive management of short-term monetary and fiscal aggregates, the programme envisaged heavy reliance on the market forces, private sector initiative and international competitiveness in order to achieve export-led growth.

During 1982 a number of further institutional changes were effected, such as the streamlining of the procedures for obtaining import licences and the allocation of foreign exchange, and the elimination of the prohibited list and price controls. On the productive side, work was undertaken to refurbish the infrastructure and productive facilities such as electricity generating capacity, Kingston port facilities and the sugar and tourist industries. In addition, institutional mechanisms were set in motion to promote investment and exports.

Indications are, however, that the economy did not make much progress in 1982. Overall export earnings declined by 11%, while imports of goods and services diminished about 5%, thereby widening the payments gap, and the foreign debt grew almost 23%. The government budget went further into deficit, and labour absorption was marginally worse than the year before, while the rate of inflation, as measured by the December to December variation, rose from 4% to 7%. Domestic investment rose appreciably, but this was possible, not because of reduced consumption, but on account of increased inflows of foreign resources. The extremely depressed state of the world economy, caution on the part of potential investors, and the inherent slowness of economic transformation were conditioning factors in all this (see table 1).

2. Trends in economic activity

a) *Global trends*

The pronounced trend in the 1970s for consumption (especially public consumption) to rise and for investment to decline as a share of GDP was halted somewhat in 1981, if only by restraint on public sector consumption, which hardly grew in real terms. However, the anticipated economic recovery to be brought about by the freeing of resources for capital formation, output and export growth, and ultimately the closing of the resource gap, has not in the past two years shown itself at all strongly. Whereas from its deep trough investment demand grew strongly in 1981, and again in 1982, export performance did not nearly match consumption growth and exports actually fell in 1982. Domestic demand grew in these two years only because the foreign resource gap widened from 2.1% in 1980 to 9.9% in 1981 and 16.9% in 1982 as a percentage of GDP (see table 2). At the same time, domestic savings went from 13.3% of GDP in 1980 to 5.6% in 1981 and 8.0% in 1982.

Demand for Jamaica's principal exports fell sharply in 1982 after wavering in 1981, and such overall GDP growth as was experienced —3.3% real and 10.5% nominal in 1981 compared to 0.2% real and 8.3% nominal in 1982— was largely possible thanks to the inflow of foreign resources, mostly official funds. No firm judgement can at this stage be formed on the economic performance in 1982, since world demand remained depressed, business circles were hesitant, and structural adjustment has a long gestation period. It would seem, however, that even though, by comparison with the decline recorded between 1974 and 1980, the growth of 1981 and 1982 represents a considerable advance, the foundation of such growth remains to be assessed.

The structure of the economy seems to have been fundamentally altered to a pronounced service orientation (see table 3). Compared with 1970, the share of goods in the GDP (particularly manufacturing and construction) fell sharply. While government services more than doubled. Since it has been decided to pursue manufactures-led export strategy, considerable effort would seem to be required to turn the economy around, and in this regard the dynamics of foreign investment, technology flows, trends to world protectionism and market access through trade agreements such as the Caribbean Basin Initiative need to be carefully weighed.

Table 1
JAMAICA: MAIN ECONOMIC INDICATORS

	1979	1980	1981	1982
A. Basic economic indicators				
GDP at purchasers' prices (millions of 1974 Jamaican dollars)	1 941 ^a	1 838 ^a	1 898 ^a	1 901 ^b
Population (thousands)	2 150	2 173	2 204	2 237
Per capita GDP (Jamaican dollars at 1974 prices)	903	846	861	850
Growth rates				
B. Short-run economic indicators				
Gross domestic product	-1.4	-5.3	3.3	0.2
Per capita gross domestic product	-2.7	-6.4	1.8	-1.3
Current value of exports of goods and services	4.7	16.6	3.0	-11.2
Current value of imports of goods and services	16.0	15.7	21.4	-4.7
Consumer price index				
December - December	19.7	29.1	4.0	7.1
Variation between annual averages	28.8	27.2	11.6	7.4
Money	9.4	19.6	6.1	6.1
Wages and salaries (current Jamaican dollars)	12.5	12.2	13.6	...
Rate of unemployment (%)	27.7	27.3	25.9	27.4
Current income of government	7.3	15.7	26.7	17.6 ^c
Total expenditure of government	-4.2	35.2	3.4	15.0 ^c
Fiscal deficit/total expenditure of government (%)	39.0	41.9	36.5	48.6 ^c
Millions of US dollars				
C. External sector				
Trade balance	-32	-27	-282	-359
Balance on current account	-149	-175	-338	-419
Balance on capital account ^d	-16	248	133	291
Variation in net international reserves	5	41	20	24
External debt	1 495	1 607	1 800	2 208

Source: ECLA, on the basis of official data.

^aRevised figures.

^bPreliminary figures.

^cApril/December 1982 compared to April/December 1981.

^dMillions of US dollars.

Table 2

JAMAICA: TOTAL SUPPLY AND DEMAND

	Millions of Jamaican dollars at current prices		Percentage breakdown			Growth rates	
	1981	1982 ^a	1970	1980	1982 ^a	1981	1982 ^a
	Total supply	8 727	9 145	137.4	153.1	160.2	15.2
GDP at market prices	5 236	5 672	100.0	100.0	100.0	10.5	8.3
Imports of goods and services	3 491	3 473	37.4	53.1	60.2	21.8	-0.5
Total demand	8 502	9 145	137.4	153.1	160.2	15.2	10.1
Domestic demand	5 834	6 697	104.2	102.1	116.9	20.1	15.5
Gross domestic investment	1 121	1 437	31.6	15.4	24.9	52.7	28.2
Gross fixed investment	948	1 200	31.4	14.5	21.5	37.4	26.6
Changes in stocks	173	197	0.2	0.9	3.4	294.5	14.2
Total consumption	4 413	5 260	72.6	86.7	92.7	14.3	19.2
General government	1 141	1 300	11.7	21.3	22.6	12.6	13.9
Private	3 572	3 960	60.9	65.4	69.8	14.9	10.8
Exports of goods and services	2 668	2 467	33.2	51.0	43.3	5.2	-7.5

Source: Jamaica, Department of Statistics, *National Income and Product 1981* and National Planning Agency, *Economic and Social Survey, January-September 1982*.

^aBased on National Planning Agency projections.

Table 3

JAMAICA: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT PURCHASERS' VALUES

	Millions of Jamaican dollars at constant prices			Percentage breakdown			Growth rates		
	1980	1981	1982	1970	1980	1982	1980	1981	1982
	Total GDP	1 838	1 898	1 901	100.0	100.0	100.0	-5.4	3.3
Goods	700	712	679	45.3	37.6	36.7	-9.6	1.7	-4.6
Agriculture, forestry and fishing	151	156	146	7.5	8.5	8.3	-6.2	3.9	-6.0
Mining and quarrying	163	165	117	7.0	8.8	6.4	9.2	1.3	-29.0
Manufacturing	288	291	303	17.6	15.1	15.1	-9.7	1.3	4.2
Construction and installation	98	100	113	13.2	5.3	6.8	-28.5	1.6	12.7
Basic services	148	150	155	6.3	7.8	7.9	-3.4	1.4	3.3
Electricity and water	24	24	24	0.8	1.3	1.3	1.4	1.2	-0.1
Transport, storage and communications	124	126	131	5.5	6.7	6.7	-4.2	0.9	4.1
Other services	990	1 036	1 067	48.4	54.6	55.4	-2.6	4.6	3.0
Distributive, trade	273	288	304	21.4	15.1	15.7	-7.0	5.4	5.8
Finance and insurance	99	108	100	4.0	5.4	6.5	8.6	9.9	-8.0
Real estate and business services	215	223	234	9.8	11.6	12.1	-0.3	3.4	4.9
Government services	359	370	371	9.1	19.8	19.6	-0.6	3.1	0.4
Miscellaneous household and imputed	44	47	58	-	-	-	-	-	-

Source: Jamaica, Department of Statistics, *National Income and Product, 1981*, and National Planning Agency, *Economic and Social Survey 1982*.

b) *Evolution of the main sectors*

i) *Agriculture.* After the very encouraging 4% recovery in agricultural output in 1981 following two consecutive years of decline, the sector performed poorly in 1982 as its output is estimated to have decreased by almost 6%. The main area affected was domestic agriculture, which is estimated to have experienced a 12% fall in output. Extremely bad weather during the planting season, shortage of planting material and fertilizers, competition from imports, and volatile farm-gate prices are said to have been contributory factors. Over the same period, meat production was about unchanged but egg production is estimated to have declined by almost 12% and poultry production also fell substantially, allegedly because of competition from cheaper imports.

Export agriculture saw its output drop about 2% following the 5% increase recorded in 1981. There was a recovery in banana production following its long-standing decline and the trough in production registered in 1981 as a result of Hurricane Allen in 1980. Positive contributions also came from copra, ginger and coffee. Sugar cane milled held steady in 1982, but a decline occurred in cocoa (see table 4) and markets for citrus fruit are reported to have been particularly difficult. During 1982 the sugar industry was hit by work stoppages and output remained at about the 30-year low reached the year before. The sugar co-operatives, whose registration was cancelled in November 1981, were in the course of being wound up during 1982 and the sugar cane growing lands were leased to sugar factories.

Table 4

JAMAICA: INDICATORS OF AGRICULTURAL PRODUCTION

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982 ^a
Index for agriculture forestry and fishing (1970 = 100)	106.2	110.7	103.4	-9.7	-7.4	4.2	-6.6
Agriculture	110.2	114.4	...	-12.6	-8.4	3.9	...
Export	60.0	62.9	61.9	-19.5	-12.3	4.8	-1.6
Domestic	149.8	155.1	137.0	-10.4	-7.1	3.6	-11.7
Livestock	109.9	113.5	109.4	-2.4	-1.2	3.3	-3.6
Forestry	25.7	24.9	28.0	-34.6	-3.3	-3.2	12.5
Fishing	90.7	100.0	111.2	-5.4	-17.1	10.3	11.2
Tons							
Production of some important export crops							
Sugar cane milled ^b	2 835	2 502	...	-18.6	-4.4	-11.7	2.8
Bananas ^c	33	19	22	-8.0	-52.2	-42.4	28.6
Citrus fruit ^d	66	54	...	-27.5	32.0	-18.2	5.3
Pimento	943	3 140	2 064	-52.5	-24.8	233.0	-34.3
Copra	1 738	887	1 429	-4.2	-14.1	-49.0	61.1
Cocoa	1 393	1 845	1 457	37.9	-23.7	32.4	-25.1
Coffee	1 310	1 505	...	50.7	-42.2	14.9	4.2
Indicators of meat production							
Cattle slaughtered (thousands head)	64.4	61	61	0.5	11.0	-5.3	-
Hogs slaughtered (thousands head)	123.1	135	118	-12.7	11.8	9.8	-12.6
Poultry meat ^b	29.8	29.6	26.7	3.3	-6.1	-1.0	-9.8
Eggs (million)	98	95	84	-4.5	-34.6	-3.1	-11.6

Source: Jamaica, Department of Statistics, *Production Statistics 1980* and *Statistical Review, October 1982*; National Planning Agency, *Economic and Social Survey January-September 1982*.

^a Preliminary figures.

^b Thousands of tons.

^c Exports only.

^d Oranges and grapefruit only.

Table 5
JAMAICA: INDICATORS OF MINING PRODUCTION

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Index of mining production 1970 = 100)	116.5	118.0	83.7	-1.6	9.9	1.3	-29.1
Production of principal mineral (thousands of tons)							
Bauxite (mined)	11 978	11 606	8 447	-2.0	4.1	-3.1	-27.8
Alumina	2 456	2 556	1 761	-1.0	17.2	4.1	-31.1
Gypsum (mined)	105	180	188	-64.6	121.2	71.4	4.2

Source: Jamaica, Department of Statistics, *Production Statistics and Statistical Digest*, February 1983.

As part of its programme for long-term structural adjustment, the Government has instituted a number of policies concerning agriculture which are consistent with its export-led strategy and reliance on market forces. The arrangements for export marketing have been liberalized and various price incentives, such as the December 1981 increased retail price for sugar and a 32% increase in the price of farmers' cane for 1982, are expected to stimulate export agriculture. A number of joint venture projects such as, for example, Japanese involvement in the coffee industry were being implemented.

ii) *Mining*. Mining dominates Jamaica's merchandise exports and the foreign exchange flows associated with the development of this industry in the 1950s and 1960s was the basis of the sustained boom of those decades. The industry experienced a massive downturn in 1982, when there was a 29% decline, following only just over 1% growth in 1981. Bauxite mined fell 28% and alumina produced was down by 31% (see table 5). During 1982 gypsum production increased 4%, reflecting enhanced construction activity, but this was the only evidence of growth in the sector. Industrial action early in the year in the bauxite industry affected performance somewhat.

The fundamental cause of this poor state of affairs was the continued depression of the world economy. Most OECD countries experienced declines in industrial production in 1982 and their construction, housing and transport industries—which together account for 40% to 50% of aluminium consumption—were particularly hard hit. World consumption of primary aluminium in 1981 was below its 1978 level, and consumption in the Western world fell a further 5.3% in 1982. Because of the stock buildup in 1981 and the continuing economic depression, world bauxite production in 1982 is estimated to have fallen by 17%.

Against the background of what may well be the worst slump in the history of the aluminium industry, Jamaica was particularly badly affected. High energy costs at US Gulf Coast smelters, to which all of Jamaica's bauxite shipments and a substantial part of its alumina go through corporate channels, resulted in a disproportionately high cutback in capacity utilization. That the industry was not harder hit was due to delivery of 1.6 million tons to US bauxite stockpiles.

The reduced output had a negative impact on employment and resulted in the laying-off of some 1 400 persons (approximately 17.5% of the work force). The financial impact on the country was less dramatic, however, partly because there were retroactive wage and severance payments and local disbursements from surpluses built up by the companies. Thus, preliminary estimates of local disbursements by the industry have been put at US\$ 250 million, only 12.5% below the 1981 level, with the bauxite levy accounting for about US\$ 134 million.

iii) *Manufacturing*. During 1982 the performance of the manufacturing sector was mixed. After its strong growth in the 1960s and the declines in the late 1970s there was some recovery in 1981 and a further 4% growth in 1982. The nature of manufacturing activity would seem to make its dynamism dependent on favourable circumstances in the external sector, since it relies heavily on imports of raw materials, equipment and other supplies, and partially on export markets. Continued foreign exchange stringency, in spite of the upturn in capital inflows, and the persistence of the world recession are therefore consistent with its sluggish performance and there were reports that licensing arrangements did not work smoothly, particularly for the smaller manufacturers.

Indications of positive growth in the sector are provided by the increased employment and higher electricity consumption (see table 6). Growth has been led by increased output of chemicals, for which sales to the regional CARICOM market were particularly important, and at the same time cement production rose. There was also some expansion in traditional subsectors such as textiles and clothing. Part-year data, however, suggest declining output from a number of industries, and there have been reports of periodic shortages of raw materials and consequently inability of firms to maintain continuous production runs, with resulting low capacity utilization rates.

The dominant policy thrust is to reorient the manufacturing sector towards export-led growth along the lines pursued in the recent past by some south-east Asian countries. To this end the Export Development Fund, established in 1979 to finance raw materials and machinery imports by exporters or their suppliers, was being replenished and the Kingston Free Zone extended during 1982. A Rehabilitation Fund financed by the IDB came into being during the year to assist domestic manufacturers. Jamaica National Investments Promotions Limited, formed in 1981 to promote private investment, is giving emphasis to manufacturing and is reported to have had over 30 million Jamaican dollars of manufacturing investment underway in 1982. International competitiveness will however be crucial. A recent survey suggests that only just over one-third of Jamaica's manufacturing output is internationally price competitive, indicating the need for considerable improvement.

iv) *Construction.* The recovery in construction activity which began in 1981 continued strongly into 1982. Output and employment in the sector grew by 13% and 14% respectively in these years and cement production was up 43%. Even so, the sector was operating at barely one-half its 1970 level (see table 7). Part-year indications are that, because of the continued foreign exchange stringency, imports of construction materials were only 6% above their 1981 levels and, despite improvement over previous years, there were shortages in a number of finishing components.

Recovery in the industry was broadly based and included both commercial and industrial buildings and residential construction in metropolitan and rural areas. Worthy of note is the construction of facilities to house the Preparatory Conferences for the International Sea-bed Authority, where, because of time constraints, multiple shifts were utilized. In addition to private housing

Table 6

JAMAICA: INDICATORS OF MANUFACTURING ACTIVITY

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Index of manufacturing production	80.1	80.4	83.7	-4.3	-9.7	1.3	4.2
Production of selected manufactures							
Sugar ^a	231.8	205.6	195.5	-2.9	-18.1	-13.6	1.4
Flour (wheat) ^a	48.1	47.0	54.4	-22.2	29.4	-4.5	15.8
Animal feed ^a	206.8	205.3	193.5	-3.5	0.6	-0.8	-5.7
Rum and alcohol ^b	20.5	22.2	19.9	7.1	13.9	8.3	-10.5
Fertilizers ^a	28.6	25.9	19.3	4.4	-7.1	-9.4	-22.4
Petroleum products ^b	1 079.3	859.6	...	16.9	-21.3	-20.4	32.3
Textile fabrics ^c	4 552.8	3 580.0	...	-36.3	-23.4	-21.4	2.5
Indicators of manufacturing production							
Electricity sales to industry and commerce by public utilities ^d	568.3	557.2	596.3	-7.3	-3.4	-2.0	7.0
Employment (thousands)	76.7	82.2	86.9	-6.6	3.9	7.2	5.7

Source: Jamaica, Department of Statistics, *Production Statistics 1980* and *Statistical Digest, February 1983*.

^aThousands of tons.

^bMillions of litres.

^cThousands of meters.

^dMillions of kWh.

Table 7

JAMAICA: INDICATORS OF CONSTRUCTION ACTIVITY

	1980	1981	1982	Growth rates		
				1980	1981	1982
Index of construction output (1970 = 100)	37.6	38.5	43.8	-28.5	2.4	12.9
Production of selected materials						
Cement ^a	144	164	234	-36.3	13.9	42.7
Paint ^b	3 887	6 042	8 751	-32.8	44.8	45.0
Steel ^c	9.4	12.0	13.3	-5.1	27.7	10.8
Imports of construction material^f	84.1	119.4	127.1	-20.6	42.0	6.4
Employment^d	25.4	29.1	33.3	-20.4	14.6	14.4

Source: Jamaica, National Planning Agency, *Economic and Social Survey*, 1982.

^aThousands of tons.

^bThousands of litres.

^cMillions of Jamaican dollars.

^dThousands.

Table 8

JAMAICA: INDICATORS OF TOURIST ACTIVITY

	1980	1981	1982	Growth rates			
				1979	1980	1981	1982
Total visitors (thousands)	543	552	670	11.4	-8.5	1.6	21.4
Long stay	384	397	457	11.7	-7.3	2.8	15.1
Short stay	11	10	11	117.5	-48.6	-10.2	8.2
Other	148	146	202	10.6	-11.6	-1.5	39.1
Hotel room occupancy rate (%)	44.2	41.5	53.3	20.0	-7.9	-6.1	28.4
Average length of stay (nights)	10.2	10.1	9.8	3.5	15.9	-1.0	-3.0
Estimated expenditure (J\$m)	242	290	333	31.1	24.4	20.0	14.9
Direct employment generated	9 527	8 403	...	13.7	-18.6	-11.8	...

Source: Bank of Jamaica, *Statistical Digest*, February 1983.

developments, the Government's programmes include such self-help schemes as a sites-and-services project and a build-up-own-land programme.

Credit to the sector increased dramatically in 1982. Thus, commercial bank loans and advances outstanding for construction and land development increased 80% between December 1981 and December 1982, while new mortgage loans advanced by building societies between January and September 1982 exceeded by 12% those for the entire year 1981. Of course account must be taken of inflation and land speculation and the continuing high demand for housing. Building costs for residential housing are of the order of 85 Jamaican dollars per square foot and are estimated to be escalating by 25% a year. A number of commercial banks still consider construction projects as high-risk and are reported to ask for security such as, for example, pre-rental contracts on office buildings. Nevertheless, the industry is recovering strongly.

v) *Tourism*. After the poor performance by this industry in 1980, the recovery evident from mid-1981 continued into 1982, which was a very good year. Visitor arrivals (up 21%), hotel occupancy (up 8 percentage points) and estimated visitor expenditure (up 15%) all recovered strongly and on most indicators the industry surpassed the performance of the previous peak year 1979. The number of cruise ship visitors was particularly buoyant, recording an increase of 39% (see table 8).

However, the industry is faced by a number of continuing problems. Many of the tourist facilities are still in need of refurbishing, although a great deal was achieved in 1982. The industry is still very seasonal and average hotel occupancy rates are low because of the summer trough. The inclusion of Jamaica among destinations for tax benefits by American business companies might enable more convention business to be attained in the future and the summer trough to be filled somewhat.

While the recovery of this industry contributed substantially to the overall positive performance of the economy, it is generally recognized that its contribution was far below its potential. This is most evident in the area of foreign exchange procurement. Between 1970 and 1980 the gross foreign exchange receipts from travel accounted for about 20% of current earnings. Estimates are, however, that about one-third of the foreign exchange generated by the industry does not circulate through formal channels. Thus, while foreign exchange must be officially made available to the industry because of its earning potential, it remains a possible avenue for foreign exchange loss, since inflows cannot be fully garnered.

vi) *Employment and unemployment.* Persistent structural unemployment is a characteristic of most Caribbean economies, all of which also show extremely high labour force participation rates, particularly among women. Jamaica is no exception. Despite the massive emigration of the 1950s and 1960s and the high growth rates associated with the boom in bauxite, construction, tourism and industrialization, open unemployment rose to about one-fifth of the labour force, and with the prolonged recession of the 1970s, unemployment climbed to over 27%.

There was some improvement in 1981 accompanying the recovery in manufacturing and construction and increased commercial activity. However, data for 1982 suggest that the situation in the labour market has deteriorated again. In fact, the rate of labour force absorption declined by 1.5% even though the actual number of persons employed increased by some 4 000. The number and percentage of persons unemployed both increased. Public policy has been to contain public sector employment, and while there was growth in manufacturing and construction there were job losses in agriculture and mining (see table 9).

The data must of course be interpreted with care, since the estimates are based on a sample survey and might contain sampling errors larger than the change indicated. More important, however, is the well-documented peculiarity of the labour market for participation rates to vary directly with perceptions of economic buoyancy. It should be noted that in the Jamaica survey, persons are treated as being in the labour force if they stated that they wanted work even though they did not actively seek it: an approach which tends to raise the rate of measured unemployment compared to countries where active search is necessary for labour force membership.

In an attempt to tackle the concentration of unemployment among youthful members of the labour force the Human Employment and Resources Training Trust was launched during 1982. The purpose is to train youth and so enhance their employability.

Table 9

JAMAICA: EMPLOYMENT AND UNEMPLOYMENT

	1978	1979	1980	1981	April 1982
Labour force (thousands)	939.0	953.6	991.2	1 014.9	1 043.1
Employment (%)	75.5	72.3	72.7	74.1	72.5
Employed (thousands)	708.5	689.0	720.4	752.4	756.6
Agriculture	257.0	232.0	263.5	273.1	263.8
Manufacturing	79.0	73.8	76.7	82.2	86.9
Construction	32.9	31.9	25.4	29.1	33.3
Commerce	93.2	90.0	91.2	102.0	102.8
Public administration	108.8	110.1	108.7	105.5	104.5
Unemployed (thousands)	230.5	264.6	270.8	262.5	286.4
Unemployed (%)	24.5	27.7	27.3	25.9	27.4

Source: Jamaica, Department of Statistics, *The Labour Force*. Annual data are averages for April and October.

3. The external sector

The extent to which the crisis in the Jamaican economy has eased may be judged from the performance of the external sector. This is because of the openness of the economy and the stated policy thrust to make the economy more outward-looking and internationally competitive. Against the background of continued lack of dynamism in the world economy, where according to GATT the volume of world trade in 1982 declined 2% to about its 1979 level and value fell 6%, export-led growth was particularly difficult to achieve.

On the contrary, there was a 26% reduction in the current value of merchandise exports compared with 1981, when growth was a mere 2%. The leading exports, aluminium and bauxite, were particularly hard hit by developments in the world economy, and although sugar and bananas rallied and non-traditional exports (mainly manufactures) experienced growth for the second consecutive year, this was insufficient to prevent the largest drop in merchandise exports recorded since the war (see table 10).

Table 10

JAMAICA: EXPORTS OF GOODS, FOB

	Millions of US dollars			Percentage breakdown			Growth rates		
	1980	1981	1982	1970	1980	1982	1980	1981	1982
Total	964	981	726	100	100	100	17.3	1.7	-25.9
Main traditional exports	830	844	574	87	89	83	22.7	1.6	-32.0
Of which:									
Bauxite	199	172	130	27	21	20	-6.2	-13.3	-24.5
Alumina	537	588	355	40	57	50	47.0	9.4	-39.7
Sugar	54	47	48	11	6	8	-3.0	-15.0	2.4
Bananas	11	4	8	4	1	1	-41.9	-59.4	75.0
Main non-traditional exports	103	116	...	13	11	17	-13.2	13.6	7.6 ^a
Manufactures	71	77	...	8	8	11	18.7	8.7	6.3 ^a

Source: Jamaica, Department of Statistics, *External Trade 1981*, and National Planning Agency, *Economic and Social Survey 1982*.

^aBased on January to October data.

Table 11

JAMAICA: IMPORTS OF GOODS, CIF

	Millions of US dollars		Percentage breakdown			Growth rates	
	1981	1982	1970	1980	1982	1981	1982
Total	1 472	1 347	100	100	100	25.0	-8.5
Consumer goods	193	234	30	11	17	46.4	21.2
Food	105	123	12	6	9	43.8	17.6
Other non-durables	43	48	9	3	3	34.0	11.8
Durables	45	63	9	2	5	66.7	38.3
Raw materials	994	787	32	72	59	18.2	-20.8
Fuel	499	372	6	38	28	11.8	-25.4
Other	495	415	26	34	31	25.6	-16.3
Capital goods	297	326	38	17	23	45.7	9.8
Construction materials	67	71	7	4	5	41.3	6.7
Transport equipment	65	72	5	3	5	87.1	10.3
Other machinery and equipment	152	159	25	9	12	44.8	4.0
Other capital goods	13	24	1	1	1	20.0	79.2

Source: Jamaica, Department of Statistics, *External Trade 1980*, and National Planning Agency, *Economic and Social Survey 1982*.

Table 12

JAMAICA: BALANCE OF PAYMENTS

(Millions of US dollars)

	1979	1980	1981	1982
Exports of goods and services	1 165.1	1 358.9	1 400.3	1 244.7
Goods FOB	818.2	962.7	974.0	767.4
Services ^a	346.9	396.2	426.3	477.3
Transport and insurance	114.1	113.8	97.6	97.9
Travel	195.4	240.7	284.4	336.2
Imports of goods and services	1 197.6	1 386.0	1 682.0	1 603.2
Goods FOB	882.4	1 038.2	1 296.7	1 208.9
Services ^a	315.0	347.8	385.2	394.4
Transport and insurance	202.8	216.7	246.4	243.7
Travel	10.9	11.7	13.8	30.1
Merchandise balance	-64.2	-75.5	-322.7	-441.5
Trade balance	-32.4	-27.1	-281.7	-358.6
Factor services	-186.6	-229.6	-179.5	-195.2
Profits	-81.7	-111.9	-2.9	28.6
Interest received	7.9	11.5	14.7	13.2
Interest paid	-129.1	-151.1	-213.3	-248.3
Others	16.3	22.0	22.1	11.4
Unrequited private transfer payments	70.0	81.7	123.3	134.5
Balance on current account	-149.0	-175.1	-337.8	-419.2
Unrequited official transfer payments	10.1	9.0	0.9	15.9
Long-term capital	-0.9	158.3	197.9	391.9
Direct investment	-26.4	27.7	-11.6	-15.8
Portfolio investment	0.0	0.0	0.0	0.0
Other long-term capital	25.5	130.5	209.4	407.7
Official sector ^b	79.3	205.5	220.1	420.1
Loans disbursed	185.3	322.4	428.9	637.3
Amortization payments	-110.9	-115.1	-208.7	-217.2
Other sectors ^b	-53.9	-75.0	-10.7	-12.4
Loans disbursed	0.0	46.9	38.4	37.3
Amortization payments	-53.9	-121.8	-49.1	-49.7
Basic balance	-139.8	-7.8	-139.0	-11.4
Short-term capital	9.3	346.5	-29.7	2.9
Official sector	-0.3	177.0	89.7	111.8
Commercial banks	2.7	191.2	-119.4	-109.0
Other sectors	6.8	-21.7	0.0	0.0
Errors and omissions (net)	-34.6	-265.5	-36.1	-120.2
Balance on capital account	-16.4	248.2	133.2	290.5
Global balance	-165.4	73.1	-204.6	-128.7
Total variation in reserves				
minus sign indicates an increase)	165.9	-82.9	170.2	99.0
Monetary gold	0.0	0.0	0.0	0.0
Special Drawing Rights	5.3	0.5	-1.3	1.2
IMF reserve position	0.0	0.0	-2.8	-1.3
Foreign exchange assets	-10.3	-41.6	23.8	-23.6
Other assets	0.0	0.4	-9.9	9.5
Use made of IMF credit	170.9	-42.2	160.4	113.2

^aIncludes other non-factor services.^bIncludes net loans granted and other assets and liabilities.^cEquals the total variation in reserves (of opposite sign), and the counterpart ITEMS: monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.

Merchandise imports too declined in 1982 as a consequence of foreign exchange shortages. Consumer goods grew strongly and capital goods (except construction materials) moderately, but raw materials experienced a severe decline. In particular, the volume of petroleum products imported declined and, because the average cost remained about stable for the first time in some five years, their value for the year declined by about 7% compared to 1981. The sharp fall in activity in the alumina industry, one of the major fuel users, was partly responsible for the reduced volume of fuel imports. The complicated administrative arrangements for licensing and funding of imports which continued into 1982 would seem to have favoured the importation of consumer and capital goods rather than raw materials for industry, and throughout 1982 manufacturers complained of shortages (see table 11).

Preliminary balance-of-payments data for 1982 show that the current payments position deteriorated further. It may be recalled that since April 1981 Jamaica has been pursuing an economic recovery programme with access to IMF funding under the Extended Fund Facility, and there have been considerable inflows of official capital from this source, from other multilateral institutions such as the IBRD and IDB, and from private sources. During 1982, the trade gap widened by an estimated US\$ 81 million and the current account deficit by US\$ 77 million. The considerable reduction in the deficit on services, achieved largely through the improved performance of the tourist industry, served to keep the sharp decline in export receipts from the bauxite industry from having an even more calamitous impact on the payments position (see table 12). Because of the fall in bauxite earnings during 1982 resort was also had to the IMF's Compensatory Financing Facility.

There was a turnaround in the capital account during 1982 with net capital inflow amounting to US\$ 290 million, compared with only US\$ 133 the year before. As a result, the overall payments deficit was reduced to US\$ 130 million from US\$ 205 million in 1981. Foreign indebtedness at December 1982 was 23% higher, at an estimated US\$ 2.2 billion.

4. Prices

Inflation accelerated from 4% to 7% between 1981 and 1982, in spite of the slowdown in world inflation, particularly of oil prices, and a stable external value of the currency (see table 13). While these factors, together with modest money supply growth and wage moderation, served to dampen inflation, the big drop in agricultural production for domestic consumption pushed the overall rate of price increases upwards.

Table 13

JAMAICA: EVOLUTION OF DOMESTIC PRICES

	1978	1979	1980	1981	1982 ^a
Variation between annual averages					
Total	25.0	28.8	27.2	11.6	7.4
Food and drink	36.8	33.4	33.4	10.3	6.1
Housing	14.2	13.8	11.7	15.9	10.1
Clothing and accessories	40.3	25.4	20.3	19.4	3.4
Personal expenses	36.4	25.9	21.5	23.3	7.7
Variation December - December					
Total	49.4	19.7	29.1	4.0	7.1
Food and drink	54.1	24.5	33.7	1.3	7.5
Housing	18.9	13.3	8.6	16.2	8.7
Clothing and accessories	52.4	15.6	25.5	7.3	3.4
Personal expenses	52.7	9.7	32.5	12.9	6.0

Source: Jamaica, Department of Statistics.

^aPreliminary figures.

5. Monetary and fiscal policy

a) *Monetary policy*

Monetary and fiscal policy continued to be conducted against the background of the Extended Fund Facility (EFF) agreement negotiated with the IMF in April 1981. This had set ceilings on banking system credit to the public sector and on foreign borrowing, as well as establishing targets for net international reserves of the Bank of Jamaica. In March 1982, the end of the first year of the agreement, all performance tests were passed and a new base established for drawings in 1982/1983.

In its efforts to protect the balance of payments from undue pressure, the Bank of Jamaica pursued a policy of credit restraint, using as its main instrument a voluntary minimum of 40% for the liquid assets ratio of commercial banks. For most of the year a comfortable margin was maintained, with excess liquidity attaining a peak of 4.5% in May. However, towards the end of the year a liquidity squeeze developed and at year-end the ratio was 2% below the required level.

The money supply expanded by a moderate 6%, or at about the same rate as in 1981, in circumstances in which the rate of inflation rose from 4% to 7%. The growth of credit to the public sector was contained, but private sector credit grew strongly. The policy change made in July 1981, whereby interest on bank deposits was exempted from income tax, taken together with the higher rates on time deposits, served to bring about strong growth in quasi-money (see table 14). The financial system again drew heavily on external resources. Despite substantial growth in domestic credit compared to 1981, the dampening effect of the decline in net foreign assets on monetary expansion was noticeable, and monetary resources grew moderately.

The distribution of commercial bank loans and advances to the various sectors of the economy showed a healthy shift towards productive activity. Of the sectors relying heavily on commercial bank financing, loans for personal use actually declined, while the growth to the distributive sector was a modest 3%. By contrast, credit to agriculture, manufacturing and construction and land development all increased substantially, with construction getting 80% more credit in 1982 following an increase of over 40% in 1981. These changes reflect the shift in credit allocation desired by the monetary authorities (see table 15).

Interest rates in 1982 were generally higher than in 1981, partly on account of the tightening liquidity situation, but also partly reflecting public policy of encouraging saving, allowing market forces freely to determine interest rates and so optimize the use of financial resources. While the statutory minimum interest rate on savings remained unchanged at 9%, by year-end time deposits were attracting 12% to 14%, almost two percentage points above their 1981 level, and the overall

Table 14

JAMAICA: MONETARY BALANCE

	Millions of Jamaican dollars			Growth rates		
	1980	1981	1982	1980	1981	1982
Money	647	687	729	19.6	6.2	6.1
Currency outside banks	257	281	313	17.4	9.3	11.4
Demand deposits	390	406	416	21.1	4.1	2.5
Factors of expansion	2 436	2 072	2 532	38.6	-15.1	22.2
Foreign assets (net)	-821 ^a	-1 380	-1 676	-3.4	-68.1	-21.4
Domestic credit (net)	3 257 ^a	3 452	4 208	27.6	6.0	21.9
Government (including official entities)	1 692 ^a	2 381	2 724	35.4	40.7	14.4
Private sector	1 566 ^a	1 071	1 484	20.3	-31.6	38.6
Factors of absorption	1 789	1 385	1 803	47.0	-22.6	30.2
Quasi-money (savings and time deposits)	1 292 ^a	1 231	1 630	35.6	-4.7	32.4

Source: Bank of Jamaica.

^a Revised figures.

Table 15

JAMAICA: COMMERCIAL BANKS LOANS AND ADVANCES

	Millions of Jamaican dollars				Growth rates		
	1979	1980	1981	1982	1980	1981	1982
Loans and advances outstanding	901	1 088	1 495	1 093	20.8	37.4	31.3
Agriculture	93	118	193	231	26.9	63.6	19.7
Manufacturing	164	213	317	397	29.9	48.8	25.2
Construction and land development	126	127	181	326	0.8	42.5	80.1
Central and local government	28	24	24	31	-17.5	2.6	28.2
Personal	167	188	193	166	12.6	2.7	-14.0
Distributive trade	80	90	122	126	12.5	35.6	3.3

Source: Bank of Jamaica.

Table 16

JAMAICA: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

(Millions of Jamaican dollars)

	1980/81 ^a	1981/82 ^a	1981 ^b	1982 ^b	Growth rates	
					1981	1982
Current revenue	965	1 223	809	952	26.7	17.6
Current expenditure	1 552	1 655	1 216	1 392	6.6	14.5
Current surplus/deficit	-587	-432	-407	-440	26.3	-8.3
Capital revenue
Capital expenditure	813	792	528	614	-2.7	16.2
Total revenues	1 375	1 555	1 054	1 034	13.0	-2.0
Total expenditures	2 365	2 447	1 744	2 005	3.4	15.0
Overall surplus/deficit	-990	-892	-689	-972	9.9	-41.0
Financing						
Domestic	624	651	287	613	4.3	-113.6
Foreign ^c	334	343	164	395	2.7	140.9

Source: Bank of Jamaica.

^aThe fiscal year runs from April to March.^bApril to December.^cMillions of US dollars.

weighted average commercial bank loan rate was in every month of 1982 higher than the corresponding months of 1981. Yet while financial savings rose sharply, gross domestic savings were still much lower than in 1980, when real rates of interest were markedly negative.

An interesting development in the financial sector was the resumption from January 1982 of trading on the stock exchange for two days each week, after having been down to one day a week since 1977. Active trading had resumed in 1981, and during 1982 there were J\$ 16.7 million of new issues, compared to J\$ 3.2 million in 1981 and J\$ 1 million in 1980.

b) *Fiscal policy*

Part-year indications are that the strong fiscal performance of 1981, consistent with the objectives of the economic recovery programme, was not sustained in 1982. Thus, current revenue in 1982 grew about 18% compared to 27% in 1981. Conversely, whereas in 1981 current expenditure was kept to a modest 7% growth, it increased by 14% in 1982, and capital expenditure, which fell in

fiscal 1981, grew by 16% in the period April-December 1982 compared to the similar period in 1981. Total public sector expenditure and the deficit both grew thereby increasing the need for financing (see table 16).

Consistent with the tenets of supply-side economics, the 1982/1983 Budget introduced no new taxes so as not to discourage effort. Instead, reliance was placed on efficiency in administration to contain costs, and on strict tax compliance and economic recovery to generate additional revenues. A measure of wage restraint in the public sector and success with tax administration both made positive contributions. However, revenues were not as buoyant as they had been in 1981, due to the sluggish economic conditions, especially for bauxite.

Compared to the similar period in 1981, there was a need for substantially more financing in the period April to December 1982. In consequence, the net national debt at December 1982 increased to J\$ 5.9 billion but, in keeping with the policy of limiting public sector crowding-out effects, the external debt grew considerably faster (32%) than internal debt.