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Jamaica: Selected Issues

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JAMAICA

Selected Issues

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Approved by the Western Hemisphere Department

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Jamaica: Basic Data
I. Social and Demographic Indicators

Area	10,830 sq. km
Population (1997)	2.6 million
Density (population per square kilometer)	232.9
Population annual growth rate (percent)	1.0 percent
Of which:	
Urban	2.3 percent
Life expectancy at birth (1995)	74.2
Infant mortality (per thousand) (1995)	12.6
Population per physician (1993)	6419.7
Access to safe water	70.0 percent
Urban	92.0 percent
Rural	48.0 percent
Gross enrollment ratios (percent of school age group)	
Primary	109.0 percent
Secondary	66.0 percent
Unemployment rate (1997)	16.5 percent
GDP at market prices (1997) 1/	US\$6.6 billion
GDP at market prices per capita 1/	US\$2,623.5

II. Economic Indicators, 1993-97 2/

	1993	1994	1995	1996	Prel. 1997
(In percent of GDP)					
Origin of GDP (current prices) 3/					
Agriculture	8.0	9.0	9.1	8.3	8.0
Mining	6.4	7.1	6.9	5.9	5.6
Manufacturing	18.1	18.4	17.0	16.7	16.3
Construction	12.4	11.8	12.5	11.6	11.3
Government services	9.9	8.1	8.9	11.4	12.1
Other services	45.2	45.6	46.0	46.1	46.8
(Annual changes in selected indicators)					
Real GDP per capita	0.4	-0.1	-1.2	-2.9	-3.4
Real GDP	1.3	1.0	0.0	-1.9	-2.4
GDP at current prices	35.6	31.9	26.2	16.2	7.9
GDP deflator	33.8	31.9	26.3	19.6	10.6
Consumer prices (period average)	24.3	32.0	22.8	21.5	9.1
Consumer prices (end of period)	37.1	21.2	30.8	9.5	8.8
Central government revenue 4/	42.7	34.4	29.7	7.7	4.7
Central government expenditure	47.2	34.2	40.6	37.8	12.0
Money and quasi-money	32.5	39.3	20.6	27.8	5.3
Net domestic assets of the banking system 5/	27.8	11.9	9.4	19.6	9.6
Credit to public sector	-8.3	-10.3	8.1	-0.7	20.4
Credit to private sector	36.1	22.2	1.3	20.3	-10.8
Merchandise exports (f.o.b.) in U.S. dollars	4.9	16.2	12.3	-4.8	2.1
Merchandise imports (c.i.f.) in U.S. dollars	21.8	4.3	25.7	0.5	5.5
Terms of trade (- deterioration)	-1.7	3.4	1.0	-12.4	...
Nominal effective exchange rate (- depreciation) 6/	-21.5	1.8	-15.9	16.5	-1.2
Real effective exchange rate (- depreciation) 6/	-10.0	11.9	7.9	25.4	9.3
(In millions of Jamaica dollars)					
Central government finances					
Total receipts	33,614	44,596	58,523	63,085	66,080
Total expenditure 7/	29,997	39,802	54,717	78,052	87,516
Total financing	-3,617	-4,794	-3,806	14,967	21,436
External financing (net)	799	-2,083	-3,640	-4,834	2,933
Domestic financing (net)	-4,416	-2,711	-166	19,801	18,504
Of which:					
Divestment proceeds	0	-995	-452	0	0
(In millions of U.S. dollars)					
Balance of payments					
Merchandise exports (f.o.b.)	1,102	1,280	1,438	1,369	1,398
Merchandise imports (c.i.f.)	2,231	2,327	2,926	2,942	3,104
Interest payments (net)	241	229	220	217	229
Current account	-56	18	-215	-166	-361
Public sector capital (net)	-53	-108	-128	39	135
Private capital including errors and omissions (net)	245	484	390	279	173
Overall balance (deficit -)	137	394	47	152	-53
Change in reserve assets (increase -)	-137	-394	-47	-152	53
International reserve position 6/					
Central bank (gross)	429	783	732	818	730
In weeks of nonbauxite imports	10	17	13	14	12

1/ Calculated at J\$36.5 per U.S. dollar.

2/ For fiscal years which begin April 1.

3/ Calendar year data.

4/ Includes grants but excludes privatization receipts

5/ Annual change as a percent of liabilities to the private sector at the beginning of the period.

6/ End of period.

7/ Including unallocated expenditure but excluding capital support to the financial sector.

I. FINANCIAL SYSTEM DEVELOPMENTS

A. Background

1. Since the establishment of the first bank in 1836 by English merchants, Jamaica's financial system developed continuously and by the mid-1990s consisted of private and public financial institutions ranging from traditional commercial banks to merchant banks, building societies, credit unions, insurance and trust companies, finance houses, investment banks, and specialized institutions such as the Agricultural Development Bank, the National Development Bank, and the Jamaica Mortgage Bank.
2. The financial system experienced substantial growth over the period 1989–95 as a result of the liberalization of financial markets and the reduction in government involvement in the industry through the privatization of banks.¹ Although a stock exchange was introduced in 1969, until recently, most of the allocation of savings continued to take place through traditional institutions of financial intermediation rather than capital markets. Only some 20 companies are regularly traded on the Jamaica Stock Exchange and total market capitalization amounted only to J\$66.1 billion or about 30 percent of GDP in 1996. Most of the listed and traded instruments on the stock exchange are ordinary/common stocks; corporate bonds are practically nonexistent.² Government bonds are not traded on the stock exchange but rather by the Bank of Jamaica (BOJ) in an over-the-counter market. However, an unregulated commercial paper market has been growing over the last couple of years through which enterprises access, with and without commercial bank guarantees, credit from private sources. There are no registration or regulatory requirements affecting transactions in this market. Private informal estimates place the size of this market at between J\$20–40 billion (8–16 percent of GDP).
3. A few private companies have accessed international capital markets in amounts estimated at about US\$200 million, and in 1997 the government for the first time placed a US\$200 million Eurobond followed by an additional Eurobond issue of US\$250 million in 1998. Prior to the most recent Eurobond issue, Jamaica received its first bond rating from Moody's which rated Jamaica's sovereign debt as a Ba3.
4. Since mid-1995, Jamaica's domestic financial system has been in distress facing both liquidity and solvency problems which prompted the government to intervene on a large scale leading to a partial nationalization of the domestically owned financial sector at a gross cost of over 30 percent of GDP. The following sections describe some of the developments that

¹Prior to the liberalization of the financial sector, the government had introduced a number of reforms in the context of the Financial Sector Reform Program that was launched in 1985.

²Two different corporate bonds were listed in 1997.

contributed to the financial system collapse, the government's response, and lays out the challenges that remain to be addressed.

B. Financial Crisis Developments

Privatization and liberalization of financial markets

5. In line with the government's overall strategy in the mid-1980s to reduce the size of the public sector, banks that had been acquired by the government in the 1970s were sold back to the private sector. The ownership of the largest domestic bank, National Commercial Bank (NCB) was transferred in several stages to the private sector starting in 1986 when more than 40 percent of the shares were sold.³ Another formerly publicly owned bank (Workers Savings and Loan Bank) was privatized in 1991. The sale of banks was largely limited to domestic investors.

6. In addition to privatizing, the Jamaican Government liberalized both the foreign exchange and financial markets. In case of the latter, previously regulated interest rates were freed, credit controls were removed, and the BOJ switched to market-based instruments of liquidity management.⁴ While these measures were intended to contribute to a more efficient allocation of savings and hence to higher economic growth, the liberalization of financial markets took place without developing an adequate regulatory system and prudential requirements. As a result, supervision remained weak and some institutions, such as insurance companies, unit trusts, and building societies remained de facto unregulated. The increased competition, in turn, encouraged institutions to search for ways to avoid costly regulatory requirements (such as high legal reserve requirements) and supervision, and to engage in deposit-taking activities that would give them access to cheaper funds. For example, when reserve requirements were lower for merchant banks than for commercial banks, the number of merchant banks increased from 6 in 1981 to 21 in 1990. Once reserve requirements were raised on merchant banks, building societies—which were not subject to reserve requirements—experienced substantial growth leading to an increase in the number of institutions from 6 in 1990 to 15 in 1995. Overall, the number of banking institutions increased substantially between 1980 and early 1990, especially in the latter part of the decade (Table 1). Since the Jamaican legal framework did not prohibit the creation of universal bank holding companies, the new institutions became part either of holding companies or larger financial conglomerates which often comprised a commercial bank, a merchant bank, a building society, an investment bank, and an insurance company, and the fact that different types of financial institutions were subject to different legal reserve requirements encouraged the growth of these conglomerates.

³NCB was purchased in 1977 from Barclays Bank International, Limited.

⁴For details on developments in the monetary policy area refer to the note on recent monetary policy developments in Jamaica included in this paper.

Table 1. Jamaica: Financial Sector Developments
(In millions of Jamaica dollars; unless otherwise indicated)

	1961	1971	1981	1990	1995	1996
Commercial banks						
Number of banks	6	6	8	10	11	9
Number of branches	69	131	179	170	205	188
Assets/liabilities	...	206	2,635	17,328	121,325	135,986
Deposits	...	406	2,103	12,098	89,135	94,103
Loans	...	330	1,495	8,997	45,864	54,721
Merchant banks						
Number of institutions	...	3	6	21	25	23
Assets/liabilities	...	12	93	4,527	17,334	23,262
Deposits	...	2	35	2,843	6,868	6,706
Loans	...	10	38	2,863	6,024	7,349
Trust companies 1/						
Number of institutions	2	6	10	3	1	...
Assets/liabilities	...	24	163	109	21	...
Deposits	...	14	126	86	...	...
Loans	...	14	104	75	...	...
Building societies						
Number of institutions	7	16	7	6	15	13
Assets/liabilities	17	57	388	3,058	28,739	32,962
Savings funds	14	53	367	2,667	24,315	26,003
Loans	14	46	271	1,596	9,186	14,529
Credit unions						
Number of institutions	110	127	96	80	82	77
Savings	2	10	185	684	3,106	4,681
Loans	1	9	184	643	2,692	3,652
Finance houses						
Number of institutions	...	...	10	5	4	4
Assets/liabilities	...	...	59	266	639	566
Savings funds	...	...	47	157	209	236
Loans	...	...	33	168	206	185
Life insurance companies						
Number of institutions	16	20	13	10	12	12
Assets	61	129	403	2,072	...	...

Source: Bank of Jamaica.

1/ 1993 data instead of 1995.

7. The dramatic increase in the number of building societies is illustrative of developments in the first half of the 1990s. While prior to liberalization most building societies were established as mutual societies owned by their respective savers, financial liberalization encouraged the creation of such institutions by larger conglomerates. Among the many privileges that these building societies enjoyed was the fact that neither the statutory cash reserve nor any liquid asset or loan loss reserve requirement applied to them. In addition to these implicit "tax breaks," building societies enjoyed direct tax advantages since the corporate tax for building societies was 3½ percentage points lower than for banks and, unlike the case of commercial banks, interest earned by depositors on share savings were not subject to a withholding tax. Furthermore, the supervision of these institutions was not performed by an independent agency but rather by the sector's own umbrella organization, the Jamaica Building Societies Association. In addition to the looser regulatory requirements, building societies benefitted from weaker prudential standards. For example, prior to March 1996 the initial amount of capital required to set up a building society amounted to J\$10,000 (about US\$250). While the banking sector witnessed a tightening of its legislation with respect to limits on investments in commercial companies and lending to single customers in 1992, building societies were not subjected to these limitations until 1994.

8. In effect, the larger conglomerates used the specialized banks as a means of increasing their deposit base and the distinction between deposit-taking banks and other institutions, such as insurance companies, became increasingly blurred as the latter created deposit-like instruments. Relatively shorter-term deposits captured by insurance companies and other financial institutions were then used to finance longer-term investment projects, especially in real estate and tourism development. The assessment of risk was also eroded as connected parties increasingly became the beneficiaries of additional lending by official institutions, in the face of weak supervision. The weakness of the financial system became apparent to the general public when the minister of finance and planning intervened in the Blaise Group in 1994 and subsequently established the Financial Institutions Services Company (FIS) to liquidate the group (Box 1).

Box 1. Financial Institutions Services

The Financial Institutions Services (FIS) was established in October 1995 as an off-budget, wholly government-owned limited liability company, in the aftermath of the bankruptcy of the Blaise Financial Groups.¹ FIS was initially charged with the implementation of a "scheme of arrangement" for the Blaise group, drafted in July 1996. FIS was later entrusted with the implementation of a similar scheme for the failed Century Financial Entities (comprising Century National Bank, Century National Building Society, and Century National Merchant Bank). FIS is responsible for paying creditors of the two institutions and for selling the assets acquired from Blaise and Century. FIS is empowered to issue debt in its own name to finance the payout of the depositors. In the case of Century, depositors are entitled to open accounts with National Commercial Bank (NCB), which, in turn, receives FIS notes as corresponding assets. As of April 30, 1998, FIS had issued debt amounting to J\$9.3 billion (3.6 percent of GDP); an additional J\$2.5 billion (1 percent of GDP) is scheduled to be issued in June 1998. The instruments are issued both in domestic and foreign currency with coupon rates ranging from zero to market-determined rates linked to treasury bill rates. Some FIS instruments include a provision that allows for the capitalization of interest. FIS is also empowered to pursue civil litigation against shareholders and directors of the Century group that contributed to the failure of the institutions and to assist the judicial system in its effort to investigate fraudulent behavior on the part of former managers and owners. If a judgement against the former owners and managers is issued, FIS would assist in identifying and obtaining the control of assets of the respective individuals. FIS is supervised by a board of seven directors.

¹These comprised Blaise Trust & Merchant Bank, Blaise Building Society, and Consolidated Holdings Limited.

Monetary policy and financial sector developments

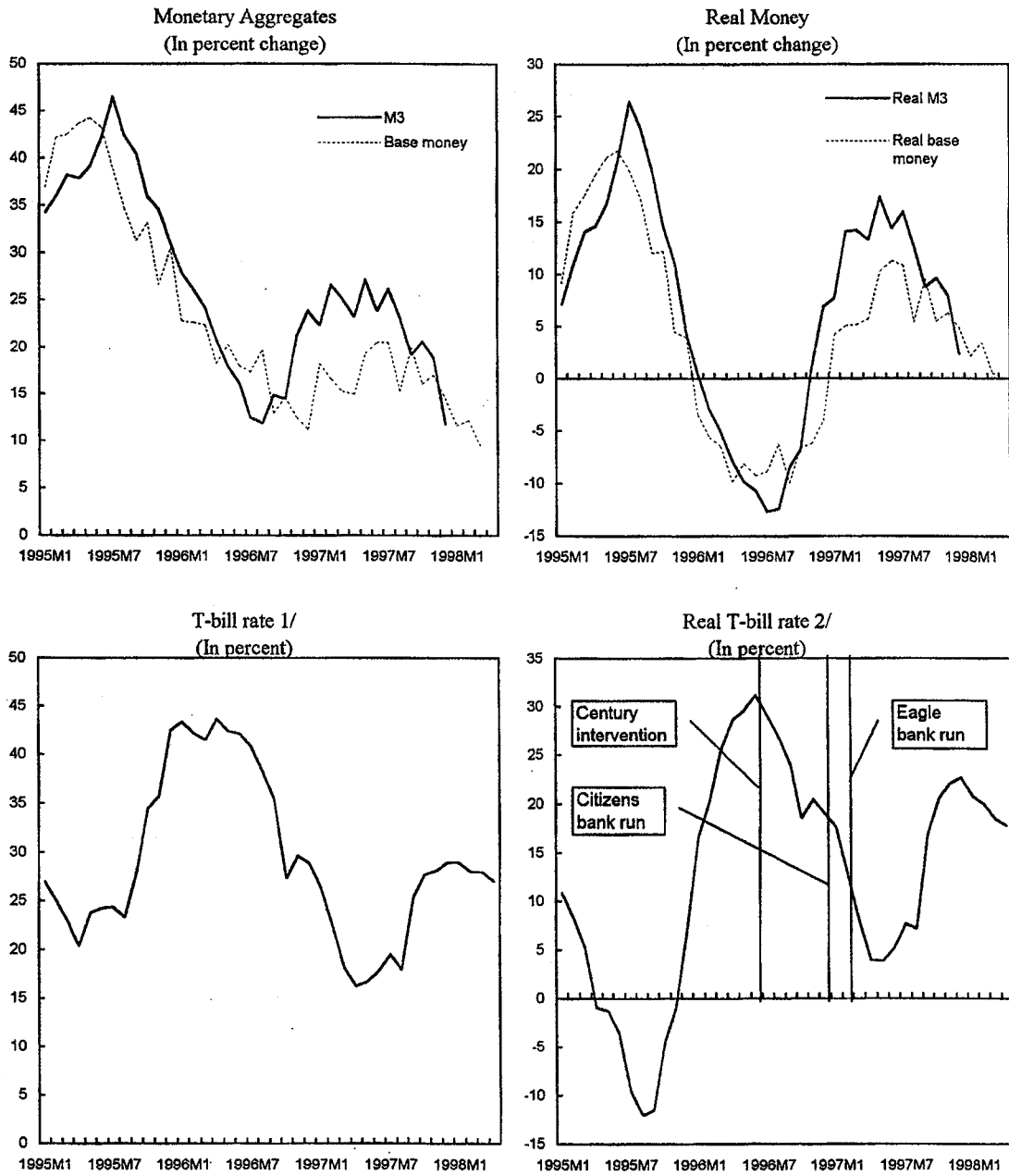
9. Confronted with a weak banking system but also with a renewed acceleration of inflation rates that had reached 30 percent at the end of 1995 and the increased pace of devaluation of the currency, the government decided to target inflation as the primary objective of its economic program. Implementation of a tight monetary policy reduced the growth of money from over 45 percent in mid-1995 to less than 15 percent within the next 12 months (Figure 1). The sharp reduction in the growth of money balances, led to a contraction of real money balances, and real interest rates shifted from negative to positive 30 percent. Although economic activity was sluggish even in previous years—averaging about 1 percent per year between 1990 and 1995—aggregate demand contracted further leading to a decline in output of almost 2 percent in FY 1996.

10. High real interest rates and the related recession affected the financial sector in several ways. While insurance companies had initially raised short-term financing to invest in long-term assets such as real estate, rising interest rates brought the maturity mismatch of assets and liabilities into the open, as insurance companies borrowed from banks (especially connected banks) to finance interest payments on short-term deposits. At the same time, the high real interest rates reduced the relative return on investments in fixed assets, thereby reducing their market price. Furthermore, as investors withdrew their funds, as the perceived risk of deposits increased, insurance companies became a major drain on the liquidity of the banking system as they resorted further to credit from institutions (especially banks) within the conglomerate for support. In addition to the adverse impact of insurance companies on banks, the loan portfolio of the banking system deteriorated as the return on the related projects declined. Furthermore, the recession and the resulting drop in sales reduced the ability of debtors to service the increasingly costlier debt service obligations contributing to the liquidity problems of banks.

11. The first commercial bank to run into substantial liquidity problems was Century National Bank in 1995 (Table 2), and an on-site inspection by BOJ revealed a shortfall in assets of over J\$1 billion. By mid-1996 Century had accessed overdrafts in an amount of J\$4.3 billion (almost 2 percent of GDP).⁵ With real interest rates rising rapidly and after lengthy negotiations, the government finally intervened and assumed temporary management in July 1996. Although the earlier liquidation of Blaise did not undermine the general confidence of the public in the viability of the financial system, the assumption of temporary management in Century and the initial announcement by the government to limit payouts to depositors to 90 percent of deposits with a ceiling of J\$100,000 (about US\$2,500)

⁵In the clearing system, managed by the BOJ, banks which are unable to cover their clearing obligations are provided with an automatic and unsecured overdraft by the BOJ, at penalty interest rates.

Figure 1. Jamaica: Interest Rates and Financial Sector Crisis, 1995-98



Sources: Bank of Jamaica; and International Financial Statistics.

1/ Six-months T-bill rate.

2/ Deflated by the observed six-months ahead inflation rate.

Table 2. Jamaica: Chronology of Financial Crisis and Government Response		
Date	Institution/Act	Government Action
December 1994	Blaise Financial Entities (Blaise Trust and Merchant Bank, Blaise Building Society, and Consolidated Holdings Limited)	Intervention and temporary management.
October 1995	Financial Institution Services (FIS)	Incorporation of Financial Information Services (FIS) with the initial mandate to liquidate Blaise.
February 1996	Universal Investment Bank	Liquidation.
July 1996	Century Financial Entities, Century National Bank, Century National Merchant Bank and Trust Company, Century National Building Society)	Century National Bank takes advantage of automatic overdraft facility with the Bank of Jamaica which reached J\$4.3 billion (about 2 percent of GDP) by July 1996. Intervention and temporary management by government.
December 1996	Citizens Bank	Bank run because of rumors of insolvency. The BOJ provides liquidity support.
January 1997	Financial Sector Adjustment Company (FINSAC)	Establishment of Financial Sector Restructuring Company (FINSAC) with the mandate to restructure, merge, and capitalize financial institutions.
February 1997	Eagle Bank	Bank run. BOJ provides liquidity support of about 6 percent of GDP.
March 1997	Eagle Financial Network (comprising a commercial bank, a merchant bank, an insurance company, and two hotels)	Purchase of the group by FINSAC for J\$1.
May 1997	Canadian Imperial Bank of Jamaica (CIBJ)	Acquisition of 20 percent of ownership by FINSAC from Life of Jamaica.
May 1997	Island Life Merchant Bank	Acquisition from of 26.5 percent by FINSAC.
May 1997	Citizens Bank	Acquisition by FINSAC of 60 percent of ownership from Life of Jamaica.
May/June 1997	Life of Jamaica Insurance Company	Liquidity support and acquisition of 26.5 percent of ownership by FINSAC.
June 1997	Dyoll Merchant Bank	Acquisition of 26.5 percent of ownership by FINSAC.
October 1997	Financial Institutions Act	Passage by Parliament of the Amendment to the Financial Institutions Act.
October 1997	Banking Act	Passage by Parliament of the Amendment to the Banking Act.
December 1997	Building Societies Act	Passage by Parliament of the Amendment to the Building Societies Act.
December 1997	Industrial and Provident Societies Act	Passage by Parliament of the Amendment to the Industrial and Provident Societies Act.
January 1998	Billy Craig Finance and Merchant Bank	Acquisition of 49 percent of shares from stock holders by FINSAC.
February 1998	National Commercial Bank (NCB)	Acquisition of 40 percent of shares in NCB and 44 percent in the NCB group by FINSAC from Mutual Life.
February 1998	Workers Financial Entities (comprising Workers Savings and Loan Bank, Corporate Merchant Bank, and Capital Insurance Building Society)	Intervention by the government and assumption of temporary management. At the time of the intervention, the outstanding overdraft with the BOJ amounted to J\$4.6 billion.
March 1998	Jamaica Deposit Insurance Corporation Act	Passage of deposit insurance scheme by Parliament which insures deposits of up to J\$200,000 currently covering about 98 percent of all deposit accounts (not yet in effect).
March 1998	Horizon Merchant Bank	Intervention by the government.
May 1998	Mutual Life	Acquisition of 49 of ownership by FINSAC.
June 1998	Fidelity Merchant Bank	Intervention by the government (promissory notes will be dated January 1998).

contributed to a loss in confidence that was followed by runs on Citizens Bank in December 1996 and Eagle Bank in January 1997. In both cases, the BOJ provided substantial liquidity support, which in the case of Eagle amounted to some 6 percent of GDP.

C. Government's Response to the Financial Sector Crisis

12. The government's response to the crisis has been to announce publicly that all depositors, life insurance policyholders, and pensioners are insured for their total exposure. Furthermore, it entrusted a newly established institution (the Financial Sector Adjustment Company, FINSAC)⁶ with the resolution of the problems in the financial sector, and pushed more forcefully for the passage of a number of amendments to strengthen the powers of supervision over the financial system. Through FINSAC the government has pursued a three-pronged approach to addressing the problems of the financial system:

13. First, it has provided financial institutions with liquidity support and capital injection in exchange for ordinary and preference shares. As of April 30, 1998, FINSAC's overall support to the financial system amounted to some J\$64.2 billion (24.9 percent of GDP). The largest amount of support, some J\$40.3 billion (15.6 percent of GDP) was provided directly in form of FINSAC notes most of which carry an interest rate that is linked to treasury bill rates; some J\$21.7 billion (8.4 percent of GDP) reflect FINSAC's assumption of BOJ's overdrafts extension to a number of financially weak institutions which took place in form of a paper transaction compensating the BOJ for its initial liquidity support, and J\$2.2 billion (0.9 percent of GDP) in form of an actual cash injection. In the process of providing capital support, the government through FINSAC has gained ownership stakes in five commercial banks, seven insurance companies, three building societies, and three merchant banks (Table 3). In all cases, FINSAC negotiated the purchase of ownership stakes of at least 25 percent to obtain veto power over management decisions as in some cases the management of the institutions was retained. In the process of providing support, FINSAC severed the financial ties that existed

⁶While FIS was initially established to wind up the operations of failed institutions, in January 1997, the government set up an additional entity, FINSAC, whose objective it is to restructure, merge, and recapitalize the remaining institutions in the system. The company, like FIS, is a government-owned limited liability company which operates as an extrabudgetary institution which is set to cease operations in seven years. Although FINSAC executes instructions by the minister of finance and planning and coordinates interventions with other institutions, such as the BOJ and the Superintendent of Insurance, it does not have the powers to intervene and has to rely on negotiated agreements with the owners and directors to acquire ownership and control of institutions.

between insurance companies and banks. The second part of the strategy has been to begin to restructure and rationalize the domestic financial institutions. Besides fostering the merger of institutions to create fewer but viable ones, FINSAC has started to purchase nonperforming loans from banks to create "good banks" and allowing managers to be evaluated the profitability of the bank. As part of the rationalization phase, FINSAC is requiring entities under its control to improve their internal accounting, credit evaluation, and loan portfolio management. Third, FINSAC is entrusted with the return of assets to the private sector which include, in addition to shares in banks and insurance companies, numerous collateral assets such as hotels and agricultural lands. Although FINSAC can initiate the privatization process, sales have to be approved by the minister of finance or the full cabinet depending on the price of the assets.

14. In addition, the government has undertaking a number of changes to the legal framework aimed at improving supervision and prudential requirements encompassing among others the following:

- a. provisions to make bank licensing procedures stricter,
- b. a tightening of prudential limits on connected lending,
- c. the introduction of Basle capital requirements—to be set at 10 percent of risk-based assets and to be implemented by end-1999,
- d. restricting the ability of banks to use special debentures in meeting capital requirements,
- e. allow for vesting of voting rights of intervened institutions with the minister of finance or legally provide for possible restructuring or mergers,
- f. placement of external auditors under a positive obligation to report to BOJ any factor that materially affect financial viability,

Table 3. Jamaica: Acquired Ownership in the Financial Sector by FINSAC 1/2/

	Ordinary shares
I. Banks	
Billy Craig Finance and Merchant Bank	49.0
Canadian Imperial Bank of Commerce (C.I.B.C.)	25.0
Citizens Bank	85.0
Eagle Commercial Bank	100.0
Eagle Merchant Bank	100.0
Horizon Merchant Bank	100.0
National Commercial Bank	40.0
National Commercial Bank Group	44.0
Workers Bank 3/	...
II. Building Societies	
Citizens Building Society	85.0
Eagle Permanent Building Society	100.0
Horizon Building Society	100.0
III. Insurance companies	
Crown Eagle Life	100.0
Dyoll Life	26.5
Horizon Securities	100.0
Horizon Life	100.0
Island Life	26.5
Jamaica Mutual Life Assurance Society 4/	49.0
Life of Jamaica	26.5

Source: FINSAC.

1/ FINSAC is a government-owned limited liability company. Holdings as of May 15, 1998.

2/ As a result of the purchase of financial institutions, FINSAC has indirectly acquired 10 hotels and other real estate.

3/ The Minister of Finance intervened and appointed a Temporary Manager.

4/ Government ownership once the company has been demutualized.

g. the application of financial and criminal penalties on institutions and on relevant senior staff for failure to comply with regulatory requirements, and

h. changes in provident fund legislation to restrict their ability to act as deposit taking institutions.

15. Furthermore, in the first quarter of 1998, Parliament approved the Deposit Insurance Act aimed at protecting deposits of up to J\$200,000 (about US\$5,500). Although the legal framework has been created, the Deposit Insurance Scheme has not been set up yet.

16. The government's decision to rescue the entire financial system by keeping all institutions open and insuring all depositors, life insurance policyholders, and pensioners has averted a widespread loss in confidence and prevented a major outflow of capital. At the same time, the financial system experienced a flight to quality resulting in a shift of deposits from domestic to foreign institutions. However, the government's strategy has come at a high fiscal cost and a number of challenges still need to be addressed.

D. Future Challenges

17. In general, the operating environment for financial institutions continues to be poor and is not likely to improve in the coming months notwithstanding the intervention of financial institutions through FINSAC. A return to a more stable financial system is hampered by very high real interest rates and weak prospects for economic growth. In addition to these macroeconomic factors, the high interest rates reflect the inordinately high unremunerated cash reserve requirements currently in place.

18. High unremunerated cash reserve requirements and the fact that different types of financial institutions that are engaged in almost identical activities are still faced with differential cash reserve and capital requirements as well as different tax rates will continue to encourage market participants to engage in institutional arbitrage. Without a reduction in the cash reserve requirement to levels that are warranted for prudential reasons and the creation of a level playing field for institutions and markets that offer similar financial products, Jamaica will continue to be faced with the very conditions that contributed to the current financial sector crisis.

19. With respect to the legal framework and the implementation of new requirements, substantial progress has been made in tightening the supervision and prudential regulation of the banking system. However, other parts of the financial system remain virtually unregulated. The growing commercial paper market in particular poses substantial risk, and a default by a major lender could extend the crisis to the commercial paper market and even prompt the government to provide additional bailouts. Furthermore, while the capital adequacy ratio for deposit-taking institutions that is currently being considered would exceed Basle standards, the same would not apply to affiliated institutions at the consolidated level. Over-leveraged affiliates and an inadequate level of capital at the group level could continue to overburden

banks even when they come into compliance with the new capital adequacy requirements. The same risk applies to the coverage of the new standards of "fit and proper" for owners, managers, and large creditors. Since many institutions are not covered by these requirements, decision-making processes could be shifted to individuals in unregulated institutions that belong to the same group making the tightening of the requirements ineffective. Furthermore, improvements in supervision in the insurance sector has been slow despite the fact that many institutions remain insolvent and the insurance sector continues to offer deposit-like instruments.

20. Concerning FINSAC, in the process of bailing out the financial system, the government has gained control over a large part of the domestic financial system. Since many of the institutions had investments in real estate, the government has also become the owner of numerous real assets such as hotels. Despite the initial announcement that FINSAC would cease to exist after seven years, a clear exit strategy has not been developed and the government has already announced that it would not engage in "fire" sales. Furthermore, FINSAC is pursuing multiple and potentially conflicting objectives. On the one hand, FINSAC provides financial support, assumes ownership, and purchases nonperforming loans. On the other hand, it is mandated to sell the acquired assets hence limiting the losses to the government. However, without a clear separation of the functions and clear mandates for the respective parts of FINSAC, it will be difficult to monitor the performance of FINSAC and hold directors accountable. In addition, while FINSAC acquired ownership stakes in financial institutions, it has replaced only a few senior managers. Without the replacement of managers that contributed to the failure of many institutions, it will be difficult to improve corporate governance and limit the cost to the government.

II. RECENT DEVELOPMENTS IN MONETARY POLICY IN JAMAICA

A. Background

Institutional developments

21. Before 1960 the only laws affecting banking business in Jamaica were the Stamp Duty Law of 1937, the Currency Notes Law of 1939, and the Bank Notes Law of 1942. The Stamp Duty Law prohibited banks from issuing any unstamped promissory notes for money, without an annual licence granted by the Stamp Commissioner. The Currency Notes Law provided for the issue of currency notes and coins of the Government of Jamaica, which was carried out by the Board of Commissioners of Currency. The Bank Notes Law made it unlawful for any person, except a banker, to issue bank notes. The volume of legal tender bank notes in circulation was restricted to a maximum prescribed by the Governor in Council, and banks were required to maintain deposits in legal tender coins and approved securities equivalent to the value of their notes in circulation. In 1954 the issuing of notes by all banks, except Barclays Bank, was prohibited.

22. Since 1960 monetary policy in Jamaica has been conducted by the central bank, the Bank of Jamaica (BOJ). According to the Bank of Jamaica Act (1960), the central bank's objectives are to issue and redeem notes and coins; keep and administer the country's external reserves; influence credit conditions in order to promote production, trade, and employment consistent with maintenance of domestic monetary stability and the external value of the currency; foster the development of domestic money and capital markets; act as banker to the government and the banks; and supervise the financial sector.⁷

23. In 1992 the BOJ was also allowed to act as banker to statutory bodies, local authorities, and certain government companies. The supervisory span of the central bank, initially confined to the commercial banks, was widened in 1973 to include near banks, such as trust companies, finance houses, and merchant banks, and in 1994 to include building societies. At the end of 1997 there were nine commercial banks, with assets totaling J\$148 billion (US\$4.1 billion), 26 near banks, with assets of J\$18 billion (US\$0.5 billion), and 11 building societies, with assets of J\$38 billion (US\$1 billion). Credit unions and insurance companies are supervised by the Registrar of Cooperatives and the Superintendent of Insurance, respectively.

Changing instruments of monetary policy

24. The central bank has made extensive use of its monetary policy instruments in an economic environment marked, especially since 1973, by balance of payments problems and large exchange rate fluctuations. The changing backdrop also included the transition in 1991 from a fixed exchange rate with trade and capital controls, to a flexible regime with full capital mobility and more liberalized trade. In this setting, initial reliance almost exclusively on nonmarket-based instruments of monetary control eventually gave way to more extensive use of market-based policy instruments (Box 2).

25. The central bank initiated a program to move to market-based instruments in 1985, and by 1989, interest rate controls were removed, the liquid assets ratio was significantly reduced, a program to remunerate reserve requirements was introduced, and open market type operations replaced credit ceilings as the primary instrument of monetary control. However, in response to a surge in credit and exchange rate pressures, there was a major policy reversal between 1989 and 1991 when credit ceilings were reintroduced, the LAR was raised, and payment of interest on a proportion of the reserve requirement was discontinued.⁸ In 1990 the central bank deregulated interest rates and in 1991 credit controls were

⁷ The government also maintains deposits, in local and foreign currency, at commercial banks.

⁸ See Marston, David, 1990, "Financial Sector Reform in Jamaica During 1985-92: Possible Lessons for the Caribbean," IMF Working Paper 90/95 (Washington: International Monetary Fund).

Box 2. Jamaica: Main Changes in Monetary Policy Instruments

Period	Nonmarket-Based Instruments	Market-Based Instruments
1962-79	<ul style="list-style-type: none"> • Minimum savings deposit rate of 3.5 percent increased to 6 percent. • Liquid assets ratio (LAR) for banks of 15 percent increased to 29.5 percent. • Voluntary liquidity support scheme introduced. • Selective credit controls introduced. 	
1980-84	<ul style="list-style-type: none"> • Savings deposit rate increased to 13 percent. • Cash reserve requirement (CRR) of 5 percent increased to 14 percent. • Liquidity support scheme abolished. • LAR^{1/} for banks increased to 44 percent; introduced for near banks^{2/} at 10 percent and increased to 15 percent. • Ceiling on growth of credit to private sector of 12 percent. • Installment credit guidelines introduced. 	
1985 - 89	<ul style="list-style-type: none"> • Savings deposit rate increased to 18 percent. • CRR for banks increased to 19 percent; introduced for near banks at 1 percent and increased to 4.5 percent. • LAR for banks reduced to 20 percent; reduced for near banks to 4.5 percent. • Credit by banks and near banks frozen at end-1989 level. • BOJ paid interest on a proportion of CRR. 	<ul style="list-style-type: none"> • Financial sector reform program initiated in 1985, designed to switch reliance from direct to indirect instruments. • Introduction of auction for certificates of deposit issued by the Bank of Jamaica.
1990-94	<ul style="list-style-type: none"> • Savings rate deregulated. • CRR for banks increased to 25 percent; for near banks increased to 17 percent. • Payment of interest on a proportion of CRR. • LAR for banks increased to 50 percent; for near banks to 17 percent. • Foreign currency CRR introduced for banks at 20 percent, increased to 22 percent; also foreign currency LAR of 40 percent. • Credit ceilings removed. • Installment credit guidelines removed. 	<ul style="list-style-type: none"> • Reversal of financial sector reform program (1989-91); reinitiated in late 1991. • Primary dealer system for conduct of open market operations introduced: primary dealers to act as intermediaries.
1995-98	<ul style="list-style-type: none"> • CRR and LAR for building societies introduced, varying from 1 percent to 11 percent. • LAR for banks reduced to 47 percent; for near banks increased to 35 percent. • Foreign currency CRR for banks reduced to 20 percent; for near banks established at 17 percent together with a foreign currency LAR of 35 percent. 	<ul style="list-style-type: none"> • Interest-bearing special deposits at the Bank of Jamaica introduced to supplement government securities in open market operations.

1/ The liquid assets ratios include the cash reserve requirements.

2/ Refers to merchant banks, trust companies, and finance companies.

abandoned.⁹ Cash and liquid assets ratios continued to be applied, being extended to foreign currency deposits at the end of 1991. After experiencing severe inflation in the early 1990s, averaging almost 40 percent per year, the Jamaican authorities decided to focus economic policy sharply on curbing inflation. In this restrictive monetary policy stance, open market operations played a prominent role.

26. In 1996 a liquidity crisis reflecting a generalized solvency problem in the financial system emerged. Although the crisis initially surfaced among insurance companies, it quickly spread to commercial banks, merchant banks, and building societies.¹⁰ In this climate, the BOJ provided liquidity support to several financial institutions in distress, and subsequently became involved in a major restructuring effort. The problems in the financial system also prompted a revision of legislation to strengthen the regulatory powers of the central bank.

B. Monetary and Credit Policy in FYs 1996 and 1997¹¹

Credit to public sector and to banks

27. Advances by the BOJ to the central government are constrained by legislation to a maximum of 30 percent of the government's estimated revenue for that financial year, which must be repaid within three months after the financial year. There is also a limit to the acquisition by the BOJ of primary market securities issued or guaranteed by the government of 40 percent of the government's estimated expenditure in the financial year of acquisition. However, there are no limits on the BOJ's purchases of government securities in the secondary market, and on the drawdown of government deposits at the central bank.

28. In FY 1996 the BOJ increased its financing to the public sector by J\$1.2 billion (0.5 percent of GDP) and by J\$27.6 billion (11.5 percent of GDP) in FY 1997, including J\$12 billion of the securities issued by a public sector agency, the Financial Sector Adjustment Company (FINSAC), set up to deal with restructuring of the financial sector.¹² By March 1998 the BOJ held J\$31 billion of government securities (equivalent to 36 percent of

⁹ Guidelines issued in 1984 relating to installment credit, which stipulated minimum down payments and maximum repayment periods, were removed in 1994.

¹⁰ Earlier in 1994, there were problems in a local financial conglomerate which led to government intervention and subsequent liquidation of the group. See section I on financial system developments in this report for more details.

¹¹ Fiscal years begin April 1.

¹² The FINSAC securities were given to the central bank in replacement of overdrafts that the BOJ had provided to commercial banks.

government expenditure in FY 1997) and a further J\$13 billion in government-guaranteed securities.

29. As lender of last resort, the BOJ has provided liquidity support to financial institutions by discounting securities held by these institutions, usually for very short periods—overnight or a few days—or by providing outright loans.¹³ As major problems developed in the financial system in 1996, gross credit to the banks increased, reaching J\$12 billion (5 percent of GDP) by March 1997. In the following month these loans were purchased by FINSAC, in exchange for its own interest-earning securities.¹⁴ Subsequently, the central bank provided additional support to banks, amounting to J\$5 billion by March 1998.¹⁵

Cash reserve and liquidity requirements

30. Initially imposed solely for prudential purposes, cash reserve requirements (CRRs) have been changed quite frequently in Jamaica, but have been relatively stable since 1994 (see Box 3 for details).¹⁶ CRRs are a component of the liquid assets ratios (LAR)—the differential between the CRR and the LAR is the percentage that is required to be maintained in other eligible liquid assets, primarily government paper.¹⁷ This has made for a source of captive credit for the government. CRRs and liquid assets ratios on foreign currency deposits of commercial banks were introduced in 1991 and were extended to near banks in 1995. Building societies continue to be exempt from CRRs or LARs on foreign currency deposits.

31. Between FY 1996 and FY 1997, the major change in these requirements was the increase in the LAR of near banks from 30 to 35 percent on both domestic and foreign currency, with their domestic and foreign CRR unchanged at 17 percent. The CRR and the liquid assets ratio on building societies remained in the range of 1 to 11 percent, with differential ratios applicable depending on the structure of the societies' portfolio.

¹³ In some cases the penalties for breaches of the reserve requirements have also been waived. There is no legislated limit on the size of the overdraft that the BOJ can provide to financial institutions.

¹⁴ The securities include a clause that allows for interest to be paid with additional securities, effectively providing for automatic capitalization of interest.

¹⁵ This was similarly sold to FINSAC in exchange for interest-earning securities in April 1998.

¹⁶ Certain borrowings are exempt, including designated wholesale borrowings specifically for on-lending and certain borrowings from the central bank.

¹⁷ The BOJ in May 1998 accepted the use of FINSAC securities to meet the LAR.

Box 3. Jamaica: Reserve Requirements and Interest Spreads

Use of **domestic cash reserve requirements** has featured prominently in the conduct of monetary policy in Jamaica. In 1962 commercial banks were required to deposit a minimum of 5 percent of designated liabilities in cash at the Bank of Jamaica; this ratio was raised progressively, and at mid-1998 stood at 25 percent. Near banks (merchant banks, trust companies, and finance companies) and building societies also need to satisfy cash reserve requirements, 17 percent for the former and between 1 and 11 percent for the latter at mid-1998.

Reserve requirements for commercial banks and near banks are calculated on the basis of **prescribed liabilities**, which include deposits, borrowings, and interest accrued on these liabilities. For building societies the relevant liabilities are deposits and withdrawable shares.

Cash reserves are a component of the overall **domestic liquid assets ratios**. The differential between the cash reserve and the liquid assets ratio is the percentage that is required to be maintained in **other eligible liquid assets**, which include Jamaican government treasury bills, local registered stock with nine months and under to maturity and (from December 1996) reverse repurchase arrangements with the Bank of Jamaica. Since May 1998, FINSAC securities are accepted as liquid assets.

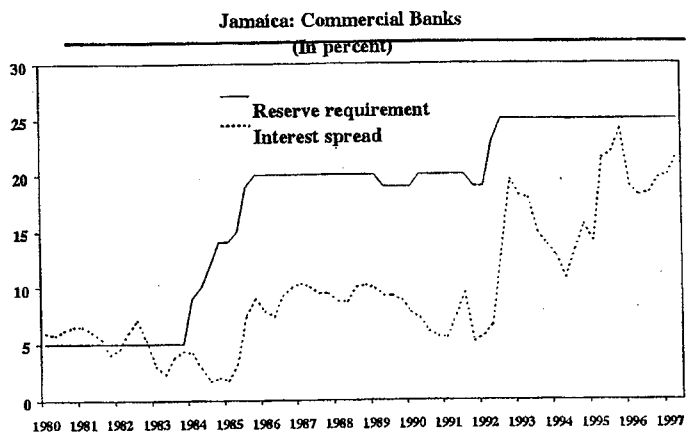
Foreign currency reserve requirements and liquid assets ratios were introduced in 1991. Eligible liquid assets include short-term securities issued by the United States, Canadian and United Kingdom governments, certain deposits with prime overseas financial institutions, and designated foreign-currency denominated bonds issued by the Government of Jamaica.

As of mid-1998 the **penalty for deficiencies** on the domestic liquidity requirement for banks and near banks is 69 percent per annum, and 1/6 of 1 percent per day for building societies. For deficiencies in the foreign currency liquidity requirements, the penalty is 20 percent per annum.

The high cash reserve requirements have contributed to the large **spread between deposits and loan rates**: about 2,000 basis points in mid-1998. Figure 1 shows the strong relationship between rising reserve requirements and wider interest spreads since 1980. High reserve requirements have also contributed to the growing use of **alternative financing facilities** to bank loans, such as commercial paper and installment credit. The spread also reflects the high level of nonperforming loans, estimated at 24 percent of commercial bank loans at the end of 1997.

Jamaica: Requirements as a Percentage of Prescribed Liabilities As of June 1998		
	Domestic Currency	Foreign Currency
Commercial banks		
Cash reserves	25 percent	20 percent
Liquid assets	47 percent	40 percent
Near banks		
Cash reserves	17 percent	17 percent
Liquid assets	35 percent	35 percent
Building societies		
Cash reserves ^{1/}	1 percent/11 percent	n.a.
Liquid assets ^{1/}	5 percent/11 percent	n.a.

^{1/}The ratio is differentially applied based on the institutions' portfolios.



32. The high CRRs have constituted a tax on the banking system and thereby contributed to the large spread observed between commercial bank loan and deposit rates. By mid-1998 the spread was about 2,000 basis points, with the CRR at 25 percent, compared to an average spread of 520 basis points between 1980 and 1983 when the CRR was 5 percent.¹⁸ Attempts to evade the reserve requirement have led to a burgeoning of credit facilities outside of the traditional loans offered by commercial banks and near banks. This includes a growing and largely unregulated market in commercial paper, and use of installment credit facilities. Although activity in the commercial paper market is under the ambit of the Securities Commission, it is not currently regulated, and the BOJ has made proposals to introduce regulation in this area.

Open market operations

33. Open market operations are currently the main tool of monetary policy in Jamaica. Through the sale or purchase of government or central bank instruments, the BOJ influences the inflation rate principally through affecting the growth of the monetary base, the amount of liquidity in the financial system and interest rates (Box 4). In the late 1980s, the BOJ issued its own certificates of deposit for use in open market operations but, with mounting central bank losses due to the high interest cost, there was a program to phase out these certificates of deposits and since early 1995 no new ones have been issued. Open market operations currently rely primarily on use of the central bank's holdings of central government treasury bills, and long-term securities (Local Registered Stock or LRS, and government investment debentures).¹⁹ The BOJ has also allowed banks to hold "special deposits" at the central bank at negotiated interest rates for short periods when its holdings of government securities were low.²⁰

¹⁸ The spread (SP) attributable to the CRR can be computed as follows:
 $SP = (id * CRR) / (1 - CRR)$ where id is the deposit rate. SP rose from 60 basis points (just over one-tenth of the actual observed spread) in 1980-83 to 500 basis points (one quarter of the actual spread) in mid-1998. The actual spread also reflects the large proportion of nonperforming loans in the loan portfolio of commercial banks, estimated at 24.4 percent at December 1997.

¹⁹ In a program to eliminate the losses of the BOJ, attributed in part to the servicing of BOJ certificates of deposit, the BOJ acquired interest bearing government securities, which formed the basis for open market operations while the certificates of deposit were simultaneously being phased out.

²⁰ During the financial system crisis, there was a "flight to quality" in the sense that depositors moved their funds from weak banks to banks that they perceived as strong, mostly foreign owned. At times, several of the stronger banks consequently found themselves with excess liquidity which they converted into the "special deposits" at the central bank.

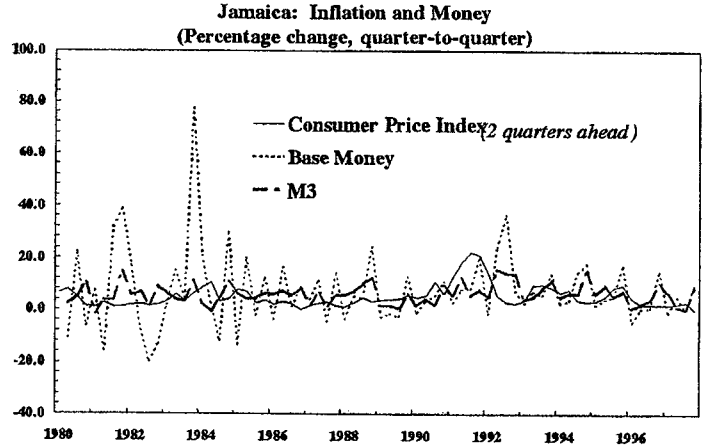
Box 4: Jamaica: The Relationship between Prices and the Monetary Aggregates in Jamaica

• **Money base targeting**

The Bank of Jamaica since 1995 has focussed on changes in the monetary base as the principal intermediate variable in inflation targeting. This has evolved with the growing reliance on open market operations since 1994, and the monetary base is considered the appropriate target that is amenable to control by the central bank.

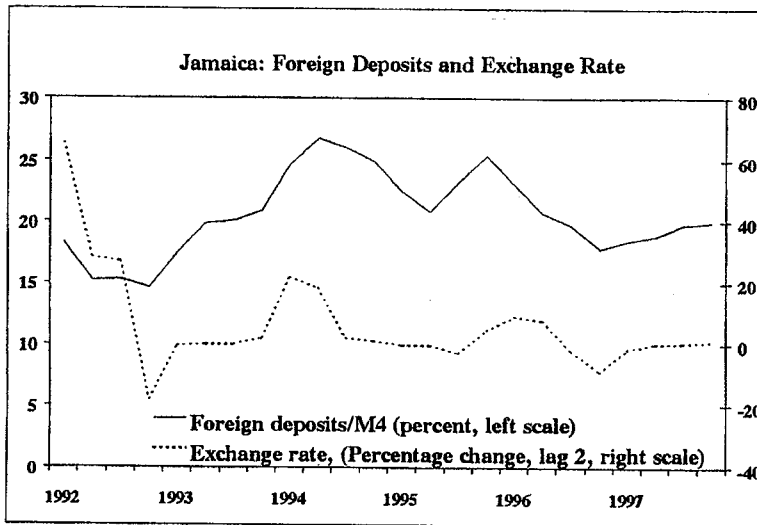
Assuming unchanged reserve requirements, the Bank of Jamaica targets the monetary base to grow at approximately the expected rate of growth of nominal income. The extent of open market operations is then gauged based on forecasts of other factors such as the desired change in official reserves, and net credit to the public sector and to financial institutions. The figure on inflation and money shows that there is a relationship between price changes, base money, and M3. Defining the appropriate monetary variable that is related to inflation has been complicated by

issues of causality, measurement, disintermediation caused by high interest rates (use of commercial paper, instalment credit, etc.), portfolio shifts associated with the banking crisis, and currency substitution (see "Inflation and Monetary Growth in Jamaica" in the 1996 RED report on Jamaica: SM/96/180).



• **Currency substitution**

Countries with high inflation generally experience some currency substitution as foreign currency usurps the functions of the domestic currency, as store of value, unit of account, and as medium of exchange, in that order.¹ Some currency substitution has occurred in Jamaica, although a complete measure of the phenomenon is limited by lack of data on foreign currency circulating in the economy and on deposits by residents abroad.



Holding of foreign currency accounts by residents was liberalized in 1990. The figure on foreign deposits and the exchange rate shows the share of foreign currency deposits in M4 (liabilities to the private sector including foreign deposits), along with changes in the exchange rate. The data give some support to the hypothesis that currency depreciation (itself strongly related to inflation) was associated with substitution out of

Jamaica dollars. Foreign currency deposits are concentrated in time and savings deposits, although comparatively high interest rates on domestic instruments have worked to restrain the use of foreign currency deposits as a store of value.

¹See for example: Calvo, G. and C. Vegh, 1992, "Currency Substitution in Developing Countries: An Introduction," *Revista de Análisis Económico*, Vol. 7, pp. 3-8, and Savastano, Miguel, 1996, "Dollarization in Latin America: Recent Evidence and Policy Issues," IMF Working Paper 96/4, (Washington: International Monetary Fund).

34. In addition to outright sales/purchase of government securities, the BOJ engages in two types of arrangements: repurchases (repos) and reverse repurchases (reverse repos). Repos are used to inject liquidity into the financial system and involve the sale of securities to the Bank of Jamaica, under a contract to repurchase them at a pre-determined price and on a specified date. Liquidity accommodation in the form of repurchases is provided almost exclusively to commercial banks. Reverse repos, on the other hand, are generally used to tighten liquidity and involve a contract to purchase securities (mainly issued by the central government) from the BOJ's inventory and resell them to the BOJ on a specified date at a pre-determined price. The maturities of reverse repos are generally 30-, 60-, 90-, and 180-days; 1-year reverse repos were introduced in May 1998.²¹ The principal counter parties for reverse repos are commercial banks and "primary dealers."

35. To be eligible to become primary dealers, firms must be commercial banks, merchant banks, money market or stock market brokers, with a minimum capital base (initially set at J\$10 million), and must be licensed by the Securities Commission to deal in securities. A list of the primary dealers at mid-1998 is provided in Appendix I. The specific role of the primary dealers is to provide underwriting support for all new issues of Government of Jamaica treasury bills and Local Registered Stock and for Bank of Jamaica reverse repos. The dealers are to provide secondary market liquidity for these securities by being prepared to make active two-way markets in them. The system of primary dealers was started in April 1994 with the appointment of seven dealers, and in mid-1998 the number stood at 13. Primary dealers are granted access to credit at the Bank of Jamaica on a lender of last resort basis up to certain limits through a special sale and repurchase facility, intended to facilitate their occasional cash needs related to their market-making functions.

36. Open market operations are conducted regularly, with transactions occurring on a daily basis for the most part. A flowchart of the process appears in Box 5. While the base money target guides open market operations, in practice the day-to-day dynamics are heavily influenced by conditions in the foreign exchange market. For FYs 1996 and 1997 the BOJ did not announce explicit exchange rate targets but nonetheless acted to minimize exchange rate fluctuations. There was also an announced objective for the level of its net international reserves—equivalent to between three and four months of imports. Given the country's open capital account, the short-term monetary policy focus at times shifted to the level of interest rates to influence the direction of capital flows. In general, once determined, the base money target for the fiscal year is not altered, but the volume of open market operations is adapted to deal with unexpected deviations in the BOJ's credit to the public sector or to banks and its net international reserves.

²¹ The profile of outstanding maturities of the reverse repos as of end-March 1998 was as follows: 49 percent under 30 days, 20 percent between 30 and 60 days, 28 percent between 60 and 90 days, and 3 percent between 90 and 180 days .

Box 5. Jamaica: Flowchart on the Conduct of Open Market Operations

1. Target

Fiscal year inflation target announced by the Minister of Finance in the government's budget presentation

2. Benchmarks

Quarterly benchmarks for monetary base developed by BOJ in financial programming framework

3. Operational Indicators

Monthly and weekly forecasts of variables affecting central bank balance sheet
Main indicators are credit to public sector and to financial institutions, interest rates, exchange rates,
net international reserves

4. Assessment of Open Market Operations Required

Weekly meeting of BOJ Economic Policy Committee to discuss the following week's objective (Thursdays a.m.)
Weekly meeting of Economic Program Monitoring Committee (BOJ Governor & Minister of Finance)
to finalize weekly objective (Fridays noon)
Daily specification of volume of open market operations needed for the day (or the interest rate desired)
by BOJ Open Market Committee (8:30 a.m.)
Instructions given to trading room on the open market operations required

5. Trading Room Contact with Primary Dealers

Traders contact primary dealers by telephone (9:30 a.m.) to discuss
new market developments, market sentiment, assessment of trading conditions, particularly
potential market receptiveness to the day's open market objective

6. Execution of Trades

Primary dealers and traders make binding commitment by telephone on the size and price of the trade
consistent with the volume of transactions required for the day (12:30 p.m.)
Backroom Activity:
Settlement is made with book transactions (12:30 p.m.)

7. Commercial Banks Contact BOJ

Banks call BOJ and arrangements are made for credit to banks, repos, special deposits (4:00-5:30 p.m.)

8. Review of Trades and Adjustment to Next Day's Objectives

Final report on trading activity is prepared for Open Market Committee (5:30 p.m.)
Objective for open market operations for the following day is adjusted (step 4) based on the outcome of trading

37. For FY 1996, base money was targeted to grow in a range of 11 to 15 percent, which the BOJ deemed to be consistent with the inflation target of 10–12 percent.²² As it turned out, the growth of base money was 15.2 percent. Inflation, as measured by the 12 month change in the consumer price index, was 9.5 percent in FY 1996, a sharp decline from the 31 percent of FY 1995 (Table 4). Achievement of the base money target required a sizable increase in open market operations to counter expansionary impulses emanating from BOJ liquidity support to financial institutions, a buildup in net international reserves, and the net withdrawal of government deposits at the central bank.

38. Liquidity accommodation in the form of repurchases was provided to commercial banks frequently in FY 1996. These repurchases were issued for very short periods, usually one day. At the same time, the BOJ also participated in the reverse repo market almost daily in order to absorb excess liquidity from banks in a stronger position, thereby avoiding a rush toward foreign exchange. Net central bank credit to the public sector amounted to J\$12 billion (5 percent of GDP) while the BOJ's net international reserves increased by US\$152 million.

Table 4. Jamaica: Bank of Jamaica Operations—Factors Affecting Base Money 1/

Change in:	FY 1995	FY 1996	FY 1997
Net international reserves	22.9	11.1	-5.4
Net domestic assets	-0.6	4.1	13.7
Net credit to public sector	7.9	4.7	56.8
Open market operations	-24.8	-45.7	-41.4
Net credit to banks	25.5	33.5	5.3
Other	-9.2	11.6	-6.9
Base money	22.3	15.2	9.4
Memorandum items (end of period):			
Year-on-year inflation	30.5	9.5	8.8
30-day reverse repo rate (end of period)	43.5	18.0	29.0

1/ In percent of base money at the beginning of the period.

²²The BOJ is currently developing a measure of “core inflation” to guide monetary policy, which abstracts from non-monetary influences on inflation.

39. In order to maintain the target for base money in such a context, the volume of reverse repos outstanding more than doubled, from J\$8 billion at March 1996 to over J\$20 billion a year later. The rapid expansion of open market operations led to a severe tightening of liquidity in the banking system. It also contributed to a nominal appreciation of the domestic currency, completely reversing by June 1996 the depreciation that had occurred during the September 1995–March 1996 period.²³ The nominal interest rate on 30-day reverse repos declined from 44 percent to 18 percent over the fiscal year. This decline corresponded closely with the downward trend in inflation and there was little change in real interest rates (Figure 2).

40. The inflation target for FY 1997 was a range of 8–9 percent, with the associated base money target growth at 9.8 percent.²⁴ Both targets were met: inflation was 8.8 percent and base money grew by 9.4 percent. As in 1996, there was heavy reliance on open market operations. The principal expansionary influence in FY 1997 came from the growth of credit to the public sector arising from the need to finance a widening fiscal deficit. There was a great deal of pressure in the foreign exchange market in FY 1997, with heightened expectations of depreciation of the Jamaica dollar related to the crisis in the financial sector and later surrounding the general elections held in December 1997. In attempting to limit exchange rate movements, the central bank sold foreign currency and simultaneously raised the rate paid on its reverse repos. The BOJ's net international reserves declined by US\$53 million and the 30-day reverse repo rate rose from 18 percent to 29 percent implying a real increase of 11 percentage points.

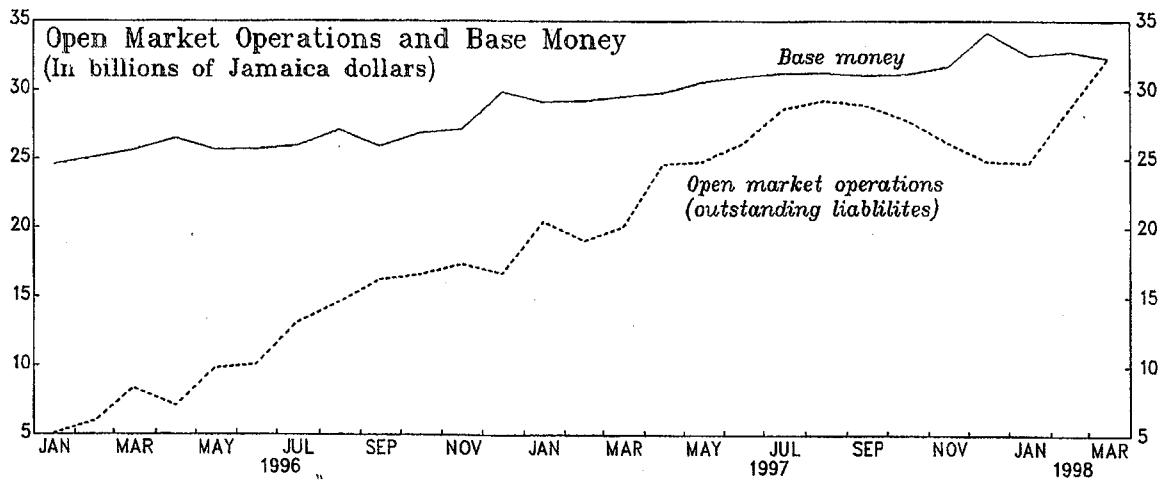
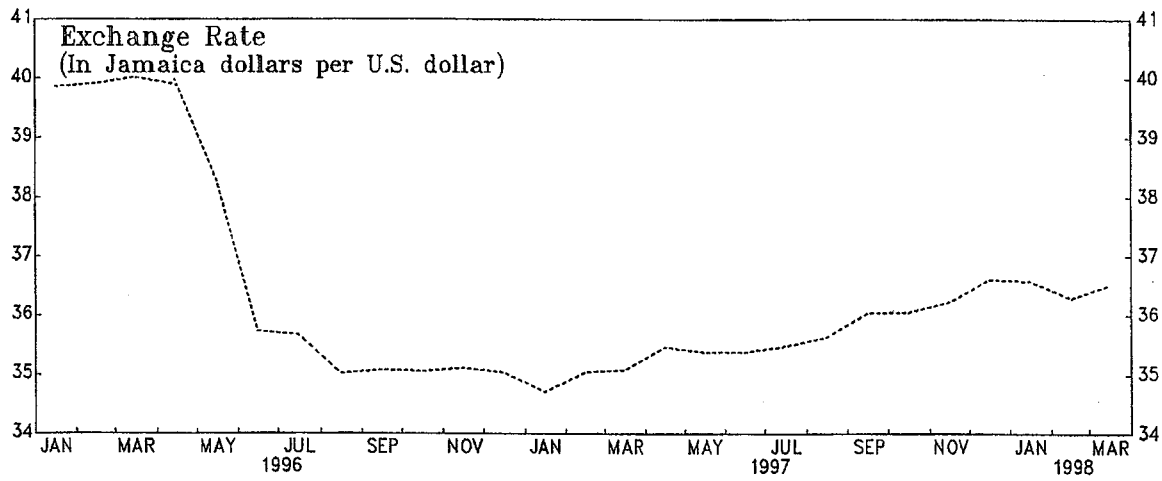
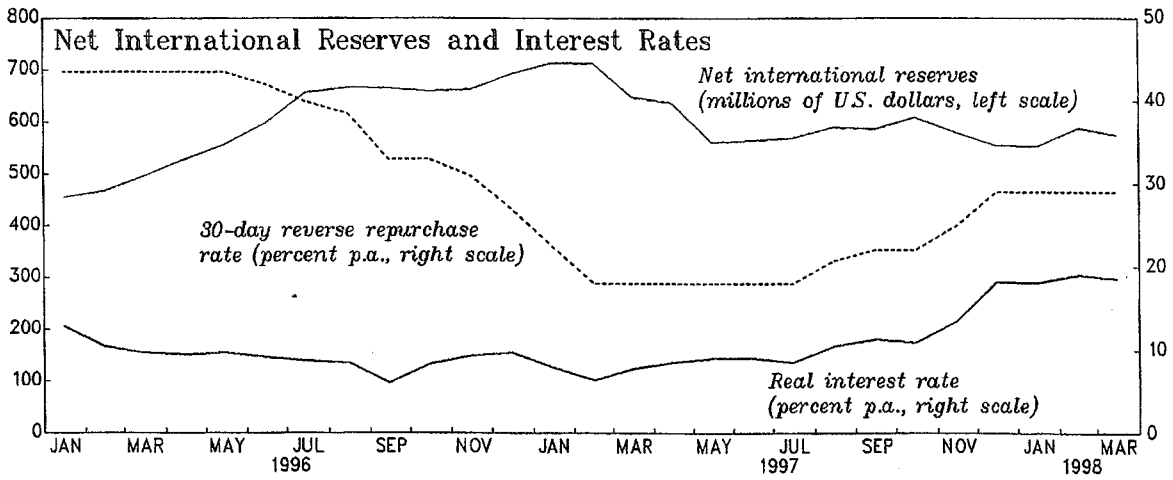
41. The central bank was quite aggressive in its open market sales during FY 1997, particularly during the first and final quarters, to counteract, respectively, the impact of the drawdown in government deposits and the instability in the foreign exchange market. The value of outstanding reverse repos and "special deposits" that the BOJ utilized for its open market operations expanded by 60 percent to J\$32 billion, equivalent to the value of base money.²⁵

²³The weighted average selling rate for a U.S. dollar had moved from J\$35.28 at the end of August 1995 to J\$40.02 at the end of March 1996.

²⁴The point estimate for base money growth was based on the lower end of the target range for inflation and included allowance for the expected growth of output.

²⁵The "special deposits" were introduced in April 1997 when pressure on the exchange rate was building, to complement use of the central bank's holdings of government securities which occasionally fell below the volume of open market operations desired.

Figure 2. Jamaica
Selected Financial Indicators, 1996 - March 1998



Sources: Jamaican Authorities; and Fund staff estimates.

C. Recent Changes in Legislation

42. Prompted by the problems experienced in the financial sector, legislation was amended in 1997 aimed at improving the supervisory power of the BOJ over commercial banks, near banks and building societies.²⁶ In addition, capital requirements of these institutions were raised, and further limits were placed on their granting of unsecured credit and credit to related parties. The existing prudential requirements in relation to the Basle Accord standards are summarized in Box 6. The BOJ has also prepared draft regulations which will set the minimum risk-based capital standards required of licensees. The regulations would introduce the concepts of Tier I and Tier II capital, define the eligible components, and provide the framework for assigning risk weights to on- and off-balance sheet items.²⁷ Money laundering legislation was passed in 1997, and an Act to provide for deposit insurance was approved in March 1998, covering deposits up to J\$200,000 (about US\$5,500).

D. Conclusion

43. The BOJ's success in reducing inflation in FY 1996 and FY 1997 has fortified its reliance on the targeting of base money as the appropriate monetary variable. The BOJ will continue to use this framework in FY 1998: the target range for inflation is 6 to 8 percent and base money will be constrained to grow by 8 percent.²⁸ Open market operations are intended to remain the cornerstone of monetary policy.

44. In the context of high real interest rates, continued reliance on open market operations on the scale that the BOJ has been dealing is a very costly undertaking. It ultimately represents a fiscal cost, irrespective of whether the interest expenses initially appear on the books of the government or the central bank (through transfers to the government of net profits).²⁹

²⁶Amendments were made to the Banking Act, the Financial Institutions Act, the Building Societies Act, and the Industrial and Provident Societies Act.

²⁷The Basle Committee divides total capital into two tranches (Tier I and Tier II). Tier I capital includes paid-up capital (common stock) and disclosed reserves. Tier II capital includes undisclosed, revaluation, and general loan-loss reserves, subordinated debt, and hybrid debt instruments. See Carl-Johan Lindgren, Guillian Garcia, and Matthew I. Saal, 1996, *Bank Soundness and Macroeconomic Policy* (Washington: International Monetary Fund).

²⁸The base money target is consistent with the upper end of the inflation range, which the BOJ considers more appropriate in light of the anticipated effect of new indirect tax rate increases on the price level.

²⁹ Assuming an interest rate of 26 percent, the annual interest cost on the value of open market securities outstanding at March 1998 would amount to J\$8.4 billion or 3.5 percent of GDP.

BOX 6. JAMAICA: NEW FINANCIAL LEGISLATION IN JAMAICA

In 1997 amendments were made to the Banking Act, the Financial Institutions Act, the Building Societies Act, and the Industrial and Provident Societies Act which govern the activities respectively of commercial banks, near banks (merchant banks, trust companies, and finance companies), building societies, and registered small business societies. The main thrust of the amendments was to increase the supervisory powers of the Bank of Jamaica on these institutions, tighten capital requirements, further restrict credit to related parties, and improve auditing. Fees for breaches of the acts were also increased. In March 1998 a Deposit Insurance Act was passed, providing for insurance for deposits of banks and near banks up to a limit of J\$200,000 (US\$5,500), to be funded by premiums paid by these institutions. The Bank of Jamaica has issued guidelines for the review of loan portfolio, the classification of loans, loan loss provisioning, loan renegotiating, the suspension of interest accrued on past due loans, and write-off procedures.

The minimum capital required for commercial banks is J\$80 million (US\$2.2 million) and J\$ 25 million (US\$0.7 million) for near banks. Minimum capital adequacy is stated in relation to deposit liabilities and other indebtedness for borrowed money which together with all accrued interest should not exceed 25 times the capital base (20 times for near banks). Reserve funds are to be established that should receive at least 15 percent of net profits of each year (prior to the distribution of dividends), if the reserves are less than 50 percent of the assigned capital, and subsequently at least 10 percent of net profits per year until the reserves equal total paid-up capital.

There are limits on concentration of credit, the size of unsecured loans, and loans to related parties. Commercial banks, near banks, and building societies are subject to a reserve requirement on domestic deposits in the form of non-interest-bearing deposits at the central bank and additional liquidity requirements which can be satisfied with certain types of government securities. Reserve and liquidity requirements are also applied to foreign currency deposits of banks and near banks.

Jamaica: Commercial Bank Prudential Requirements, as of May 30, 1998

Requirement	Basle Committee	Jamaica
Minimum capital for new banks	No guidance.	Minimum US\$2.2 million.
Minimum capital adequacy ratio	Total capital to risk weighted assets of at least 8 percent.	Deposit liabilities, other indebtedness for borrowed money and interest accrued thereon not to exceed 25 times capital base. (Regulations are pending to introduce risk-based capital ratio).
Maximum loans to one borrower	Not more than 25 percent of total capital.	20 percent of capital base to a single borrower (10 percent limit for unsecured credit); 40 percent of capital to a group (20 percent unsecured). The limits do not apply in the case of government bodies.
Maximum loans to related parties	No guidance, but special attention needed.	20 percent of capital base to a single borrower (10 percent limit for unsecured credit); 40 percent of capital to a group; (5 percent for unsecured credit).
Liquidity ratios	Guidelines on measuring and managing liquidity risk.	Requirements to hold cash at the central bank and government securities of at least 47 percent of domestic deposit liabilities.
Foreign exchange exposure	Position limits recommended.	Requirements to hold foreign currency at the central bank and designated foreign liquid assets of at least 40 percent of foreign currency deposit liabilities.

Sources: Carl-Johan Lindgren, Guillian Garcia, and Matthew I. Saal, 1996, *Bank Soundness and Macroeconomic Policy* (Washington: International Monetary Fund); and Bank of Jamaica.

45. On the legislative front, a Parliamentary Committee is currently considering BOJ proposals for a more autonomous central bank, which include putting further restrictions on the credit that can be provided to the government, and making the Governor of the BOJ accountable to Parliament, as opposed to the Minister of Finance.³⁰

III. THE ROLE OF THE PUBLIC SECTOR

A. Introduction

46. From the early 1970s to mid-1980s, Jamaica experienced a poor economic growth performance as the government took over an increasing role in the economy in an attempt to control the “commanding heights” of the economy. At a time when private sector activity diminished, the Jamaican economy was faced with the adverse terms of trade shocks of the 1970s and early 1980s. The situation improved in the late 1980s in the wake of successful stabilization efforts coupled with large scale privatization programs and other structural reforms aimed at reducing government intervention. By 1990 Jamaica was considered to be a leader among the countries in Latin America and the Caribbean in terms of the number of enterprises that had been privatized or earmarked for privatization.³¹ Other advances on the structural front in the early 1990s also were substantial, including the liberalization of the foreign exchange market, an elimination of nontariff barriers, a liberalization of prices and interest rates, and a rationalization of the tax system. Nevertheless, despite some successes in the second half of the 1980s, average output growth over the last 25 years has been dismal and total measured output in real terms in 1997 was almost equivalent to that in 1973 implying a large decline in per capita terms (Table 5).

Table 5. Jamaica: Macroeconomic Indicators, 1962–97

	1962–97	1962–72	1973–97	1973–80	1981–90	1991–97	1996	1997
Real GDP growth	1.8	5.8	0.2	-2.4	2.5	0.0	-1.9	-2.4
Inflation (period average)	17.1	4.9	22.7	21.8	15.2	34.5	26.4	9.7
Current account (in percent of GDP) 1/	n.a.	n.a.	-5.2	-3.9	-7.5	-2.7	-2.5	-5.4
Central government balance (in percent of GDP) 2/	n.a.	n.a.	-4.4	-18.8	-4.8	0.2	-6.8	-8.9

Sources: IMF. International Finance Statistics; Planning Institute of Jamaica; Economic and Social Survey Jamaica.
 1/ Current account in U.S. dollars times average exchange rate. Averages cover the period 1976–97 only.
 2/ Refers to fiscal year balances as a percent of calendar year GDP. Averages cover the period 1979–97 only.

³⁰Government deposits at March 1998 amounted to J\$19 billion (8 percent of GDP) which can be drawn down without technically breaching the legal limits. The limit for advances is 30 percent of government’s estimated revenue. Drawdowns of deposits do not technically constitute advances.

³¹See Stone, Carl. 1992, Pushing Enterprises to Work: The Jamaican Divestment Experience. In: Caribbean Affairs (Trinidad) 5: 12–13.

47. The causes for Jamaica's poor growth record seem to be twofold. On the one hand, Jamaica's poor growth performance is associated with relatively high and varying inflation rates, external and internal imbalances (Figure 3) and frequent changes in fiscal, monetary, and exchange rate policies that prevented a resumption of long-run economic growth. On the other hand, it appears that some of the structural reforms have not fully been implemented, raising the key questions of whether and to what extent the government remains a key player in the economy. This note concentrates on the analysis of how the role of the government has changed over time, to what degree the government continues to be a major player in the economy, and analyses some of the more recent interventions.

B. Background

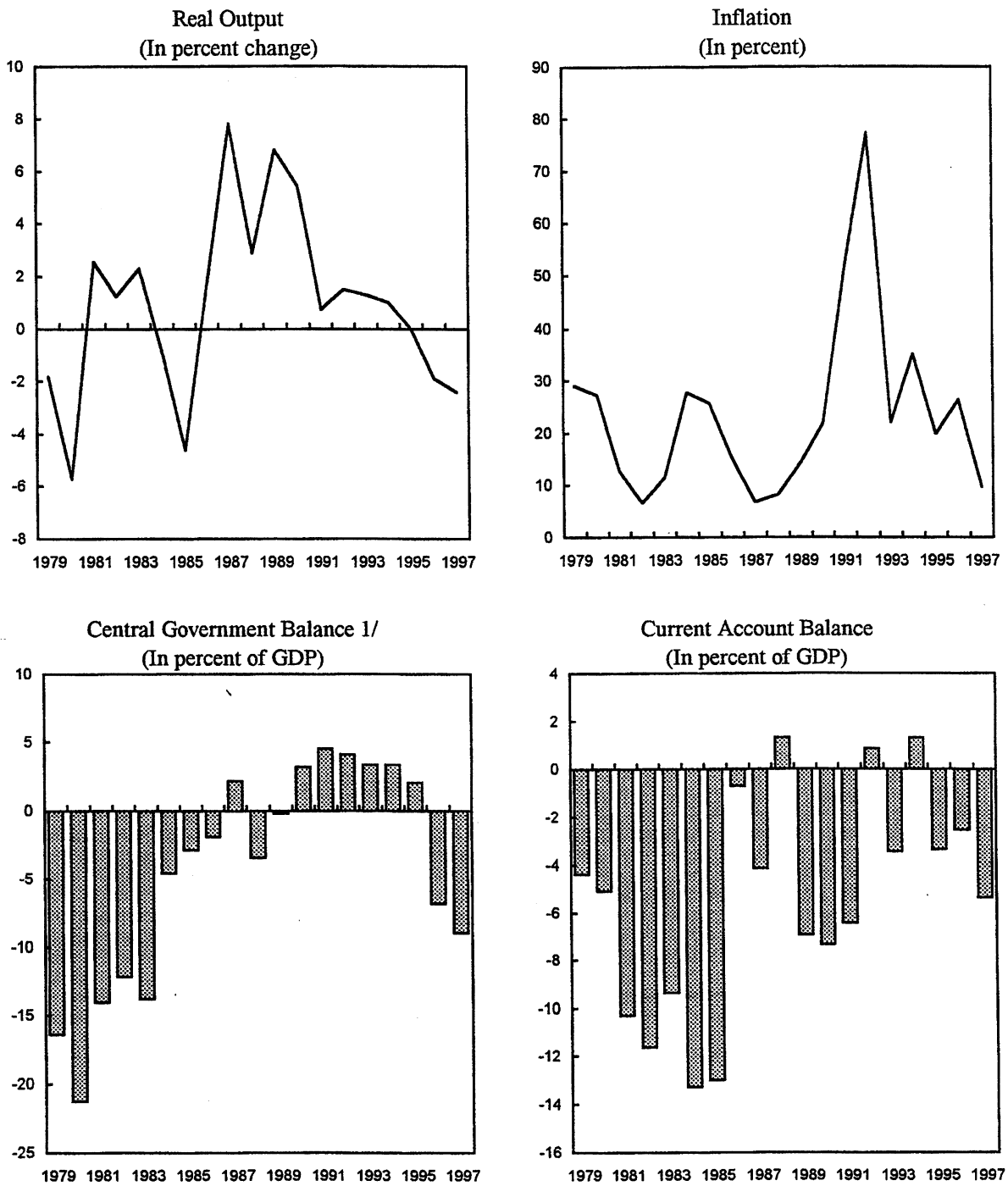
48. Prior to Jamaica's independence in 1962, the role of the government in the economy was limited to the provision of traditional public services such as health and education, and assistance to the agricultural sector and small businesses in the manufacturing sector through a number of publicly owned development finance institutions, such as the Jamaica Industrial Development Corporation. After independence, the role of the government remained limited focusing on the establishment of regulatory agencies such as the Public Utilities Commission, the enforcement of property rights, and a stable fiscal and monetary policy. During the first decade of its independence, Jamaica experienced relatively high overall growth rates averaging almost 6 percent a year. However, growth was not balanced across sectors concentrating largely in the capital intensive mining sector while output in the labor intensive agricultural sector declined leading to an increase in unemployment from 13 percent in 1962 to 23 percent in 1972 and a greater skewness of the income distribution.³²

49. In the latter part of the 1960s and especially after the then socialist-oriented People's National Party (PNP) won the 1972 national elections, direct government involvement in the allocation of resources increased substantially, justified by the perceived need to address the issue of income disparity and high unemployment, and later—as private sector activity contracted—also to prevent failing companies from going bankrupt. Throughout the 1970s and early 1980s, the government acquired a large number of key industries—such as bauxite, sugar, textiles, cement—and took over banks and hotels. According to the 1984 Public Sector Registry, the government then owned 199 public enterprises.³³

³²See Danielson, Anders, 1993. Economic Reforms in Jamaica, *Journal of Interamerican Studies and World Affairs* 93:97–108.

³³See Hutchinson, Gladstone and Schumacher, Ute. 1991. Privatization in Developing Countries: The Case of Jamaica. In Ott, Attiat F. and Keith Hartley, (eds). 1991, *Privatization and Economic Efficiency*, Brookfield, VE.

Figure 3. Jamaica: Selected Indicators, 1979-97



Sources: Ministry of Finance; Bank of Jamaica; Planning Institute; International Financial Statistics.

1/ Fiscal year outturn as a percent of calendar year GDP.

C. The Role of the Government Since the 1980s

The divestment of public ownership

50. In the mid-1980s Jamaica began a privatization program that lasted for a decade (Figure 4). From 1984 to 1997, the Jamaican Government sold its holdings in 66 public entities generating gross receipts amounting to 13 percent of GDP (for Jamaica's current privatization program see Box 7)³⁴. The divestment effort was not limited to any particular sector but ranged from tourism to banking and agriculture, including large public service monopolies such as the Telephone Company of Jamaica (TOJ) and the national airline carrier AirJamaica (see Appendix II for a summary list of privatized enterprises and sale of lands). Although employment data for the overall public sector is not available, the retrenchment of the government during the 1980s is mirrored in the reduction of people directly employed by the central government. While in the late 1970s, almost 12 percent of the total labor force was on the payroll of the central government, this percentage had fallen by almost 50 percent in 1987. In addition, the reduction of government activity in the economy was also reflected in a fall in central government expenditure as a percentage of GDP; while in the early 1980s government expenditure amounted to more than 40 percent of GDP it had fallen below 30 percent by the early 1990s.

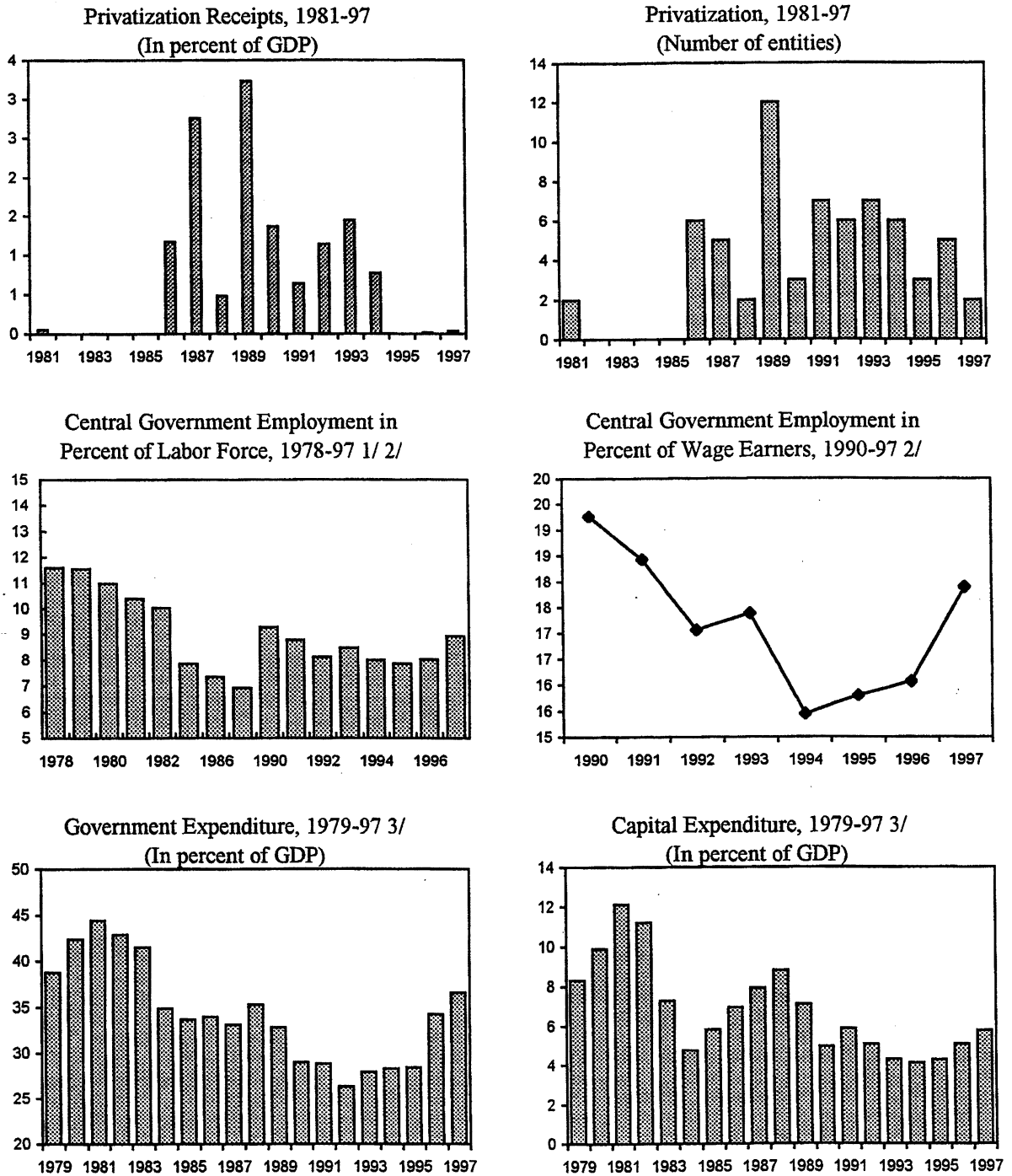
Box 7. Jamaica: The Government's Current Privatization Program

Formally, the current privatization program is based on a Ministry Paper published in 1991. It establishes the institutional responsibilities, defines the objectives of the program, as well as the modalities of privatization. The direction and the approval of the privatization program is determined by Cabinet and does not require parliamentary support. A cabinet committee advises cabinet on which enterprises to privatize, on how the government should divest of its assets, and makes recommendations on whether cabinet should accept or reject an offer. The privatization strategy is developed in the Prime Minister's Office and subsequently submitted to both the cabinet committee and Cabinet itself. The National Investment Bank is charged with the execution and implementation of the privatization program. The Ministry Paper suggests that privatization is part of a general strategy to liberalize the economy and to promote the market forces. Formally, the objectives of privatization are to increase efficiency, to reduce the fiscal burden of the government, to optimize government management resources, to obtain access to international capital and technology, and to broaden ownership.

51. Despite the formal retrenchment of the government and the reduction in public ownership since the mid-1980s, the questions arise whether and to what extent the government is still involved in economic decision making that could adversely affect the allocation of resources and hence prevent the economy from moving toward a higher

³⁴Some entities were sold to local economic groups with little or no capital who were to pay for the company with the expected profits from overly optimistic business plans. This approach also raised the sale price making it more difficult for potentially interested foreigners to participate. For example, the privatization of the refinery failed when the local buyer could not raise the US\$60 million offered and the next highest bidder had offered only US\$5 million.

Figure 4. Jamaica: Privatization and Public Sector Developments



Sources: Ministry of Finance; and Planning Institute.

1/ The series covers the period 1978-82, 1985-87, and 1990-97.

2/ Employment financed through the consolidated budget of the central government.

3/ Central government.

long-term growth path. The required analysis is, of course, hampered by the very fact that formally the structure of the economy has changed and standard measures such as the number of totally government-owned enterprises, the share of public sector output in total value added, and the ratio of public sector employees in terms of the total labor force, etc., are potentially misleading because they do not reflect the considerable influence the government exerts directly through its remaining holdings and indirectly by providing financial support to selected economic activities. Hence, the following attempts to provide mostly qualitative evidence.

Continued government influence

52. As the 1997 public registry indicates, the portfolio of government entities is still substantial (Table 6). Although some of these entities have some public policy function and hence are not likely to be divested, the list still includes large public monopolies such as the local petroleum refinery (Petrojam), the electric utility (JPSCO), the water company (National Water Commission), and smaller commercial entities such as the Ocho Rios Commercial Centre. In addition, the recent collapse of many of the domestically owned financial entities has resulted in the de facto renationalization of many of the financial companies (see the section on financial sector developments in this paper) and to the government acquisition of related assets, such as hotels and real estate. In addition, most of Jamaica's industry and marketing boards have neither been abolished nor privatized. In the past, many developing countries such as Jamaica relied on industry or marketing boards as a means of executing public policy, such as setting producer prices for export products.³⁵ Despite the fact that Jamaica has privatized

Table 6. Jamaica: Stock of Public Enterprises, 1997 1/

Public Enterprises	Number	Public Ownership
Statutory Bodies	60	100.0
Wholly-owned limited liability companies	59	100.0
Partly-owned limited liability companies	14	
Kingston Waterfront Hotel Company		95.0
Montego Freeport		82.0
Jamaica Unit Trust Services		72.4
Jamaica Aqualapia		71.0
Cotton Polyester Textile Company		54.0
Clarendon Distilleries		51.0
Innswood Distillery		51.0
Kingston Industrial Work International		42.0
Jamaican Sugar Company		33.3
Bloody Bay Hotel Development		33.3
Ashtröm Building Systems		26.0
Air Jamaica		25.0
Air Jamaica Express		20.0
Jamaica Broadcasting Co.		10.0
Total	133	

Source: Ministry of Finance and Planning, 1997. List of Government Entities and Portfolio Ministries (preliminary).

1/ Excludes holdings acquired as a result of support to the financial system.

³⁵In general, such government intervention was justified on the grounds that it would protect domestic producers of export products from fluctuations in world market prices or to protect small producers from monopsonistic (often foreign) buyers. Since export prices in domestic currency depend on the world market price of the particular product and the exchange rate, a

(continued...)

export industries, the government continues to name board members and set policies for most key export industries through marketing boards such as the Coffee Industry Board, the Banana Board, the Cocoa Industry Board, the Coconut Industry Board, the Sugar Industry Authority, the Agricultural Marketing Board, as well as the Jamaica Tourism Board. The continued involvement of the government through the boards has prevented some of the industries from competing freely and from facing hard budget constraints, generating losses with no apparent benefit. Moreover, most of the subsidies provided by the government are aimed at the largest producers within each sector, in which the government generally has an interest, stifling the development of the smaller producers, and limiting efficiency gains.

53. Furthermore, even in the case where public entities have been privatized, a closer analysis reveals that in many cases, the government continues to hold substantial ownership stakes ranging from 10 percent in the case of the Jamaica Broadcasting Company to 95 percent in the case of the Kingston Waterfront Hotel Company. According to the Jamaican company law, owners controlling more than 25 percent of the shares in a company have veto power over management decisions and hence, indirectly, the government can exercise substantial control over the management and operation of companies.

54. In addition to maintaining partial ownership stakes in "privatized" enterprises, in critical instances the government has bailed out recently privatized private companies that have run into financial difficulties. Failing to impose "hard budget constraints" leads to moral hazard or rent seeking behavior. Two recent examples of bailouts are the national airline (AirJamaica) and the sugar industry which were privatized in 1994 and 1993, respectively. When the airline ran into financial difficulties, the government provided foreign creditors with guarantees and letters of comfort for about US\$140 million (about 2 percent of GDP) of which US\$114 million were eventually assumed as debt by the central government. In addition, the government provided direct loans to cover cash-flow shortfalls of US\$30 million.³⁶

55. In the case of the Jamaica Sugar Company, which accounts for about 70 percent of Jamaica's annual sugar production and enjoys preferential access to the European market under the Lomé agreements, the company has been running losses due to production costs that are reported to be twice as high as world market prices. Intentions by the company's management to reduce the work force by 16 percent were stopped by the government, which instead appointed a tripartite (labor, company, government) task force to prevent any

³⁵(...continued)

producer price that is fixed by a marketing board could generate surpluses or deficits which, it was expected, would be offsetting over time. However, marketing boards often ran losses or taxed producers beyond reasonable levels, and many developing countries have eliminated their marketing boards.

³⁶Moreover, bonds issued by the airline were given tax free status.

layoffs.³⁷ To compensate the company, the government has chosen to provide government guarantees for loans of US\$100 million in fiscal year 1998.³⁸ Furthermore, during the wage negotiations of early 1998 in which the sugar companies initially declined to provide wage increases, the government brokered an agreement that resulted in wage increases of 10 percent a year for two years, of which the government will pay 2.5 percentage points in year one and 5 percentage points in year two. Other industries in distress have received substantial financial government support among them the Coffee Industry Board and the local citrus industry.³⁹

Incentive schemes and budgetary support

56. The government also relies on a multifaceted system of tax incentives. Many of these incentive schemes are nontransparent, are based on numerous pieces of legislation, and are highly discretionary. The effectiveness of some of these incentive schemes is questionable—it appears that many companies cease to exist after the incentive period expires while the same owners establish new companies to request new tax breaks—while they encourage rent seeking behavior rather than the establishment of commercially viable enterprises by the private sector and generate a substantial fiscal burden in the form of revenue forgone. Although no official data are collected on the fiscal implications, estimates suggest that the revenue loss due to tax incentives could have amounted to some J\$7 billion (3 percent of GDP) in 1996.

Increased government employment, spending, and financial support

57. Central government employment has increased substantially and it appears that the government may become an employer of last resort. After reducing employment in the central government (as a proportion of wage earners) from 19 percent in 1990 to about 15 percent in 1994, the proportion increased to almost 18 percent in 1997. The trend toward a growing public sector also is reflected in government non-interest expenditure as a percent of GDP, which has grown from an average of about 21 percent of GDP for the period 1990–95 to about 26 percent of GDP in 1997.

³⁷The government said that the intervention was necessary to prevent large increases in rural unemployment (see *The Gleaner*, November 11, 1996).

³⁸See *The Gleaner*, April 21, 1998.

³⁹The Coffee Industry Board is expected to receive funds in excess of US\$15 million and the local citrus industry will receive funds of some US\$6.6 million (*The Gleaner*, March 12, 1998). These exclude support to the financial system which is reviewed in Section I of this paper.

58. The increased involvement of the government in the economy is often justified on the grounds of the stagnation of output which gave rise to the government's National Industrial Policy (Box 8). The new policies are reflected, for example, in the National Development Bank of Jamaica (NDB) which since 1997 provides direct lending to the industrial sector of the economy.⁴⁰ Initially, the mandate of NDB had been to channel funds to approved financial institutions (AFIs) such as commercial and merchant banks as well as other financial institutions which, in turn, would engage in the actual lending operations and bear the resulting credit risk. Enterprises that seek funds from NDB directly are likely to be those that could not pass the AFI's requirements in terms of their expected return on investment, or their equity base.

Box 8. Jamaica's National Industrial Policy

The government's current view on the role of the public sector is reflected in its 1996 National Industrial Policy whose official focus is to foster economic growth and development. The objective of the strategy is to grow by 6 percent a year so as to more than double the current level of income per capita to US\$4,000 by the year 2010. Although the program expresses the commitment to a "market-driven economy" and acknowledges that the private sector is the main engine of growth, it calls on the government to spearhead the development effort by adopting "focused policy interventions." Jamaica's Industrial Policy is summarized in the following statement: "*The strategic focus of the [National Industrial] Policy is (i) export push, through building and sustaining targeted areas of competitive advantage in the national economy, and (ii) efficient import substitution, consistent with the focus on international competitiveness as the key element of the policy*" (JIS 1996: 4).

59. Along the lines of the NDB, another public agency, the National Investment Bank of Jamaica (NIBJ), has also changed its policies to support of the National Industrial Policy. While during the early 1990s NIBJ was officially responsible for implementing Jamaica's privatization program and functioned as the privatization agency, since 1996 it has been given the mandate of providing equity capital to private enterprises. In addition to developing a bailout program for hotels, NIBJ intends to inject capital into medium-sized businesses in agriculture, mining, tourism, and manufacturing. Such equity investments will require the presence of government representatives on the boards of these enterprises. During the last budget presentation, the government announced that it would step up interest subsidy programs through the Export-Import Bank, the Agricultural Development Bank, NDB, and NIBJ.

D. Conclusions

60. Compared to the structure of the economy in the late 1970s and early 1980s, the Jamaican economy has been drastically transformed. Nevertheless, the Jamaican Government continues to be omnipresent either through direct or partial ownership of productive enterprises and marketing boards, a nontransparent system of incentives, selective support of entities, and increased employment.

⁴⁰NDB's predecessor, the Jamaican Development Bank (JDB), failed as a result of making poor loans and was subsequently liquidated.

61. In the past two years, the government has bailed out inefficient and undercapitalized industries through subsidies, government guarantees, or equity participation. The subsidies, increases in government debt, and assumption contingent liabilities in the form of government guarantees and letters of comfort, can have substantial macroeconomic implications, lead to a reduction of the net worth of the government, and eventually result in higher taxes. The growing share of wage earners working in the public administration also seems to indicate that the government is becoming an increasingly important employer in the context of a stagnant economy.

62. A resumption of sustainable economic growth will require—in addition to a stable macroeconomic environment—a substantial rationalization of public sector activities, a revitalization of the privatization program, and the enforcement of hard budget constraints on the private sector.

Table 7. Jamaica: Gross Domestic Product by Final Expenditure

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
Consumption	82,846	108,983	146,814	176,140	194,291
General government	13,553	16,495	23,393	31,722	40,229
Private 1/	69,293	92,488	123,421	144,418	154,062
Gross fixed capital formation 2/	33,781	43,499	57,901	70,022	76,500
Inventory accumulation	726	333	586	546	590
Net exports	-10,047	-10,093	-20,770	-26,634	-31,901
Exports of goods and nonfactor services	57,835	83,815	103,263	111,579	113,922
Imports of goods and nonfactor services	-67,882	-93,908	-124,033	-138,213	-145,823
GDP at current market prices	107,306	142,722	184,531	220,074	238,890
(In percent of GDP)					
Consumption	77.2	76.4	79.6	80.0	81.3
General government	12.6	11.6	12.7	14.4	16.8
Private 1/	64.6	64.8	66.9	65.6	64.5
Gross fixed capital formation 2/	31.5	30.5	31.4	31.8	32.0
Inventory accumulation	0.7	0.2	0.3	0.2	0.2
Net exports	-9.4	-7.1	-11.3	-12.1	-13.4
Exports of goods and nonfactor services	53.9	58.7	56.0	50.7	47.7
Imports of goods and nonfactor services	-63.3	-65.8	-67.2	-62.8	-61.0

Sources: Statistical Institute of Jamaica; and Fund staff estimates.

1/ Includes public enterprises.

2/ There is no data on the distribution of capital formation between the public and private sectors.

Table 8. Jamaica: Savings and Investment

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
Gross capital formation 1/	34,507	43,832	58,487	70,568	77,090
Fixed capital formation	33,781	43,499	57,901	70,022	76,500
Inventory accumulation	726	333	586	546	590
Gross national savings	19,492	30,705	34,069	39,986	...
Foreign savings	15,015	13,127	24,418	30,582	...
(In percent of GDP) 1/					
Gross capital formation 1/	32.2	30.7	31.7	32.1	32.3
Fixed capital formation	31.5	30.5	31.4	31.8	32.0
Inventory accumulation	0.7	0.2	0.3	0.2	0.2
Gross national savings	18.2	21.5	18.5	18.2	...
Foreign savings	14.0	9.2	13.2	13.9	...
Memorandum item:					
GDP at current market prices (in millions of Jamaica dollars)	107,306	142,722	184,531	220,074	238,890

Sources: Statistical Institute of Jamaica; and Fund staff estimates.

1/ There is no data on the distribution of capital formation between the public and private sectors.

Table 9. Jamaica: Gross Fixed Capital Formation

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
Total fixed capital formation	33,781	43,499	57,901	70,022	76,500
Building construction	15,413	18,747	26,260	27,478	...
Other construction, including					
land improvement	914	1,193	2,357	2,321	...
Transport equipment	6,265	5,814	7,229	9,940	...
Motor cars	1,895	1,382	1,245	1,665	...
Trucks and buses	3,822	3,755	4,122	5,243	...
Other	548	676	1,863	3,041	...
Machinery and equipment	11,190	17,745	22,047	30,275	...
Agricultural	380	507	702	730	...
Industrial	3,239	5,928	7,363	11,241	...
Other	7,571	11,311	13,981	18,304	...
(In percent of GDP)					
Total fixed capital formation	31.5	30.5	31.4	31.8	32.0
Building construction	14.4	13.1	14.2	12.5	...
Other construction, including					
land improvement	0.9	0.8	1.3	1.1	...
Transport equipment	5.8	4.1	3.9	4.5	...
Machinery and equipment	10.4	12.4	11.9	13.8	...

Sources: Statistical Institute of Jamaica; and Fund staff estimates.

Table 10. Jamaica: Gross Domestic Product by Sector at Current Prices

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
GDP in producers' values at current prices	99,843	132,377	170,133	203,109	220,556
Agriculture forestry and fishing	8,036	11,944	15,447	16,893	17,637
Export agriculture	971	1,185	1,537	1,819	1,670
Domestic agriculture	5,517	8,658	11,454	11,986	12,351
Livestock and hunting	1,153	1,545	1,791	2,195	2,578
Forestry and logging	81	109	149	212	225
Fishing	315	448	516	681	812
Mining and quarrying	6,356	9,435	11,712	11,915	12,281
<i>Of which:</i>					
Bauxite/alumina	6,218	9,232	11,455	11,578	11,914
Manufacturing	18,104	24,313	28,871	33,976	35,906
Food	3,786	4,947	5,806	7,079	7,427
Sugar, molasses, and rum	886	1,132	1,243	1,554	1,482
Beverages	1,970	2,626	3,194	3,909	4,547
Tobacco and tobacco products	1,574	2,511	2,964	3,611	4,093
Textiles	968	1,563	1,894	2,121	1,850
Petroleum refining	1,980	2,405	2,740	3,156	3,660
Other	6,940	9,129	11,029	12,547	12,848
Construction and installation	12,341	15,555	21,187	23,598	24,833
Services	55,006	71,131	92,917	116,727	129,900
Electricity and water	2,193	2,839	4,102	4,599	4,402
Transportation, storage, and communication	10,493	14,239	17,703	21,876	24,743
Distributive trade	22,707	30,292	38,420	45,812	50,674
Financing and insurance services	6,999	12,341	15,272	18,915	17,201
Real estate and business services	3,993	5,537	7,523	9,468	11,174
Government services	9,933	10,717	15,171	23,053	26,695
Miscellaneous services	3,838	5,019	6,462	7,975	9,177
<i>Of which:</i>					
Hotels, restaurants, and clubs	2,075	2,559	3,234	3,746	4,214
Household and private non-profit institutions	559	819	1,084	1,341	1,484
Less: Imputed service charges	-5,709	-10,672	-12,820	-16,311	-15,649
Plus: value-added tax	7,461	10,345	14,397	16,965	18,334
GDP at current market prices	107,304	142,722	184,530	220,074	238,890
Memorandum item:					
Nonbauxite GDP (in producers' values)	93,626	123,145	158,678	191,531	208,642
(In percent of GDP in producers' values)					
Agriculture forestry and fishing	8.0	9.0	9.1	8.3	8.0
Mining and quarrying	6.4	7.1	6.9	5.9	5.6
Manufacturing	18.1	18.4	17.0	16.7	16.3
Construction and installation	12.4	11.8	12.5	11.6	11.3
Services	55.1	53.7	54.6	57.5	58.9
<i>Of which:</i>					
Government services	9.9	8.1	8.9	11.4	12.1
(Annual percentage change)					
GDP at current market prices	39.4	33.0	29.3	19.3	8.5
Agriculture	39.1	48.6	29.3	9.4	4.4
Mining and quarrying	-7.2	48.4	24.1	1.7	3.1
Manufacturing	27.2	34.3	18.7	17.7	5.7
Construction and installation	31.5	26.0	36.2	11.4	5.2
Services	48.6	29.3	30.6	25.6	11.3
<i>Of which:</i>					
Government services	33.8	30.8	28.7	23.4	15.1
Memorandum item:					
Nonbauxite GDP	40.8	31.5	28.9	20.7	8.9

Source: Statistical Institute of Jamaica.

Table 11. Jamaica: Gross Domestic Product by Sector in Producers' Values at Constant 1986 Prices

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
GDP at constant prices	18,011	18,210	18,294	17,974	17,549
Agriculture, forestry, and fishing	1,340	1,440	1,468	1,513	1,293
Export agriculture	162	157	149	164	145
Domestic agriculture	915	1,030	1,059	1,088	869
Livestock and hunting	196	186	193	193	210
Forestry and logging	16	15	15	15	15
Fishing	50	53	53	53	53
Mining and quarrying	1,571	1,680	1,565	1,683	1,738
<i>Of which:</i>					
Bauxite/alumina	1,548	1,654	1,539	1,656	1,711
Manufacturing	3,389	3,401	3,361	3,257	3,175
Food	559	539	587	608	609
Sugar, molasses, and rum	98	101	93	102	103
Beverages	406	386	350	357	365
Tobacco and tobacco products	274	283	268	259	253
Textiles	184	241	257	228	168
Petroleum refining	424	407	352	339	371
Other	1,445	1,444	1,453	1,365	1,307
Construction and installation	1,717	1,609	1,725	1,632	1,554
Services	9,994	10,081	10,176	9,889	9,789
Electricity and water	799	799	827	868	916
Transportation, storage, and communication	1,974	2,074	2,276	2,478	2,620
Distributive trade	3,791	3,855	4,008	4,065	4,105
Financing and insurance services	1,936	2,902	2,838	2,691	2,150
Real estate and business services	1,434	1,506	1,592	1,612	1,558
Government services	1,234	1,214	1,217	1,213	1,215
Miscellaneous services	747	742	756	756	762
<i>Of which:</i>					
Hotels, restaurants, and clubs	395	390	405	412	427
Household and private non-profit institutions	98	107	112	107	96
Less: imputed service charges	-2,019	-3,117	-3,450	-3,900	-3,632
Memorandum item:					
Nonbauxite GDP	16,463	16,556	16,756	16,318	15,838
(In percent of GDP)					
Agriculture, forestry, and fishing	7.4	7.9	8.0	8.4	7.4
Mining and quarrying	8.7	9.2	8.6	9.4	9.9
Manufacturing	18.8	18.7	18.4	18.1	18.1
Construction and installation	9.5	8.8	9.4	9.1	8.9
Services	55.5	55.4	55.6	55.0	55.8
<i>Of which:</i>					
Government services	6.9	6.7	6.7	6.7	6.9
Hotels, restaurants, and clubs	2.2	2.1	2.2	2.3	2.4
Memorandum item:					
Nonbauxite GDP	91.4	90.9	91.6	90.8	90.2
(Annual percentage change)					
GDP at constant prices	1.5	1.1	0.5	-1.8	-2.4
Agriculture, forestry, and fishing	10.0	7.5	2.0	3.1	-14.6
Mining and quarrying	0.3	6.9	-6.8	7.5	3.3
Manufacturing	-1.9	0.3	-1.2	-3.1	-2.5
Construction and installation	-0.5	-6.3	7.2	-5.4	-4.8
Services	2.1	0.9	0.9	-2.8	-1.0
<i>Of which:</i>					
Government services	-0.4	-1.6	0.2	-0.3	0.1
Memorandum item:					
Nonbauxite GDP	1.6	0.6	1.2	-2.6	-2.9

Source: Statistical Institute of Jamaica.

Table 12. Jamaica: Output of Selected Commodities

	1993	1994	1995	1996	Prel. 1997
Major Agricultural Export Products (In thousand metric tons)					
Sugarcane	2,715.0	2,513.0	2,340.0	2,659.0	2,446.0
Bananas	74.2	75.5	74.3	78.4	75.3
Citrus	27.7	52.6	...	...	...
Pimento	1.3	1.6	3.0	3.0	0.7
Coffee	1.8	1.6	2.7	2.7	3.0
Cocoa	5.4	7.3	4.7	5.2	2.1
Domestic Crops (In thousand metric tons)					
Legumes	11.1	10.0	10.5	10.1	8.6
Vegetables	147.4	192.4	183.9	192.4	145.9
Plantains	35.8	33.8	34.8	33.8	26.3
Potatoes	35.9	47.0	47.6	47.0	36.0
Yams	221.9	253.4	240.4	253.4	212.6
Other root crops	55.3	66.0	58.2	66.0	45.9
Grains (corn and rice)	3.6	4.1	3.9	4.1	3.2
Livestock Products (In millions)					
Eggs (kilo)	100.0	102.3	102.3	116.3	129.0
Poultry (kilo)	44.0	44.9	45.4	50.3	59.3
Milk (quarts)	62.2	...	...	...	...
Fish (kilo)	3.0	3.0	3.0	3.0	3.0
Bauxite and Alumina (In thousand metric tons)					
Bauxite production	11,184	11,787	10,871	11,757	11,987
Alumina production	3,009	3,224	3,059	3,365	3,394
Electricity Sales (In millions of kwh)					
Electricity sales	1,793.0	1,869.1	1,998.0	2,146.8	2,281.1
Industrial use	847.2	868.9	922.1	972.4	1,041.3
Other use	945.8	1,000.2	1,075.9	1,174.4	1,239.8
Manufactured Goods					
Food					
Poultry meat ('000 tonnes)	36.2	40.3	40.0	42	43.7
Condensed milk ('000 tonnes)	19.4	15.3	15.8	16.5	15.4
Edible oil ('000 litres)	7.2	6.7	6.5	9.5	11.7
Edible fats ('000 kg.)	6.3	6.9	6.6	6.9	6.6
Flour ('000 tonnes)	147.8	147.8	146.0	140.6	135.7
Cornmeal ('000 tonnes)	15.1	15.6	13.4	12.1	10.5
Animal feeds ('000 tonnes)	255.3	250.0	236.5	288.0	296.1
Sugar, molasses, and rum					
Sugar (thousand tonnes)	219.0	224.4	248.6	236.0	232.8
Molasses (thousand tonnes)	102.5	94.5	96.0	95.2	92.2
Rum (million litres)	20.6	21.1	20.4	20.4	22.4

Table 12. Jamaica: Output of Selected Commodities (Concluded)

	1993	1994	1995	1996	Prel. 1997
Manufactured Goods (Concluded)					
Alcoholic beverages					
Beer and stout ('000 litres)	78.6	76.0	66.2	69	67.4
Nonalcoholic beverages					
Aerated water ('000 litres)	48.6	55.7	48.9	34.1	28.0
Tobacco products					
Cigarettes (million)	1,223.6	1,273.2	1,212.6	633.8	...
Cigars (million)	8.7	11.5	16.6	15.7	18.1
Textile products					
Cloth ('000 metres)	...	1.0	0.5	0.0	0.0
Chemicals and chemical products					
Industrial gases ('000 cubic metres)					
Oxygen	1,155.0	1,087.0	1,123.0	1,131.0	966.0
Acetylene	244.0	242.0	225.0	227.0	200.0
Hydrogen	43.0	32.0	44.0	53.0	9.0
Nitrogen	45.0	53.0	56.0	81.0	8.0
Specified chemical products					
Fertilizer ('000 tonnes)	65.0	49.9	57.4	17.8	...
Paint ('000 litres)	7.9	8.4	7.7	8	8.5
Putty ('000 kg.)	13.0	20.0	12.0	20	20.0
Cleansing products (million kg.)					
Soap	3.7	3.6	0.9	0.0	0.0
Detergents	6.7	5.5	2.4	0.0	0.0
Petroleum products (million litres)					
Fuel oil and diesel	641.0	626.9	561.8	536.2	566.4
Gasoline	129.3	151.2	159.3	109.8	113.6
Other	147.7	157.8	135.5	74.2	73.9
Rubber products (thousands)					
Tires	359.1	351.6	145.7	78.2	...
Cement and clay products					
Concrete ('000 cubic meters)	119.6	114.2	142	121.6	142.5
Cement ('000 tonnes)	440.6	445.3	517.5	559.3	588.1
Metal products					
Steel ('000 tonnes)	3.4	0.0	0.0	0.0	0.0

Sources: Statistical Institute of Jamaica; and Planning Institute of Jamaica.

Table 13. Jamaica: Selected Information on the Bauxite/Alumina Sector

	Value Added		Bauxite Production 1/			Alumina Production 1/
	(In millions of 1986 Jamaica dollars)	(Annual percentage change)	Total	Level	Direct Exports (In percent of total)	
1974	1,754.5	9.5	15.2	7.8	51.3	2.8
1975	1,347.0	-23.2	11.4	5.5	48.2	2.3
1976	1,106.9	-17.8	10.3	6.3	61.2	1.6
1977	1,288.9	16.4	11.4	6.4	56.1	2.0
1978	1,325.7	2.9	11.7	6.5	55.6	2.1
1979	1,306.1	-1.5	11.5	6.5	56.5	2.1
1980	1,434.1	9.8	12.0	6.1	50.8	2.5
1981	1,437.5	0.2	11.6	5.4	46.6	2.6
1982	1,029.8	-28.4	8.1	4.1	50.6	1.8
1983	1,011.9	-1.7	7.7	3.0	39.0	1.9
1984	1,050.8	3.8	8.6	4.6	53.5	1.8
1985	822.6	-21.7	6.2	2.3	37.1	1.5
1986	886.8	7.8	6.9	2.9	42.0	1.6
1987	940.0	6.0	7.7	3.7	48.1	1.6
1988	897.2	-4.6	7.3	3.5	47.9	1.5
1989	1,221.7	36.2	9.5	4.2	44.2	2.2
1990	1,503.3	23.0	11.0	3.9	35.5	2.9
1991	1,587.3	5.6	11.6	4.3	37.1	3.0
1992	1,544.2	-2.7	11.4	4.1	36.0	2.9
1993	1,547.9	0.2	11.2	3.9	34.8	3.0
1994	1,654.4	6.9	11.8	3.6	30.5	3.2
1995	1,538.9	-7.0	10.9	3.5	32.1	3.1
1996	1,655.7	7.6	11.8	3.9	33.1	3.4
1997	1,711.3	3.4	12.0	3.6	30.0	3.4

Source: Statistical Institute of Jamaica.

1/ Millions of metric tons; unless otherwise indicated.

Table 14. Jamaica: Employed Labor Force by Industry 1/

	1993	1994	1995	1996	Prel. 1997
(In thousands)					
Total employed labor force	904.7	923.8	960.5	958.3	948.6
Agriculture, forestry, and fishing	220.1	217.7	220.2	219.9	206.4
Mining	8.4	6.2	6.7	6.4	5.7
Manufacturing	98.9	95.0	105.5	99.1	86.0
Electricity, gas, and water	4.7	5.3	6.6	7.1	6.3
Construction	61.3	67.5	76.3	81.1	80.1
Wholesale and retail, hotels, and restaurant services	189.2	194.8	199.8	197.7	198.5
Transport, storage, and communication	39.5	39.2	45.3	49.0	54.5
Financing, insurance, real estate and business services	43.6	47.8	53.1	54.8	60.9
Community, social, and personal services	228.4	237.6	246.4	242.8	249.0
Industry not specified	10.8	12.9	0.8	0.6	1.4
(In percent of employed labor force)					
Total	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry, and fishing	24.3	23.6	22.9	22.9	21.8
Mining	0.9	0.7	0.7	0.7	0.6
Manufacturing	10.9	10.3	11.0	10.3	9.1
Electricity, gas, and water	0.5	0.6	0.7	0.7	0.7
Construction	6.8	7.3	7.9	8.5	8.4
Wholesale and retail, hotels, and restaurant services	20.9	21.1	20.8	20.6	20.9
Transport, storage, and communication	4.4	4.2	4.7	5.1	5.7
Financing, insurance, real estate and business services	4.8	5.2	5.5	5.7	6.4
Community, social, and personal services	25.2	25.7	25.6	25.3	26.2
Industry not specified	1.2	1.4	0.1	0.1	0.1
Memorandum items:					
Population (thousands)	2,472.4	2,494.9	2,484.6	2,515.3	2,521.6
Total labour force (thousands)	1,079.7	1,089.9	1,149.6	1,143.6	1,135.1
Participation rate (in percent) 2/	68.1	68.1	69.0	67.7	66.6
Unemployment rate (in percent) 3/	16.2	15.3	16.5	16.2	16.5
Job-seeking rate (in percent) 4/	7.1	7.4	6.5	7.0	7.2

Source: Statistical Institute of Jamaica.

1/ Population, labor force, and employment data are averages of April and October sample labor force surveys.

2/ Defined as the ratio of the total labor force to the population 14 years old and over.

3/ Defined as the proportion of the labor force that is not employed.

4/ Job-seekers as a proportion of the labor force.

Table 15. Jamaica: Average Weekly Earnings in Large Establishments 1/

	1993	1994	1995	1996	Prel. 1997
(In current Jamaica dollars)					
Mining	4,429	5,865	6,042	6,889	7,760
Manufacturing	1,339	1,974	2,547	3,159	4,106
Electricity, gas, and water	4,454	5,134	7,604	8,425	9,044
Construction	1,735	2,354	3,078	3,482	4,110
Trade, hotels, and restaurants	1,310	1,768	2,563	3,081	3,524
Transport, storage, and communications	2,458	3,748	6,482	8,233	9,312
Financing, insurance, real estate, and business services	2,329	3,468	4,371	5,897	7,196
Community, social, and personal services	1,568	2,099	2,224	3,164	3,419
All sectors	1,797	2,559	3,438	4,297	5,177
(Index: 1986 = 100)					
Mining	711	942	971	1,107	1,247
Manufacturing	492	726	937	1,162	1,510
Electricity, gas, and water	1,163	1,340	1,985	2,199	2,361
Construction	637	864	1,130	1,279	1,509
Trade, hotels, and restaurants	488	659	955	1,148	1,313
Transport, storage, and communications	538	820	1,418	1,801	2,037
Financing, insurance, real estate, and business services	640	952	1,121	1,512	1,845
Community, social, and personal services	580	776	822	1,169	1,264
All sectors	567	807	1,084	1,355	1,632
(Percentage change)					
Memorandum items:					
Nominal wage (all sectors)	59.0	42.4	34.3	25.0	20.5
Consumer prices (end of period)	30.1	26.8	25.6	15.8	9.2
Real wage	22.2	12.3	7.0	7.9	10.4

Source: Statistical Institute of Jamaica.

1/ Excluding agriculture, government, and employees in Free Zones.

Table 16. Jamaica: Consumer Price Index

	1993	1994	1995	1996	Prel. 1997
I. Calendar Year					
(January 1988 = 100)					
Average	470.6	635.6	762.1	963.4	1,056.5
Food and beverages	506.1	700.3	841.5	1,045.7	1,127.9
Fuel and other household supplies	454.6	564.8	643.3	941.5	1,029.2
Housing	362.5	486.3	579.4	686.5	767.6
Household, furnishings, and furniture	368.1	468.2	550.6	699.3	745.2
Personal clothing and accessories	514.0	640.4	750.1	946.9	1,103.1
Healthcare and personal expenses	458.3	590.5	686.3	855.3	966.6
Transportation	383.5	511.7	618.7	832.5	863.5
Miscellaneous	452.8	621.6	795.7	1,035.9	1,234.3
End of period	546.0	692.3	869.2	1,006.9	1,099.2
Food and beverages	595.8	758.5	966.6	1,083.1	1,179.8
Fuel and other household supplies	504.2	598.6	820.9	990.0	1,062.0
Housing	408.5	541.7	636.0	724.0	797.8
Household, furnishings, and furniture	423.8	482.3	629.5	710.5	768.0
Personal clothing and accessories	580.0	675.8	838.6	1,029.6	1,138.9
Healthcare and personal expenses	523.4	634.4	748.6	912.1	992.4
Transportation	424.4	578.7	665.3	855.2	873.1
Miscellaneous	536.8	727.7	886.6	1,114.7	1,291.5
(Percentage change)					
Average	22.1	35.1	19.9	26.4	9.7
Food and beverages	21.1	38.4	20.2	24.3	7.9
Fuel and other household supplies	12.2	24.2	13.9	46.4	9.3
Housing	13.7	34.2	19.1	18.5	11.8
Household, furnishings, and furniture	23.0	26.8	17.6	27.0	6.6
Personal clothing and accessories	31.6	24.6	17.1	26.2	16.5
Healthcare and personal expenses	26.7	28.8	16.2	24.6	13.0
Transportation	24.5	33.4	20.9	34.6	3.7
Miscellaneous	36.3	37.3	28.0	30.2	19.2
End of period	30.1	26.8	25.6	15.8	9.2
Food and beverages	31.8	27.1	27.4	12.1	8.9
Fuel and other household supplies	18.6	18.8	37.1	20.6	7.3
Housing	20.9	32.6	17.4	13.8	10.2
Household, furnishings, and furniture	30.3	13.8	30.5	12.9	8.1
Personal clothing and accessories	24.9	16.6	24.1	22.8	10.6
Healthcare and personal expenses	32.0	21.2	18.0	21.8	8.8
Transportation	34.0	36.3	15.0	28.5	2.1
Miscellaneous	36.8	35.6	21.8	25.7	15.9

Table 16. Jamaica: Consumer Price Index (Concluded)

	1993	1994	1995	1996	Prel. 1997
II. Fiscal Year 1/ (January 1988 = 100)					
Average	502.0	668.8	814.1	989.3	1,079.0
Food and beverages	542.3	736.1	901.0	1,064.8	1,153.0
Fuel and other household supplies	476.2	584.3	711.1	972.8	1,044.9
Housing	362.2	518.3	601.8	709.6	788.3
Household, furnishings, and furniture	392.4	479.3	594.4	713.1	759.8
Personal clothing and accessories	541.3	660.0	799.1	991.0	1,125.7
Healthcare and personal expenses	485.5	620.1	719.2	893.7	996.9
Transportation	408.5	547.7	664.1	851.5	858.5
Miscellaneous expenses	487.4	665.4	846.2	1,093.0	1,270.8
End of period	590.6	715.8	936.4	1,025.5	1,115.9
Food and beverages	649.2	771.9	1,028.1	1,091.3	1,188.8
Fuel and other household supplies	542.9	600.9	903.2	1,007.8	1,085.7
Housing	439.2	589.8	655.1	750.6	825.1
Household, furnishings, and furniture	460.7	489.2	688.5	729.0	766.4
Personal clothing and accessories	617.5	672.7	901.5	1,064.9	1,150.6
Healthcare and personal expenses	549.5	671.9	801.6	957.9	1,012.9
Transportation	459.7	626.9	838.8	859.6	873.3
Miscellaneous	572.4	746.5	961.4	1,173.5	1,365.3
(Percentage change)					
Average	24.3	33.2	21.7	21.5	9.1
Food and beverages	4.2	35.7	22.4	18.2	8.3
Fuel and other household supplies	13.8	22.7	21.7	36.8	7.4
Housing	10.0	43.1	16.1	17.9	11.1
Household, furnishings, and furniture	24.5	22.1	24.0	20.0	6.5
Personal clothing and accessories	27.6	21.9	21.1	24.0	13.6
Healthcare and personal expenses	34.0	27.7	16.0	24.3	11.5
Transportation	28.8	34.1	21.3	28.2	0.8
Miscellaneous expenses	36.6	36.5	27.2	29.2	16.3
End of period	37.1	21.2	30.8	9.5	8.8
Food and beverages	40.4	18.9	33.2	6.1	8.9
Fuel and other household supplies	26.7	10.7	50.3	11.6	7.7
Housing	29.8	34.3	11.1	14.6	9.9
Household, furnishings, and furniture	36.4	6.2	40.7	5.9	5.1
Personal clothing and accessories	27.7	8.9	34.0	18.1	8.0
Healthcare and personal expenses	27.3	22.3	19.3	19.5	5.7
Transportation	39.0	36.4	33.8	2.5	1.6
Miscellaneous	43.9	30.4	28.8	22.1	16.3

Source: Statistical Institute of Jamaica.

1/ Fiscal years begin on April 1.

Table 17. Jamaica: Public Sector Balance and Financing

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of Jamaica dollars)					
Central government	3,617	4,793	3,806	-14,967	-21,436
Rest of general government	1,204	3,052	12	1,696	2,117
Selected public entities	549	1,143	-799	-1,018	-982
Bank of Jamaica losses	-2,036	-3,078	1,159	2,744	-207
Others and discrepancy	-1,764	192	2,016	-1,394	-1,427
Overall public sector balance	1,569	6,103	6,195	-12,938	-21,936
Financing	-1,569	-6,103	-6,195	12,938	21,936
Foreign financing	-200	-898	-3,004	-2,137	2,843
Domestic financing	-1,369	-5,205	-3,191	15,075	19,093
Banking system	-2,896	-7,185	-3,389	-1,109	19,588
Other	1,454	2,616	651	16,184	-495
Divestment proceeds	72	-635	-452	0	0
(In percent of GDP)					
Central government	3.1	3.1	2.0	-6.7	-8.8
Rest of general government	1.0	2.0	0.0	0.8	0.9
Selected public entities	0.5	0.7	-0.4	-0.5	-0.4
Bank of Jamaica losses	-1.8	-2.0	0.6	1.2	-0.1
Others and discrepancy	-1.5	0.1	1.0	-0.6	-0.6
Overall public sector balance	1.4	4.0	3.2	-5.8	-9.0
Financing	-1.4	-4.0	-3.2	5.8	9.0
Foreign financing	-0.2	-0.6	-1.6	-1.0	1.2
Domestic financing	-1.2	-3.4	-1.6	6.7	7.9
Banking system	-2.5	-4.7	-1.8	-0.5	8.1
Other	1.3	1.7	0.3	7.2	-0.2
Divestment proceeds	0.1	-0.4	-0.2	0.0	0.0
Memorandum item:					
GDP at current market prices	116,159	153,174	193,416	224,778	242,612

Sources: Bank of Jamaica; and Ministry of Finance and Planning.

Table 18. Jamaica: Consolidated General Government Operations 1/

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of Jamaica dollars)					
Revenue	36,464	49,210	61,314	71,438	76,203
Tax revenue	28,948	38,072	50,263	55,191	58,878
Bauxite levy	1,726	2,374	2,795	2,798	2,872
Other	5,791	8,765	8,256	13,449	14,452
Grants	491	1,343	1,181	1,060	725
Expenditure	32,134	43,241	59,602	85,439	93,973
Current	26,359	35,743	46,449	66,625	75,671
Capital and net lending	5,750	7,387	13,085	18,642	18,115
Transfers	25	112	68	172	186
Current balance	10,596	14,811	16,046	5,872	1,257
Central government statistical discrepancy	0	-534	-925	329	2,275
Overall balance	4,821	7,846	3,819	-13,270	-19,320
Financing	-4,821	-7,846	-3,819	13,270	19,320
Net external	799	-2,082	-3,640	-4,834	2,933
Net domestic	-5,620	-5,763	-178	18,104	16,387
Banking system	-7,066	-12,685	-910	1,718	17,445
Other	1,446	7,916	1,184	16,387	-1,058
Divestment proceeds	0	-995	-452	0	0
(In percent of GDP)					
Revenue	31.4	32.1	31.7	31.8	31.4
Tax revenue	24.9	24.9	26.0	24.6	24.3
Bauxite levy	1.5	1.6	1.4	1.2	1.2
Other	5.0	5.7	4.3	6.0	6.0
Grants	0.4	0.9	0.6	0.5	0.3
Expenditure	27.7	28.2	30.8	38.0	38.7
Current	22.7	23.3	24.0	29.6	31.2
Capital and net lending	4.9	4.8	6.8	8.3	7.5
Transfers	0.0	0.1	0.0	0.1	0.1
Current balance	9.1	9.7	8.3	2.6	0.5
Central government statistical discrepancy	0.0	-0.3	-0.5	0.1	0.9
Overall balance	4.1	5.1	2.0	-5.9	-8.0
Financing	-4.2	-5.1	-2.0	5.9	8.0
Net external	0.7	-1.4	-1.9	-2.2	1.2
Net domestic	-4.8	-3.8	-0.1	8.1	6.8
Banking system	-6.1	-8.3	-0.5	0.8	7.2
Other	1.2	5.2	0.6	7.3	-0.4
Divestment proceeds	0.0	-0.6	-0.2	0.0	0.0

Source: Table 12.

1/ Includes the central government, the National Insurance Fund, the National Housing Trust, and the Human Education and Resources Training Unit.

Table 19. Jamaica: Operations of the General Government 1/

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
I. Central Government					
(In millions of Jamaica dollars)					
Total Receipts	33,614	44,596	58,524	63,085	66,080
Revenue	33,123	43,253	57,343	62,026	65,355
Tax	28,948	38,072	50,263	55,191	58,878
Nontax	1,544	1,930	3,585	3,310	3,097
Bauxite levy	1,726	2,374	2,795	2,798	2,872
Capital revenue	906	877	700	727	508
Grants	491	1,343	1,181	1,060	725
Expenditure	29,997	39,803	54,718	78,052	87,516
Current	25,369	34,455	44,442	64,225	72,113
Capital and net lending	4,627	5,882	11,201	13,498	13,128
<i>Of which:</i>					
IMF No. 1 account	0	0	3,293	2,342	1,009
Statistical discrepancy	0	-534	-925	329	2,275
Overall balance	3,617	4,793	3,806	-14,967	-21,436
Financing	-3,617	-4,793	-3,806	14,967	21,436
Net external	799	-2,082	-3,640	-4,834	2,933
Net domestic	-4,416	-2,711	-166	19,801	18,504
Banking system	-6,116	-10,741	-1,092	1,312	17,654
Other	1,700	9,024	1,378	18,489	849
Divestment proceeds	0	-995	-452	0	0
(In percent of GDP)					
Total receipts	28.9	29.1	30.3	28.1	27.2
Revenue	28.5	28.2	29.6	27.6	26.9
Tax	24.9	24.9	26.0	24.6	24.3
Nontax	1.3	1.3	1.9	1.5	1.3
Bauxite levy	1.5	1.6	1.4	1.2	1.2
Capital revenue	0.8	0.6	0.4	0.3	0.2
Grants	0.4	0.9	0.6	0.5	0.3
Expenditures	25.8	26.0	28.3	34.7	36.1
Current	21.8	22.5	23.0	28.6	29.7
Capital and net lending	4.0	3.8	5.8	6.0	5.4
<i>Of which:</i>					
IMF No. 1 account	0.0	0.0	1.7	1.0	0.4
Statistical discrepancy	0.0	-0.3	-0.5	0.1	0.9
Overall balance	3.1	3.1	2.0	-6.7	-8.8
Financing	-3.1	-3.1	-2.0	6.7	8.8
Net external	0.7	-1.4	-1.9	-2.2	1.2
Net domestic	-3.8	-1.8	-0.1	8.8	7.6
Banking system	-5.3	-7.0	-0.6	0.6	7.3
Other	1.5	5.9	0.7	8.2	0.4
Divestment proceeds	0.0	-0.6	-0.2	0.0	0.0

Table 19. Jamaica: Operations of the General Government (Continued)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
II. National Insurance Fund					
(In millions of Jamaica dollars)					
Revenue	788	1,695	895	2,853	3,065
Interest from central government	300	759	515	0	0
Other interest	57	181	0	924	843
Contributions from central government	0	0	0	0	0
Other contributions	431	755	380	1,929	2,222
Expenditure	335	533	477	942	1,169
Current	280	321	409	770	975
Capital and net lending	30	100	0	0	7
Transfers	25	112	68	172	186
Overall balance	453	1,162	418	1,910	1,896
Financing	-453	-1,162	-418	-1,910	-1,896
Banking system	-199	-53	-223	-9	-2
Government securities					
Other	-254	-1,108	-195	-1,901	-1,894
III. National Housing Trust					
(In millions of Jamaica dollars)					
Revenue	1,916	3,274	1,791	4,878	6,016
Contributions	1,143	154	1,791	2,724	4,197
From central government	0	0	0	0	0
Other	0	154	1,791	2,724	4,197
Interest	772	1,184	0	1,637	1,578
From central government	0	0	0	0	0
Other	0	0	0	1,637	1,578
Other	0	1,937	0	518	240
Expenditure	1,388	1,733	2,465	5,148	5,747
Current	360	455	753	401	1,051
Operating expenses	0	0	0	401	1,051
Other (including bonuses paid and taxes)	0	0	0	0	0
Capital and net lending	1,028	1,278	1,712	4,746	4,696
Fixed assets	53	25	0	62	46
Housing loans	884	730	0	4,684	4,650
Other	91	524	0	0	0
Overall balance	528	1,541	-674	-270	269
Financing	-528	-1,541	674	270	-269
Banking system	-528	-1,541	674	471	-255
Government securities	0	0	0	0	0
Other	0	0	0	-201	-14

Table 19. Jamaica: Operations of the General Government (Concluded)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
IV. Human Employment and Resource Training					
(In millions of Jamaica dollars)					
Revenue	637	988	1,285	1,681	1,767
Contributions	473	750	1,008	1,275	1,467
From central government		0	0	0	0
Other	473	750	1,008	1,275	1,467
Other	164	238	277	406	300
Expenditure	415	638	1,017	1,625	1,815
Current	350	512	845	1,228	1,532
Capital	65	126	172	398	284
Overall balance	223	350	268	56	-48
Financing	-223	-350	-268	-56	48
Banking system	-223	-350	-268	-56	48
Other	0	0	0	0	0

Sources: Bank of Jamaica; and Ministry of Finance and Planning.

1/ Includes the central government, the National Insurance Fund, the National Housing Trust, and the Human Education and Resource Training Unit.

Table 20. Jamaica: Operations of Selected Public Enterprises 1/

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of Jamaica dollars)					
Balance before transfers	1,554	1,957	-3,878	-1,498	-2,143
Operating balance	4,128	4,880	2,136	4,499	4,748
Capital account	-2,574	-2,923	-6,015	-5,997	-6,891
Net transfer from government capital revenue, and grants	-1,006	-814	3,079	481	1,161
Overall balance	549	1,143	-799	-1,018	-982
(In percent of GDP)					
Balance before transfers	1.3	1.3	-2.0	-0.7	-0.9
Operating balance	3.6	3.2	1.1	2.0	2.0
Capital account	-2.2	-1.9	-3.1	-2.7	-2.8
Net transfer from government capital revenue, and grants	-0.9	-0.5	1.6	0.2	0.5
Overall balance	0.5	0.7	-0.4	-0.5	-0.4

Source: Ministry of Finance and Planning.

1/ In FY 1997/98, the selected public enterprises consisted of the Airport Authority of Jamaica, Jamaica Commodity Trading Company Limited, Jamaica Mortgage Bank, Jamaica Public Service Company, Jamaica Railways Corporation (presently defunct), National Housing Corporation, National Water Commission, Petroleum Corporation of Jamaica, Petrojam Limited, Port Authority of Jamaica, Urban Development Corporation, and the National Investment Bank of Jamaica.

Table 21. Jamaica: Bank of Jamaica Operating Balance

(In millions of Jamaica dollars)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Income	1,688	3,845	6,064	9,999	7,803
Local	1,425	2,987	4,429	8,518	6,157
Local registered stock	1,072	2,489	3,858	5,755	5,786
Treasury bills	200	171	139	51	19
Interest current account	70	53	146	2,240	162
Other	83	274	286	472	189
Foreign	263	858	1,635	1,481	1,646
Expenses	3,724	6,923	4,905	7,255	8,010
Wages and other					
administrative expenses	318	355	638	464	809
Current expenses	142	259	299	438	292
Domestic interest	2,179	5,242	3,007	5,881	6,420
Bankers	66	139	201	196	268
Certificates of deposit 1/	1,056	1,942	1,500	4,606	5,073
Government deposits	747	1,717	901	762	622
Other	310	1,444	405	318	458
Foreign Interest	1,085	1,067	961	472	489
IMF	578	671	589	105	163
Balance of payments support	507	396	372	367	325
Auction expenses 2/	0	0	0	0	0
Foreign miscellaneous	0	0	0	0	0
Interest arrears	0	0	0	0	0
Balance	-2,036	-3,078	1,159	2,744	-207

Source: Bank of Jamaica.

Table 22. Jamaica: Central Government Revenue 1/

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
	(In millions of Jamaica dollars)				
Total revenue	33,123	43,253	57,343	62,026	65,355
Tax revenue	28,948	38,072	50,263	55,191	58,878
Income and profits	10,896	15,377	18,889	21,646	23,297
Bauxite/alumina	450	302	858	54	178
Other companies	3,687	5,457	6,040	6,189	6,692
PAYE	4,716	6,781	9,269	11,907	13,175
Other individuals	423	583	579	631	741
Interest and dividend	1,621	2,254	2,144	2,865	2,511
Property tax	257	447	477	401	0
Production and consumption	9,548	12,323	15,469	17,139	18,415
Excises	1	0	0	0	0
Consumption duty/special GCT	1,947	2,008	2,016	1,515	2,194
Retail sales tax	5	0	0	0	0
Motor vehicle licenses	340	463	481	418	237
Other licenses	26	53	45	46	67
Entertainment tax	0	0	0	0	0
Betting, gaming, and lottery	78	122	198	246	293
Tax de sejour	0	0	0	0	0
Education tax	1,053	1,541	2,046	2,654	3,120
Sales tax, used cars	0	0	0	0	0
Telephone	0	0	0	0	0
Contractors levy	81	99	174	223	224
Stamp duties (local)	1,467	1,716	2,069	2,375	2,108
GCT (local)	4,550	6,323	8,441	9,662	10,173
International trade	8,247	9,925	15,428	16,006	17,167
Custom duty	3,927	4,147	5,962	5,978	6,566
Stamp duty	290	313	361	556	713
Travel taxes	427	543	713	913	950
Consumption duty (imports)	0	0	0	0	0
GCT Imports	3,604	4,921	8,392	8,559	8,937
Bauxite levy	1,726	2,374	2,795	2,798	2,872
Nontax revenue	1,544	1,930	3,585	3,310	3,097
Post office	60	106	87	0	0
Department and other 2/	1,484	1,824	3,498	0	0
Capital revenue	906	877	700	727	508
Other	517	397	271	0	0
Loan repayments	389	480	429	0	0
	(In percent of GDP)				
Total revenue	28.5	28.2	29.6	27.6	26.9
Tax revenue	24.9	24.9	26.0	24.6	24.3
Property tax	0.2	0.3	0.2	0.2	0.0
Production and consumption	8.2	8.0	8.0	7.6	7.6
International trade	7.1	6.5	8.0	7.1	7.1
Bauxite levy	1.5	1.6	1.4	1.2	1.2
Nontax revenue	1.3	1.3	1.9	1.5	1.3
Capital revenue	0.8	0.6	0.4	0.3	0.2

Source: Ministry of Finance and Planning.

1/ Excludes grants.

2/ Includes transfers of profits of public entities and royalties.

Table 23. Jamaica: Central Government Expenditure

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of Jamaica dollars)					
Total expenditure	29,997	40,337	55,643	77,723	85,241
Current expenditure	25,369	34,455	44,442	64,225	72,113
Goods and services	12,120	15,042	20,962	36,945	47,550
Wages and Salaries	10,295	11,143	15,806	24,043	28,842
Other	1,825	3,900	5,157	12,902	18,708
Current transfers	3,373	4,397	5,508	...	...
Pensions	490	968	1,222	...	...
Subsidies	140	...	...	...	...
Other	2,743	3,429	4,286	...	...
Interest payments	9,876	15,015	17,971	27,280	24,564
Foreign	3,946	4,801	5,514	5,910	5,645
Domestic	5,930	10,214	12,458	21,370	18,918
Capital expenditure	4,627	5,882	11,201	13,498	13,128
Fixed investment	3,151	4,002	11,201	13,498	13,128
Foreign Institutional	2,210	2,797	2,926	...	...
Other	941	1,205	8,275	...	...
<i>Of which:</i>					
IMF No. 1 account	0	0	3,293	2,342	1,009
Net lending	564	705	...	...	...
Portfolio investment	392	470	...	...	...
Transfers	520	705	...	...	...
Past-throughs 1/	...	...	...	...	...
(In percent of GDP)					
Total expenditure	25.8	26.3	28.8	34.6	35.1
Current expenditure	21.8	22.5	23.0	28.6	29.7
Goods and services	10.4	9.8	10.8	16.4	19.6
Wages and Salaries	8.9	7.3	8.2	10.7	11.9
Other	1.6	2.5	2.7	5.7	7.7
Current transfers	2.9	2.9	2.8	...	0.0
Pensions	0.4	0.6	0.6	...	0.0
Subsidies	0.1	0.0	0.0	...	0.0
Other	2.4	2.2	2.2	...	0.0
Interest payments	8.5	9.8	9.3	12.1	10.1
Foreign	3.4	3.1	2.9	2.6	2.3
Domestic	5.1	6.7	6.4	9.5	7.8
Capital expenditure	4.0	3.8	5.8	6.0	5.4
Fixed investment	2.7	2.6	5.8	6.0	5.4
Foreign Institutional	1.9	1.8	1.5	0.0	0.0
Other	0.8	0.8	4.3	0.0	0.0
<i>Of which:</i>					
IMF No. 1 account	0.0	0.0	1.7	1.0	0.4
Net lending	0.5	0.5	...	...	...
Portfolio investment	0.3	0.3	...	...	...
Transfers	0.4	0.5	...	...	...
Past-throughs 1/	0.0	0.0	...	...	...

Source: Ministry of Finance and Planning.

1/ Guaranteed on-lending to the private sector.

Table 24. Jamaica: Central Government Financing

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of Jamaica dollars)					
Total financing 1/	-3,617	-4,793	-3,806	14,967	21,436
External financing (net)	799	-2,082	-3,640	-4,834	2,933
Gross borrowing	7,414	6,492	5,074	4,522	12,476
Project loans/suppliers credit	1,849	2,947	2,664	2,834	2,697
Donor countries 2/	1,688	1,186	1,302	1,688	163
United States	0	0	...	0	0
United Kingdom	11	0	...	0	0
Germany	79	28	...	5	163
Netherlands	4	0	...	0	0
France	0	0	...	0	0
Italy	23	0	...	0	0
Japan	0	0	...	0	0
Other	1,571	1,158	...	1,684	0
Multilateral	982	0	...	0	0
IBRD 2/	982	0	...	0	0
Commercial banks	236	291	0	0	0
Refinancing 3/	236	291	0	0	0
New loans	0	0	0	0	0
Other	2,658	2,069	1,109	0	9,616
Gross other inflows	589	0	0	0	9,616
Venezuela/Mexico oil facility	0	0	0	0	0
Other refinancing	2,069	2,069	1,109	0	0
Amortization	-6,615	-8,574	-8,714	-9,356	-9,543
<i>Of which:</i>					
Refinancing	-1,833	-1,957	-897	0	0
Domestic financing (net)	-4,416	-2,711	-166	19,801	18,504
Banking system (net)	-6,116	-10,741	-1,092	1,312	17,654
Bank of Jamaica	-4,818	-12,538	-1,011	5,686	16,577
Securities	-1,391	730	1,798	8,083	9,448
Advances	-1,366	-3,376	-7,912	-8,733	7,685
Deposits (increase -)	-2,062	-9,892	5,103	6,336	-556
Commercial banks	-1,298	1,797	-82	-4,375	1,077
Securities	359	6,237	3,510	3,499	-135
Advances	26	426	-936	-8,955	-298
Deposits (increase -)	-1,683	-4,866	-2,655	1,081	1,510
Domestic nonbank (net)	1,700	9,024	1,378	18,489	849
Divestment proceeds	0	-995	-452	0	0

Sources: Bank of Jamaica; and Ministry of Finance and Planning.

1/ Excluding Bank of Jamaica losses.

2/ Excluding project lending.

3/ Including government-guaranteed loans.

Table 25. Jamaica: Central Government Securities and the Bank of Jamaica Certificates of Deposits

(In millions of Jamaica dollars)

	March				Prel.
	1994	1995	1996	1997	1998
Stock at end of period					
Total central government domestic debt and Bank of Jamaica certificates of deposits	23,862	44,765	43,768	74,993	87,595
Central government securities	20,242	44,765	43,768	74,993	87,595
Banking system	14,977	29,398	34,850	48,184	58,190
Bank of Jamaica	6,281	12,561	14,828	21,719	31,167
Treasury bills	653	1,197	919	26	235
Local registered stocks	5,628	11,364	13,909	21,693	30,932
Commercial banks	8,696	15,255	17,831	23,894	23,461
Treasury bills	2,783	3,261	4,406	3,800	3,206
Local registered stocks	3,786	9,092	11,309	13,959	11,414
Other government securities	590	485	635	2,884	5,887
US\$20 million bonds	336	791	791	0	0
Other claims	1,201	1,627	691	3,251	2,954
Other financial institutions	204	1,582	2,191	2,571	3,562
Treasury bills	119	431	467	549	364
Local registered stocks	81	1,128	1,665	1,789	1,957
Other government securities	3	23	53	232	1,219
Other claims	0	0	6	1	22
Selected public enterprises	1,819	4,038	3,602	5,446	6,912
Local registered stocks	1,169	2,639	2,831	3,355	5,328
Treasury bills	650	1,207	771	2,091	1,584
Equity investment bonds	0	192	0	0	0
Other public sector	929	1,063	1,043	1,338	1,338
Local registered stocks	578	708	708	708	708
Treasury bills	266	355	335	335	335
Equity investment bonds	0	0	0	0	0
US\$20 million bonds	85	0	0	295	295
Nonfinancial private sector holdings	2,313	10,266	4,273	20,025	21,155
Treasury bills	587	2,675	991	1,923	4,222
Local registered stocks	1,534	6,834	2,515	16,399	15,625
Holdings of equity investment bonds	4	4	4	0	0
Land bonds	43	41	31	31	30
Promissory notes	33	33	33	33	28
US\$20 million bonds	112	37	37	979	600
Stock of bonds in lieu of salary	481	643	662	660	650
Bank of Jamaica certificates of deposit	3,621	0	0	0	0
Commercial banks	1,975	0	0	0	0
Other financial institutions	189	0	0	0	0
Selected public enterprises	175	0	0	0	0
Other public enterprises	343	0	0	0	0
Nonfinancial private sector	939	0	0	0	0

Source: Bank of Jamaica.

Table 26. Jamaica: Summary Accounts of the Banking System

	March				Prel. 1998
	1994	1995	1996	1997	
(In millions of Jamaica dollars; stock at end of period)					
Net foreign assets	6,153	15,757	24,251	24,467	23,426
Net domestic assets	43,636	49,546	55,708	71,370	80,582
Net claims on public sector	9,295	4,181	9,465	8,868	39,687
Net claims on central government	-3,193	-9,893	806	2,634	20,289
Net claims on selected public entities	-2,267	-2,578	-2,078	-406	-1,245
Net claims on rest of public sector 1/	-3,114	-2,251	926	-2,751	11,549
Operating losses of Bank of Jamaica	12,339	15,417	14,258	-2,296	797
Net unclassified assets of Bank of Jamaica	5,530	3,485	-4,448	11,687	8,297
Open market operations	...	-3,144	-8,331	-20,045	-32,269
Net credit to other					
financial institutions 1/	-5,041	-5,570	-6,027	1,869	-10,389
Credit to private sector	23,828	32,331	44,235	47,857	41,864
Valuation adjustment	21,298	19,549	17,606	19,859	19,408
Other BOJ financial assets (net)	...	...	...	...	-1,617
Unclassified assets of					
commercial banks	3,724	9,067	4,222	14,240	24,161
Residual/float	-85	42	1,165	4,286	5,110
Allocation of SDRs	-2,020	-2,046	-2,443	-2,138	-2,199
Medium- and long-term foreign liabilities	-7,362	-4,863	-4,183	-3,427	-3,174
Liabilities to private sector 2/	49,789	65,302	79,959	95,839	104,008
Money supply (M3)	36,412	50,736	61,206	78,199	82,329
Currency	4,972	6,595	8,303	10,175	10,620
Demand deposits	7,330	8,215	9,191	12,636	11,981
Savings deposits	13,920	20,694	25,599	34,035	37,368
Time deposits	4,262	6,901	9,639	12,670	11,223
Other deposits	5,929	8,332	8,474	8,684	11,138
Foreign currency deposits	12,275	14,566	18,753	17,639	21,679
Bank of Jamaica certificates of deposit	1,102	0	0	0	0
(In percent change)					
Net foreign assets 3/	22.3	19.3	13.0	0.3	-1.1
Net domestic assets 3/	27.0	11.9	9.4	19.6	9.6
Net claims on public sector	-8.3	-10.3	8.1	-0.7	32.2
Claims on private sector	24.7	17.1	18.2	4.5	-6.3
Other assets (net)	10.6	5.1	-16.9	15.8	-16.3
Liabilities to private sector	49.3	31.2	22.4	19.9	8.5
Credit to private sector	52.8	35.7	36.8	8.2	-12.5
Money supply (M3)	32.5	39.3	20.6	27.8	5.3
Velocity (GDP/private sector liabilities)	2.3	2.3	2.4	2.3	2.3
Memorandum item:					
Exchange rate 4/	33.1	33.5	40.0	35.0	36.0

Source: Bank of Jamaica.

1/ In April 1997 the central bank received securities from the rest of the public sector (J\$11.2 billion) in exchange for credit that the central bank had provided to commercial banks. The rest of the public sector took over claims that the commercial banks had on other financial institutions.

2/ Includes foreign currency deposits.

3/ In terms of liabilities to private sector at the beginning of the year.

4/ Accounting rate at end of period.

Table 27. Jamaica: Summary Accounts of the Bank of Jamaica

(In millions of Jamaica dollars; stock at end of period)

	March				Prel. 1998
	1994	1995	1996	1997	
Net international reserves	1,856	15,064	19,852	22,696	21,423
Assets	14,143	26,139	29,284	28,555	26,267
Liabilities	-12,287	-11,075	-9,432	-5,859	-4,844
Net domestic assets	3,458	-7,699	-10,407	-11,587	-9,536
Net claims on public sector	8,237	3,293	4,945	6,146	34,136
Net claims on central government	-8,508	-15,932	-8,611	-2,925	13,653
Treasury bills	653	761	15	26	235
Other securities	5,628	11,364	13,909	21,981	31,220
Other claims	-1,886	-5,262	-4,843	-13,576	-5,891
Consolidated fund deposits	-11,058	-20,296	-16,750	-9,507	-10,956
Other deposits	-1,845	-2,499	-942	-1,849	-956
Net claims on selected public entities	906	1,165	1,190	1,097	-120
Net claims on rest of public sector 1/	-2,030	-842	2,557	-1,417	11,510
Operating losses	12,339	15,417	14,258	-2,296	797
Net unclassified assets	5,530	340	-4,449	11,687	8,297
Net credit to commercial banks	-14,429	-19,606	-16,844	-10,488	-22,166
Credit to commercial banks 1/	0	0	4,806	11,824	4,535
Liabilities to commercial banks	-14,429	-19,606	-21,650	-22,312	-26,701
Bank of Jamaica certificates of deposit	-1,975	0	0	0	0
Deposits	-12,455	-19,606	-21,650	-22,312	-26,701
Net credit to other financial institutions	-1,316	-1,199	-1,901	-2,187	-2,184
Valuation adjustment	21,298	19,549	17,606	19,859	19,408
Open market operations and Bank of Jamaica certificates of deposit held by private sector	-1,102	-3,144	-8,331	-20,045	-32,269
Allocation of SDRs	-2,020	-2,046	-2,443	-2,138	-2,199
Medium- and long-term foreign liabilities	-7,209	-4,546	-3,438	-2,734	-2,646
Other BOJ financial assets (net)		...	...	...	-1,617
Currency issue	5,314	7,366	9,332	11,110	11,887
Currency outside banks	4,972	6,595	8,303	10,175	10,620
Currency with banks	342	771	1,029	935	1,267

Source: Bank of Jamaica.

1/ In April 1997 the central bank received securities from the rest of the public sector (J\$11.2 billion) in exchange for credit that the central bank had provided to commercial banks.

Table 28. Jamaica: Summary Accounts of Commercial Banks

	March				
	1994	1995	1996	1997	1998
(In millions of Jamaica dollars; stock at end of period)					
Net foreign assets	4,297	693	4,399	1,771	2,004
Assets	13,069	...	17,045	15,289	15,350
Liabilities	-8,771	...	-12,646	-13,519	-13,346
Net claims on Bank of Jamaica 1/	14,344	19,647	18,123	14,774	27,276
Claims on Bank of Jamaica	14,462	19,760	21,909	22,510	27,919
Certificates of deposit	1,978	0	0	0	0
Other deposits	12,484	19,759	21,909	22,510	27,919
Liabilities to Bank of Jamaica	-117	-113	-3,786	-7,736	-644
Net domestic assets	25,073	38,367	49,135	69,119	64,108
Net claims on public sector	1,058	887	4,520	2,723	5,550
Net claims on central government	5,315	6,039	9,418	5,559	6,636
Treasury bills	2,783	3,261	4,407	3,800	3,206
Other securities	4,612	10,371	15,122	16,843	17,301
Other claims	1,201	554	691	-5,363	-5,660
Deposits	-3,281	-8,147	-10,802	-9,721	-8,211
Net claims on selected public entities	-3,173	-3,743	-3,267	-1,502	-1,125
Net claims on other public sector	-1,084	-1,409	-1,631	-1,334	38
Net credit to other financial institutions 1/	-3,725	-4,371	-4,126	4,056	-8,205
Credit to private sector	23,828	32,331	44,235	47,857	41,864
Of which:					
In foreign currency	4,870	11,385	10,099	10,957	9,039
Local currency holdings	342	771	1,029	935	1,267
Net unclassified assets	3,724	9,067	4,222	14,240	24,161
Medium- and long-term foreign liabilities	-153	-318	-745	-693	-528
Liabilities to private sector	43,715	58,707	71,656	85,663	93,388
Demand deposits	7,330	8,215	9,191	12,636	11,981
Savings deposits	13,920	20,694	25,599	34,035	37,368
Time deposits	4,262	6,901	9,639	12,670	11,223
Other deposits	5,929	8,332	8,474	8,684	11,138
Foreign currency deposits	12,275	14,566	18,753	17,639	21,679
(Percentage)					
Memorandum item:					
Loan/deposit ratio	54.5	55.1	59.9	55.9	44.8

Source: Bank of Jamaica.

1/ In April 1997 the central bank received securities from the rest of the public sector (J\$11.2 billion) in exchange for credit that the central bank had provided to commercial banks.

Table 29. Jamaica: Statutory Liquidity Ratios of Commercial Banks and Near-Banks

(In percent)

	Commercial Banks						Near-Banks 1/	
	Required Reserves		Actual Reserves		Excess Reserve		Required Reserves	
	Liquid Assets 2/	Cash Reserves	Liquid Assets 2/	Cash Reserves	Liquid Assets 2/	Cash Reserves	Liquid Assets 2/	Cash Reserves
(Ratios at end-March)								
1987	38.0	20.0	43.9	21.0	5.9	1.0	...	...
1988	20.0	20.0	38.9	20.9	18.9	0.9	5.0	5.0
1989	20.0	20.0	48.1	20.7	28.1	0.7	5.0	5.0
1990	20.0	20.0	36.8	20.0	16.8	--	4.5	4.5
1991	33.5	20.0	39.3	22.2	5.8	2.2	6.5	9.0
1992	41.5	19.0	42.9	21.2	1.4	2.2	9.5	9.5
1993	50.0	25.0	57.9	25.8	7.9	0.8	14.0	14.0
1994	50.0	25.0	53.5	26.3	3.5	1.3	17.0	17.0
1995	50.0	25.0	60.1	25.9	10.1	0.9	17.0	17.0
1996	47.0	25.0	48.5	25.0	1.5	0.0	30.0	17.0
1997	47.0	25.0	56.7	25.7	9.7	0.7	35.0	17.0
1998	47.0	25.0	48.1	25.0	1.1	0.0	35.0	17.0
1994								
January	50.0	25.0	51.9	27.1	1.9	2.1	17.0	17.0
February	50.0	25.0	54.1	26.9	4.1	1.9	17.0	17.0
March	50.0	25.0	53.5	26.3	3.5	1.3	17.0	17.0
April	50.0	25.0	51.2	26.8	1.2	1.8	17.0	17.0
May	50.0	25.0	54.8	25.9	4.8	0.9	17.0	17.0
June	50.0	25.0	51.5	26.0	1.5	1.0	17.0	17.0
July	50.0	25.0	53.6	26.6	3.6	1.6	17.0	17.0
August	50.0	25.0	57.3	27.0	7.3	2.0	17.0	17.0
September	50.0	25.0	57.9	26.4	7.9	1.4	17.0	17.0
October	50.0	25.0	59.3	26.7	9.3	1.7	17.0	17.0
November	50.0	25.0	59.8	26.6	9.8	1.6	17.0	17.0
December	50.0	25.0	60.6	27.1	10.6	2.1	17.0	17.0
1995								
January	50.0	25.0	61.9	25.9	11.9	0.9	17.0	17.0
February	50.0	25.0	61.8	26.0	11.8	1.0	17.0	17.0
March	50.0	25.0	60.1	25.9	10.1	0.9	17.0	17.0
April	50.0	25.0	51.9	25.9	1.9	0.9	17.0	17.0
May	50.0	25.0	51.6	25.5	1.6	0.5	17.0	17.0
June	47.0	25.0	52.4	25.5	5.4	0.5	17.0	17.0
July	47.0	25.0	51.4	25.8	4.4	0.8	17.0	17.0
August	47.0	25.0	50.7	25.4	3.7	0.4	20.0	17.0
September	47.0	25.0	45.9	25.2	-1.1	0.2	20.0	17.0
October	47.0	25.0	45.4	25.4	-1.6	0.4	20.0	17.0
November	47.0	25.0	44.8	25.7	-2.2	0.7	25.0	17.0
December	47.0	25.0	44.8	25.4	-2.2	0.4	25.0	17.0

Table 29. Jamaica: Statutory Liquidity Ratios of Commercial Banks and Near-Banks (Concluded)

(In percent)

	Commercial Banks						Near-Banks 1/	
	Required Reserves		Actual Reserves		Excess Reserve		Required Reserves	
	Liquid	Cash	Liquid	Cash	Liquid	Cash	Liquid	Cash
	Assets 2/	Reserves	Assets 2/	Reserves	Assets 2/	Reserves	Assets 2/	Reserves
1996								
January	47.0	25.0	50.2	25.6	3.2	0.6	25.0	17.0
February	47.0	25.0	48.2	25.3	1.2	0.3	30.0	17.0
March	47.0	25.0	48.5	25.0	1.5	0.0	30.0	17.0
April	47.0	25.0	47.0	25.2	0.0	0.2	30.0	17.0
May	47.0	25.0	48.2	25.4	1.2	0.4	35.0	17.0
June	47.0	25.0	48.3	26.0	1.3	1.0	35.0	17.0
July	47.0	25.0	46.3	25.2	-0.7	0.2	35.0	17.0
August	47.0	25.0	46.8	24.7	-0.2	-0.3	35.0	17.0
September	47.0	25.0	51.1	24.7	4.1	0.2	35.0	17.0
October	47.0	25.0	46.3	25.2	-0.7	0.2	35.0	17.0
November	47.0	25.0	46.1	25.2	-0.9	0.2	35.0	17.0
December	47.0	25.0	50.4	25.4	3.4	0.4	35.0	17.0
1997								
January	47.0	25.0	54.0	25.8	7.0	0.8	35.0	17.0
February	47.0	25.0	54.3	26.6	7.3	1.6	35.0	17.0
March	47.0	25.0	56.7	25.7	9.7	0.7	35.0	17.0
April	47.0	25.0	57.4	25.3	10.4	0.3	35.0	17.0
May	47.0	25.0	57.4	25.2	10.4	0.2	35.0	17.0
June	47.0	25.0	54.3	25.2	7.3	0.2	35.0	17.0
July	47.0	25.0	57.5	25.2	10.5	0.2	35.0	17.0
August	47.0	25.0	55.3	25.1	8.3	0.1	35.0	17.0
September	47.0	25.0	53.4	25.2	6.4	0.2	35.0	17.0
October	47.0	25.0	49.6	24.8	2.6	-0.2	35.0	17.0
November	47.0	25.0	49.6	25.5	2.6	0.5	35.0	17.0
December	47.0	25.0	50.7	25.1	3.7	0.1	35.0	17.0
1998								
January	47.0	25.0	47.5	24.9	0.5	-0.1	35.0	17.0
February	47.0	25.0	47.4	25.0	0.4	0.0	35.0	17.0
March	47.0	25.0	48.1	25.0	1.1	0.0	35.0	17.0

Source: Bank of Jamaica, Statistical Digest.

1/ Financial institutions regulated under the Protection of Depositor Act (PDA). This Act was replaced by the Financial Institutions Act in December 1992.

2/ Includes cash reserves.

Table 30. Jamaica: Selected Interest Rates

(Percent per annum)

	Commercial Bank Interest Rates							Jamaica Certificates of Deposit 3/
	Savings Deposits	Deposit Rates		Weighted Average	Foreign Currency 1/	Lending Rate	Treasury Bills 2/	
		Time Deposits 3-6 Months	6-12 Months					
1990 March	18	18.3-25	18-25	22.4	...	32.4	25.4	28.5
1991 March	18-22	19-30	20-30	26.4	3.50-5.88	37.4	28.5	30.6
1992 March	15-23	28.5-46	28-45	36.7	...	54.5	44.3	50.0
1993 March	15-24	13-27	13.5-27	21.2	2.30-5.75	43.8	20.5	20.7
1994 March	15-27	21-53	20-50	39.3	2.15-6.75	66.9	40.0	50.0
1995 March	15-25	14.5-24	13-21	23.0	4.00-7.50	48.8	20.6	...
1996 March	15-22	19-43	18-44	26.1	4.00-7.50	58.3	34.3	...
1997 March	10.3-19	8-17.5	8-16.5	15.5	3.75-6.88	47.9	16.6	...
1998 March	10.3-15	12-30	11-25	...	3.75-6.88	44.2	24.7	...
1996								
January	15-21	18-42	18-41	29.2	4.00-7.50	57.6	34.7	...
February	15-22	19-42	18-41	29.4	4.00-7.50	58.0	34.9	...
March	15-22	19-43	18-44	26.1	4.00-7.50	58.3	34.3	...
April	15-22	19-45	18-46	25.8	4.00-6.88	58.3	35.8	...
May	15-24	19-45	20-46	25.8	4.00-6.88	60.0	34.8	...
June	15-24	19-45	20-46	26.0	4.00-6.88	60.0	34.8	...
July	15-25.8	19-40	19-40	26.2	4.00-6.88	59.3	33.9	...
August	15-25.8	16-38	14-38	25.8	3.75-6.88	59.2	31.9	...
September	15-25.8	15-34	13-32	23.7	3.75-6.88	58.5	30.1	...
October	15-25.8	13-27	12-25	21.8	3.75-6.88	55.2	24.0	...
November	15-25.8	13-32	12-31	21.2	3.75-6.88	55.2	26.0	...
December	15-25.8	13-27	12-25	20.8	3.75-6.88	55.2	25.2	...
1997								
January	15-25.8	12-26	12-24	19.4	3.75-6.88	53.7	23.1	...
February	14-22.8	8-20.5	8-20	18.1	3.75-6.88	51.6	20.0	...
March	10.3-19	8-17.5	8-16.5	15.5	3.75-6.88	47.9	16.6	...
April	10.3-19	8-16.5	8-15.5	13.5	3.75-6.88	46.1	15.0	...
May	10.3-19	8-16	8-15.5	12.4	3.75-6.88	44.9	15.4	...
June	10.3-18	8-20	8-19	12.5	3.75-6.88	45.0	16.4	...
July	10.3-18	8-20	8-19	11.8	3.75-6.88	44.9	16.5	...
August	10.3-18	8-20	8-18	11.8	3.75-6.88	44.9	16.3	...
September	10.3-15	8-20	8-18	11.8	3.75-6.88	44.2	17.6	...
October	10.3-15	8-18	8-20	12.4	3.75-6.88	44.2	22.5	...
November	10.3-15	8-19.5	8-20	13.2	3.75-6.88	44.2	24.3	...
December	10.3-15	8-20	8-20	14.1	3.75-6.88	44.2	24.6	...
1998								
January	10.3-15	8-30	8-25	15.8	3.75-6.88	44.2	25.3	...
February	10.3-15	12-30	11-25	17.1	3.75-6.88	44.2	24.7	...
March	10.3-15	12-30	11-25	...	3.75-6.88	44.2	24.6	...

Source: Bank of Jamaica, Statistical Digest.

1/ On three- six-month deposits under US\$100,000.

2/ Average discount rate on 6-month bills.

3/ Bank of Jamaica certificates of deposit were introduced in November 1985, and phased out in February 1995.

Table 31. Jamaica: Distribution of Commercial Banks' Loans and Advances

	March				
	1994	1995	1996	1997	1998
	(In millions of Jamaica dollars)				
Total	28,521	35,805	48,876	67,121	50,274
Agriculture	1,686	2,148	1,991	2,627	1,899
Mining	185	216	282	277	217
Manufacturing	3,314	4,577	6,259	6,756	5,058
Sugar/rum	415	533	885	1,004	509
Food/drink	702	923	1,002	1,212	1,043
Textiles/footwear	252	317	368	299	202
Cement	222	397	511	861	573
Chemicals	313	339	451	317	341
Other	1,410	2,069	3,043	3,064	2,391
Construction development	4,522	4,974	7,211	4,465	3,641
Construction	3,444	4,066	6,190	3,673	2,939
Land development/acquisition	1,078	908	1,021	792	702
Financial institutions	1,440	1,599	2,762	15,165	3,525
Transport	2,565	3,533	4,203	4,379	3,400
Electricity, water, and gas	165	271	327	173	101
Government services	1,863	3,303	3,085	5,209	6,179
Distributive trade	1,825	2,645	3,758	3,948	3,885
Tourism and entertainment	2,576	3,015	3,890	4,336	4,380
Professional services	3,638	3,499	5,568	8,227	7,239
Personal	4,744	6,024	9,540	11,561	10,751
	(In percent of total)				
Total	100.0	100.0	100.0	100.0	100.0
Agriculture	5.9	6.0	4.1	3.9	3.8
Mining	0.6	0.6	0.6	0.4	0.4
Manufacturing	11.6	12.8	12.8	10.1	10.1
Sugar/rum	1.5	1.5	1.8	1.5	1.0
Food/drink	2.5	2.6	2.0	1.8	2.1
Textiles/footwear	0.9	0.9	0.8	0.4	0.4
Cement	0.8	1.1	1.0	1.3	1.1
Chemicals	1.1	0.9	0.9	0.5	0.7
Other	4.9	5.8	6.2	4.6	4.8
Construction development	15.9	13.9	14.8	6.7	7.2
Construction	12.1	11.4	12.7	5.5	5.8
Land development/acquisition	3.8	2.5	2.1	1.2	1.4
Financial institutions	5.0	4.5	5.7	22.6	7.0
Transport	9.0	9.9	8.6	6.5	6.8
Electricity, water, and gas	0.6	0.8	0.7	0.3	0.2
Government services	6.5	9.2	6.3	7.8	12.3
Distributive trade	6.4	7.4	7.7	5.9	7.7
Tourism and entertainment	9.0	8.4	8.0	6.5	8.7
Professional services	12.8	9.8	11.4	12.3	14.4
Personal	16.6	16.8	19.5	17.2	21.4

Source: Bank of Jamaica, Statistical Digest.

Table 32. Jamaica: Summary Accounts of Nonbank Financial Intermediaries

(End of period)

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
I. Near-Banks 1/					
Net foreign assets	278	-562	-1,348	-1,459	-321
Net domestic assets	5,580	5,590	7,880	7,250	5,896
Claims on public sector	-595	-1,282	-106	2,308	1,683
Central government (net)	559	-230	1,018	3,190	2,297
Claims on selected public enterprises (net)	-752	-811	-603	-484	-170
Claims on other public enterprises (net)	-401	-241	-521	-399	-444
Credit to financial institutions	285	-691	153	-1,114	-1,597
Commercial banks	587	123	87	...	...
Other	-302	-814	66	...	...
Credit to the private sector	5,884	6,540	7,331	9,242	6,606
Agricultural Credit Bank/National Development Bank related	90	175	219	651	859
Other	5,794	6,364	7,112	8,591	5,747
Medium-term foreign liabilities	-56	-24	-23	-23	-23
Other item (net)	62	1,048	525	-3,163	-774
Claims on the Bank of Jamaica (net)	1,098	1,365	1,261	1,355	1,215
Liabilities	6,957	6,394	7,794	7,146	6,789
Saving deposits	57	73	216	212	217
Time deposits	4,586	4,323	4,571	3,499	3,776
Other liabilities	2,314	1,998	3,007	3,435	2,796
II. Building Societies					
Net domestic assets	8,737	11,964	28,740	32,961	33,208
Mortgages	2,884	3,918	9,186	14,529	13,120
Liquid assets	3,879	4,945	11,548	9,121	5,397
Other assets	1,974	3,101	8,006	9,311	14,691
Liabilities	8,737	11,964	28,739	32,961	33,208
Shares	7,530	10,202	24,315	26,003	26,602
Other liabilities	136	361	...	...	...
Capital and reserves	1,071	1,401	...	...	2,025
III. Credit Unions					
Net domestic assets	1,913	2,708	4,098	5,832	7,621
Loans to private sector	1,409	1,891	2,831	3,652	4,563
Other	504	817	1,267	2,180	3,058
Liabilities	1,913	2,708	4,098	5,832	7,621
Shares	1,603	2,401	3,517	4,681	6,271
Other liabilities	310	307	581	1,151	1,350

Table 32. Jamaica: Summary Accounts of Nonbank Financial Intermediaries (Concluded)

	1993	1994	1995	1996	Prel. 1997
(In millions of Jamaica dollars)					
IV. Agricultural Credit Bank					
Net domestic assets	1,461	1,699	2,036	2,083	3,060
Loans to commercial banks	494	615	633	686	671
Loans to cooperative banks	212	234	233	404	503
Loans to National Investment Bank of Jamaica	3	...	...	...	...
Investments in banks	1	1	1	1	1
Other	751	849	1,169	992	1,885
Liabilities	1,293	1,699	2,086	2,083	3,060
Capital	29	29	29	29	29
Government loans	259	384	599	710	693
Foreign loans	807	853	945	783	779
Other	198	432	513	561	1,559
V. National Development Bank					
Net domestic assets	1,336	2,390	3,138	4,642	4,490
Loans to the private sector	590	1,092	1,453	2,639	2,608
Investments in banks	359	477	358	534	777
Other	387	822	1,327	1,469	1,105
Liabilities	1,336	2,390	3,138	4,642	4,490
Domestic loans	877	1,380	...	...	...
Foreign loans	...	...	...	...	...
Other liabilities	...	...	...	...	...
Capital	69	69	69	69	69
VI. Jamaica Mortgage Bank					
Net domestic assets	462	609	857	945	...
Loans and mortgages	244	336	296	308	...
Other investments	3	3	50	135	...
Deposits and bank balances	180	207	363	332	...
Other	34	64	147	170	...
Liabilities	462	609	857	945	...
Long-term loans	125	122	218	215	...
Other	336	487	639	730	...
VII. Jamaica Development Bank					
Net domestic assets	300	376	439	526	...
Investments in projects	15	12	56	63	...
Investments in banks	1	2	1	2	...
Other investments	136	101	216	191	...
Other	148	261	166	270	...
Liabilities	300	376	439	526	...
Government loans	2	2	223	275	...
Loans from financial institutions	50	50	52	55	...
Foreign loans	215	282	266	263	...
Other loans	182	232	60	59	...
Share capital	46	46	46	46	...
Other	-196	-236	-208	-172	...

Source: Bank of Jamaica.

1/ Consolidated accounts of merchant banks, trust companies, and finance companies. These institutions operate under the Financial Institutions Act which, in December 1992, replaced the Protection of Depositors Act, enacted in 1974.

Table 33. Jamaica: Balance of Payments Summary 1/

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of U.S. dollars)					
Current account	-56	18	-215	-166	-361
Trade balance	-1,130	-1,047	-1,489	-1,573	-1,706
Exports	1,102	1,280	1,438	1,369	1,398
<i>Of which:</i>					
bauxite	81	74	72	79	72
alumina	447	558	651	586	671
Imports	2,231	2,327	2,926	2,942	3,104
Services	574	530	740	741	715
<i>Of which:</i>					
tourism receipts	962	972	1,086	1,103	1,140
interest payments	241	229	220	217	229
Transfers	499	532	534	667	630
Official capital (net) 2/	-53	-108	-128	39	135
Private capital (net)	245	484	390	279	173
Overall balance	136	394	47	152	-53
(In percent of GDP)					
Memorandum item:					
Current account	-1.6	0.4	-4.4	-2.6	-5.4

Source: Table 28.

1/ Fiscal year.

2/ Includes medium- and long-term as well as short-term capital inflows.

Table 34. Jamaica: Balance of Payments

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of U.S. dollars)					
Current account	-56	18	-215	-166	-361
Exports	1,102	1,280	1,438	1,369	1,398
Bauxite	81	74	72	79	72
Alumina	447	558	651	586	671
Sugar	91	75	95	122	79
Bananas	39	45	46	44	45
CARICOM	59	60	57	56	45
Other	366	427	471	445	437
Re-exports	18	42	46	36	49
Imports	2,231	2,327	2,926	2,942	3,104
Fuel, bauxite	81	87	120	129	74
Fuel, nonbauxite	257	258	286	339	282
Other bauxite	89	77	135	151	112
Consumer goods	490	497	737	747	941
Raw materials	943	1,021	1,172	1,034	1,100
Capital goods	371	388	477	543	595
Trade account	-1,130	-1,047	-1,489	-1,573	-1,706
Travel	903	880	972	938	957
Receipts	962	972	1,086	1,103	1,140
Payments	59	92	114	165	183
Interest payments	-208	-164	-131	-105	-108
Receipts	33	65	89	112	121
Payments	241	229	220	217	229
Other services	-121	-188	-217	-92	-134
Receipts	458	501	523	554	546
Payments	579	689	740	646	680
Insurance claims	0	2	58	0	0
Transfers	499	532	549	667	630
Receipts	538	574	605	758	693
<i>Of which:</i>					
Grants	40	22	54	53	40
Payments	38	42	56	91	63
Services and transfers	1,073	1,062	1,231	1,408	1,345
Capital account	192	376	262	318	308

Table 34. Jamaica: Balance of Payments (Concluded)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of U.S. dollars)					
Official capital: medium- and long-term	-27	-124	-137	20	48
Inflow, new funds	276	172	147	318	344
Bilateral	24	8	11	12	0
Multilateral	64	0	35	0	0
Other	188	164	101	306	344
<i>Of which:</i>					
Project financing	110	129	104	153	95
Inflow, rescheduling	117	106	50	0	0
<i>Of which:</i>					
OECD countries	78	69	36	0	0
Outflow	420	402	333	298	295
Short-term public sector borrowing (net)	-26	16	8	19	87
Private capital (net)	245	484	390	279	173
Direct investment (net)	100	77	177	139	126
Other, including errors and omissions	145	407	213	140	47
Overall balance	136	394	47	152	-53
Changes in net international reserves	-136	-394	-47	-152	53
Assets	-134	-353	50	-86	88
Liabilities	-3	-41	-97	-67	-35
IMF (net)	-7	-44	-97	-67	-35
Arrears	0	0	0	0	0
Other	4	3	0	0	0
(In percent of GDP)					
Current account balance	-1.6	0.4	-4.4	-2.6	-5.4
Merchandise	-31.8	-22.6	-30.6	-24.4	-25.7
Exports	31.0	27.7	29.6	21.2	21.0
Imports	62.8	50.3	60.2	45.6	46.7
Services	16.2	11.4	12.8	11.5	10.8
Insurance claims	0.0	0.0	1.2	0.0	0.0
Transfers	14.1	11.5	11.3	10.3	9.5
Net capital movements	6.9	10.5	8.0	4.3	2.6
<i>Of which:</i>					
Public sector	-0.8	-2.7	-2.8	0.3	0.7
Overall balance	3.8	8.5	1.0	2.4	-0.8
Memorandum item:					
GDP (in millions U.S. dollars)	3,551	4,628	4,863	6,452	6,647

Source: Bank of Jamaica.

Table 35. Jamaica: Exports, f.o.b.

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of U.S. dollars)					
Total	1,102	1,280	1,438	1,369	1,397
<i>Of which:</i>					
Re-exports	18	42	46	37	49
Agricultural products	74	72	86	89	85
Bananas	39	45	46	44	44
Pimento	3	4	4	3	3
Cocoa	5	4	5	4	3
Coffee	20	18	27	33	31
Citrus	4	1	5	5	4
Tobacco	2	0	...	...	0
Ginger	1	0	...	...	0
Minerals	528	632	722	665	743
Bauxite	81	74	72	79	72
Alumina	447	558	651	586	671
Manufactures	375	492	380	389	334
Sugar	91	75	95	122	81
Rum	21	23	22	26	26
Liqueurs and cordials	5	3	...	...	0
Fruit preparations	3	5	...	...	0
Cigars and cheroots	6	7	...	...	0
Clothing	160	261	264	241	224
Mineral fuels and lubricants	6	6	...	...	4
Other manufactures	82	113	...	...	0
Other	124	85	249	226	236
(In percent of total exports)					
Total	100.0	100.0	100.0	100.0	100.0
Bauxite/alumina	47.9	49.3	50.2	48.6	53.2
Sugar	8.3	5.8	6.6	8.9	5.8
Bananas	3.6	3.5	3.2	3.2	3.3
Nontraditional	38.6	38.0	36.7	36.6	34.2
CARICOM	5.4	4.7	4.0	4.1	4.2
Other	33.2	33.3	32.8	32.5	30.0
Re-exports	1.7	3.3	3.2	2.7	3.5

Source: Statistical Institute of Jamaica.

Table 36. Jamaica: Value, Volume, and Unit Price of Principal Exports 1/

(Value in millions of U.S. dollars; volume in thousands of metric tons)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Bauxite					
Value	81.0	73.6	71.9	78.7	71.7
Volume	3,826.4	3,607.3	3,592.9	3,935.0	3,586.9
Unit price	21.2	20.4	20.0	20.0	20.0
Alumina					
Value	446.8	558.1	650.5	585.9	671.0
Volume	3,024.6	3,118.6	3,142.6	3,138.8	3,481.6
Unit price	147.7	179.0	207.0	186.7	192.7
Sugar					
Value	91.3	74.8	94.5	122.0	78.9
Volume	156.2	122.9	145.5	202.4	139.7
Unit price	584.5	608.6	649.6	427.9	564.8
Bananas					
Value	39.0	45.0	46.3	44.3	44.8
Volume	73.5	75.9	84.7	86.1	74.3
Unit price	530.6	592.9	546.6	518.0	602.6

Source: Statistical Institute of Jamaica.

1/ Value may not be equal to volume multiplied by price because of rounding.

Table 37. Jamaica: Summary Bauxite Sector Operations 1/

(In millions of U.S. dollars)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Total export value	463	548	617	570	655
Total production cost	527	485	558	615	667
Production levy 2/	52	69	90	68	72
Royalties 2/	4	4	3	5	5
Local production costs 2/	128	143	172	193	224
Foreign production costs	343	269	293	349	366
Wages and salaries	4	3	3	3	4
Fuel	119	102	115	125	122
Depreciation	51	51	47	48	48
Interest	5	6	5	5	5
Other goods and services	165	107	122	168	187
Imputed profits 3/	-64	63	59	-45	-12
Memorandum items:					
Export value					
Bauxite	81	74	72	79	73
Alumina	382	474	545	491	582

Sources: Bank of Jamaica; and Statistical Institute of Jamaica.

1/ Does not include operations at the Clarendon Alumina Plant (CAP) by the Government of Jamaica under a leasing arrangement that began in 1985/86. Figures based on companies' income statements differ from balance of payments data.

2/ The sum of production levy, royalties, and local production costs represents the net foreign exchange earnings arising directly from domestic production.

3/ Total export value less production costs (including levy and royalties) equals imputed profits.

Table 38. Jamaica: Imports, c.i.f.

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of U.S. dollars)					
Total	2,231	2,327	2,926	2,942	3,104
End-use classification					
Consumer goods	491	489	738	748	951
Foods	136	143	200	221	288
Nondurables	134	159	235	230	290
Durables	221	186	303	297	373
Fuels	338	345	406	467	356
Raw materials	1,011	1,097	1,281	1,150	1,175
Capital goods	391	397	502	577	621
Construction material	100	103	148	131	174
Transport equipment	123	92	90	171	188
Other machinery	168	202	263	275	259
Bauxite/nonbauxite					
Bauxite sector	170	164	255	280	186
Fuel	81	87	120	129	74
Other	89	77	135	151	112
Nonbauxite sector	2,061	2,163	2,672	2,663	2,918
Fuel	257	258	286	339	282
Other	1,804	1,906	2,386	2,324	2,636
(In percent of total)					
End-use classification					
Consumer goods	22.0	21.0	25.2	25.4	30.6
Foods	6.1	6.2	6.8	7.5	9.3
Nondurables	6.0	6.8	8.0	7.8	9.3
Durables	9.9	8.0	10.4	10.1	12.0
Fuels	15.2	14.8	13.9	15.9	11.5
Raw materials	45.3	47.1	43.8	39.1	37.9
Capital goods	17.5	17.1	17.2	19.6	20.0
Construction material	4.5	4.4	5.1	4.5	5.6
Transport equipment	5.5	3.9	3.1	5.8	6.1
Other machinery	7.5	8.7	9.0	9.3	8.3
Bauxite/nonbauxite					
Bauxite sector	7.6	7.0	8.7	9.5	6.1
Fuel	3.6	3.8	4.1	4.4	2.5
Other	4.0	3.3	4.6	5.1	3.6
Nonbauxite sector	92.4	93.0	91.3	90.5	93.9
Fuel	11.5	11.1	9.8	11.5	9.3
Other	80.8	81.9	81.5	79.0	84.6

Source: Statistical Institute of Jamaica.

Table 39. Jamaica: Foreign Trade Indices

(Index 1982/83 = 100)

	Export Indices			Import Indices			Terms of Trade
	Value	Volume 1/	Unit value 2/	Value	Volume	Unit value 2/	
1983/84	99.6	112.6	88.5	89.4	90.3	99.0	89.3
1984/85	88.8	96.5	92.0	87.8	81.7	107.5	85.6
1985/86	74.3	96.0	77.4	74.3	67.9	109.4	70.7
1986/87	83.4	101.9	81.8	74.0	77.2	95.9	85.4
1987/88	109.2	109.5	99.7	93.0	86.8	107.1	93.1
1988/89	109.3	99.3	110.1	114.5	104.7	109.4	100.6
1989/90	146.4	138.0	106.1	131.6	116.2	113.3	93.7
1990/91	157.2	142.3	110.5	136.6	113.2	120.7	91.5
1991/92	147.8	145.8	101.4	125.1	108.6	115.2	88.0
1992/93	143.6	148.5	96.7	131.6	115.2	114.2	84.6
1993/94	150.5	165.4	91.0	160.3	146.6	109.3	83.2
1994/95	174.8	174.6	100.1	167.2	143.6	116.4	86.0
1995/96	196.4	181.0	108.5	210.2	168.3	124.9	86.9
1996/97 (Prel.)	184.8	184.9	99.9	210.2	160.0	131.4	76.1

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Excluding re-exports.

Table 40. Jamaica: Direction of Trade

	1993	1994	1995	1996	1997
	(In millions of U.S. dollars)				
Total exports, f.o.b.	1,075	1,220	1,430	1,387	1,388
Canada	107	148	154	164	195
CARICOM	60	58	60	55	48
Guyana	6	7	7	6	5
Trinidad and Tobago	22	21	21	17	15
Other	32	30	32	32	28
EEC	274	286	411	427	424
United Kingdom	148	164	192	184	186
Other	126	122	219	243	238
Norway	97	102	109	91	84
Japan	19	16	27	32	31
United States	419	440	522	511	462
Venezuela	0	0	0	0	0
Other	99	170	146	107	144
Total imports, c.i.f. 1/	2,189	2,233	2,832	2,916	3,107
Canada	89	83	100	88	94
CARICOM	115	149	255	289	325
Guyana	8	6	7	7	22
Trinidad and Tobago	80	121	218	243	253
Other	27	22	30	39	50
EEC	286	197	304	326	398
United Kingdom	95	96	115	116	116
Other	191	101	189	210	282
Netherlands Antilles 2/	50	29	19	9	14
Japan	182	133	185	164	215
United States	1,093	1,145	1,429	1,514	1,482
Venezuela	91	70	57	66	67
Other	283	427	483	460	512
	(In percent of total)				
Exports	100.0	100.0	100.0	100.0	100.0
Canada	10.0	12.1	10.8	11.8	14.0
CARICOM	5.6	4.8	4.2	4.0	3.5
Guyana	0.6	0.6	0.5	0.4	0.4
Trinidad and Tobago	2.0	1.7	1.5	1.2	1.1
Other	3.0	2.5	2.2	2.3	2.0
EEC	25.5	23.4	28.7	30.8	30.5
United Kingdom	13.8	13.4	13.4	13.3	13.4
Other	11.7	10.0	15.3	17.5	17.1
Norway	9.0	8.4	7.6	6.6	6.1
Japan	1.8	1.3	1.9	2.3	2.2
United States	39.0	36.1	36.5	36.8	33.3
Venezuela	0.0	0.0	0.0	0.0	0.0
Other	9.2	13.9	10.3	7.7	10.4
Imports	100.0	100.0	100.0	100.0	100.0
Canada	4.1	3.7	3.5	3.0	3.0
CARICOM	5.3	6.7	9.0	9.9	10.5
Guyana	0.4	0.3	0.2	0.2	0.7
Trinidad and Tobago	3.7	5.4	7.7	8.3	8.1
Other	1.2	1.0	1.1	1.3	1.6
EEC	13.1	8.8	10.7	11.2	12.8
United Kingdom	4.3	4.3	4.1	4.0	3.7
Other	8.7	4.5	6.7	7.2	9.1
Netherlands Antilles 2/	2.3	1.3	0.7	0.3	0.5
Japan	8.3	6.0	6.5	5.6	6.9
United States	49.9	51.3	50.5	51.9	47.7
Venezuela	4.2	3.1	2.0	2.3	2.2
Other	12.9	19.1	17.1	15.8	16.5

Source: Statistical Institute of Jamaica.

1/ Higher than balance of payments data due to inclusion of payments for freight and insurance.

2/ Predominantly imports of Mexican oil refined in Curacao.

Table 41. Jamaica: Selected Tourism Data

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Total number of visitors					
(in thousands)	1,648.7	1,540.8	1,666.6	1,751.1	1,779.2
Stopovers	998.7	973.0	1,044.1	1,056.1	1,088.3
Long stay 1/	960.6	931.0	...	...	...
Short stay 1/	38.1	42.0	...	...	...
Cruise-ship passengers and armed forces	650.0	567.8	622.6	695.0	690.9
Non-resident Jamaicans	126.0	120.0	127.0	109.5	101.7
Average length of stay for					
stopovers visitors (in days)	10.9	10.6	10.7	11.0	10.7
Total visitor days (in thousands)					
Stopovers	11,535.8	10,881.6	11,794.2	12,312.5	12,335.7
Cruise-ship passengers and armed forces	10,885.8	10,313.8	11,171.6	11,617.6	11,644.8
Cruise-ship passengers and armed forces	650.0	567.8	622.6	695.0	690.9
Total expenditure in millions of U.S. dollars	962.0	971.7	1,085.6	1,103.0	1,139.5
Average daily expenditure (in U.S. dollars)					
Stopovers	85	85	87	85	91
Cruise passengers	58	80	82	86	84

Sources: Ministry of Tourism; and Fund staff estimates.

1/ Long stay refers to three days or more; short stay refers to less than three days.

Table 42. Jamaica: Capital Account of the Balance of Payments

(In millions of U.S. dollars)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Capital balance	192	376	262	318	308
Official capital inflows, new funds	276	172	147	318	344
Bilateral balance of payments support	24	8	11	12	0
United States (excluding Eximbank)	15	7	11	12	0
Canada	4	0	0	0	0
United Kingdom	0	0	0	0	0
Japan	0	0	0	0	0
Germany	4	0	0	0	0
France	0	0	0	0	0
Italy	1	0	0	0	0
Other	0	0	0	0	0
Multilateral balance of payments support	64	0	35	0	0
World Bank	40	0	35	0	0
IDB	20	0	0	0	0
Others	4	0	0	0	0
Government project financing	70	65	74	80	80
Government guaranteed project financing	40	64	30	73	15
Other	78	35	14	153	243
Venezuela/Mexico oil facility	25	0	14	0	0
Bauxite--Alcan	0	0	0	0	0
Bauxite--Marc Rich	0	0	0	0	0
Car credit	0	0	0	0	0
Other	54	35	0	153	243
Official capital inflows (rescheduling)	117	106	50	0	0
Venezuela	30	28	14	0	0
Commercial banks	9	9	0	0	0
OECD countries	78	69	36	0	0
Official capital outflow	-420	-402	-333	-298	-295
Short-term public sector borrowing (net)	-26	16	8	19	87
Private capital	246	484	389	279	173
Direct investment (net)	100	77	177	139	126
Other, including errors and omissions	146	407	213	140	47
Memorandum items:					
Current account	-56	18	-215	-166	-361
Overall balance	137	394	47	152	-53

Source: Bank of Jamaica.

Table 43. Jamaica: Net Official International Reserves

(In millions of U.S. dollars, end period)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Net reserves	56	450	496	649	595
Gross reserves	429	783	732	818	730
Holdings of SDRs	8	11	3	0	0
Other assets	421	772	729	818	730
Liabilities	-373	-333	-236	-170	-135
IMF	-356	-313	-216	-147	-112
Norway Consultancy Fund	0	0	0	0	0
Libya	0	0	0	0	0
Iraq	-17	-20	-20	-23	-23
CARICOM bilateral clearing facility	0	0	0	0	0
Marubeni	0	0	0	0	0
Short-term liability	0	0	0	0	0
Arrears	0	0	0	0	0
Memorandum items:					
Change in net reserves 1/	-137	-394	-47	-152	53
Gross official reserves (in weeks of nonbauxite imports)	10	17	13	14	12

Source: Bank of Jamaica.

1/ Change from the same date a year ago. A minus sign indicates increase in net reserves.

Table 44. Jamaica: Medium- and Long-term External Public Debt Outstanding

(In millions of U.S. dollars, end of period)

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
Total	3,654	3,678	3,423	3,181	3,173
Official creditors	3,136	3,264	3,035	2,790	2,590
Bilateral	1,809	1,900	1,813	1,713	1,461
OECD	1,569	1,692	1,631	1,538	1,316
Non-OECD	241	208	182	175	145
Multilateral	1,327	1,365	1,222	1,077	1,129
IBRD	463	400	386	283	396
IMF	339	328	214	146	106
Others	525	637	622	648	627
Private creditors	518	414	388	391	583
Commercial bank	394	308	297	281	283
Other	123	106	91	62	50
Bond Issue	0	0	0	48	250
Memorandum items:					
Total debt, percent of exports of goods and nonfactor services	147.8	133.5	106.7	106.2	103.5
Total debt, percent of GDP	104.2	80.3	71.5	50.1	48.3
IMF debt, percent of GDP	9.6	7.1	4.4	2.3	1.6

Source: Bank of Jamaica, External Debt Management Department.

Table 45. Jamaica: External Public Debt Service

	1993/94	1994/95	1995/96	1996/97	Prel. 1997/98
(In millions of U.S. dollars)					
Debt service payments (before rescheduling) 1/	701	698	623	545	507
Interest 2/	213	205	193	188	183
Total, excluding IMF	191	185	177	177	174
IMF	21	20	16	11	9
Amortization 3/	488	493	430	357	324
Total, excluding IMF	420	402	333	298	295
IMF	68	91	96	59	28
Debt service payments (after rescheduling)	584	592	573	545	507
Average interest rate on public debt	5.9	5.6	5.4	5.6	5.8
(In percent of exports of goods and nonfactor services)					
Debt service (before rescheduling)	28.4	25.4	19.4	18.2	16.5
Debt service (after rescheduling)	23.6	21.5	17.8	18.2	16.5
Debt relief	4.7	3.9	1.6	0.0	0.0
IMF payments	3.6	4.0	3.6	2.3	0.9
Interest payments (accrual basis)	8.6	7.5	6.2	6.1	5.9

Sources: Bank of Jamaica; and Ministry of Finance and Planning.

1/ Based on scheduled payments; includes changes in Bank of Jamaica reserve liabilities (other than those to the Fund).

2/ Includes interest payments on short-term public sector debt.

3/ Includes amortization of a 1982 advance out of bauxite levy receipts.

Table 46. Jamaica: Exchange Rates

(Period averages)

	Official Market 1/	Nominal Effective Exchange Rate Index 2/	Real Effective Exchange Rate Index 2/
1980			
1981	1.781	248.9	151.5
1982	1.781	266.4	161.4
1983	1.781	283.1	167.4
1984	2.018	258.8	158.1
1985	4.055	153.1	110.5
1986	5.554	113.2	96.6
1987	5.476	110.4	103.9
1988	5.487	109.1	102.6
1989	5.490	110.3	104.6
1990	5.763	115.1	112.1
1991	7.291	100.0	100.0
1992	12.716	70.0	90.3
1993	22.969	36.9	78.1
1994	24.951	39.7	88.0
1995	33.190	33.9	86.0
1996	35.293	31.9	91.5
1997	37.120	30.8	108.9
	35.404	33.3	125.9
1995			
January			
February	33.140	34.2	91.6
March	33.090	34.0	91.6
April	32.253	33.6	91.3
May	33.452	33.1	90.8
June	33.665	32.9	91.5
July	33.738	32.8	92.4
August	34.118	32.6	92.8
September	35.443	32.2	93.5
October	36.792	31.1	92.4
November	38.656	29.5	89.7
December	39.551	28.3	88.4
	39.616	28.4	92.0
1996			
January			
February	39.631	28.6	94.4
March	39.786	28.5	96.8
April	39.845	28.5	98.3
May	39.809	28.6	100.1
June	38.135	29.2	103.1
July	35.380	30.9	110.3
August	35.493	32.0	114.2
September	34.821	32.4	116.6
October	34.924	32.7	118.4
November	34.909	32.7	118.4
December	34.955	32.5	117.8
	34.865	32.7	118.8
1997			
January			
February	34.622	33.2	120.9
March	34.952	33.4	122.1
April	34.984	33.5	122.9
May	35.383	33.6	124.2
June	35.283	33.3	123.9
July	35.249	33.2	124.8
August	35.373	33.3	126.2
September	35.476	33.7	129.2
October	35.953	33.2	128.1
November	35.952	32.9	128.1
December	36.164	32.8	128.4
	36.341	33.2	131.1

Source: IMF, Information Notice System.

1/ Monthly data are for the end of the month; Jamaica dollar per U.S. dollar.

2/ 1990 = 100; increase in index represents appreciation of Jamaica dollar.

List of Primary Dealers as of February 1998

1. Alpha Financial Services Limited
2. Barita Investment Limited
3. CIBC Trust and Merchant Bank Jamaica Limited¹
4. Capital and Credit Merchant Bank²
5. Citimerchant Bank Limited¹
6. Citizens Bank Limited¹
7. Dehring, Bunting and Golding Limited¹
8. Edward Gayle and Company Limited¹
9. Horizon Merchant Bank Limited²
10. Jamaica Money Market Brokers Limited¹
11. Mayberry Investments Limited¹
12. Pan Caribbean Merchant Bank Limited²
13. Scotiabank Jamaica Trust and Merchant Bank Limited²

¹Banks or affiliated companies.

²Near banks or affiliated companies.

Jamaica: Summary of Privatizations, 1981-97

Entity	Date of privatization	Method of sale	Payment in millions of Jamaican dollars	Payment in millions of U.S. dollars	Sector
I. Enterprises					
Versair Inflight Ltd.	1981	Sale of shares	1.50		Tourism
Southern Processors	1981	Sale of assets	1.57		Agro-processing
Rural Ice and Cold Storage	1986	Sale of assets	0.50		Manufacturing-ice
Hanover Spices Ltd.	1986	Sale of assets	0.11		Agro-processing
Jamaica Oxygen and Acetylene Ltd.	1986	Sale of shares	2.00		Manufacturing-industrial gases
Hellshire Fish Farms	1986	Sale of assets	0.88		Agro-processing
Zero Processing and Cold Storage	1986	Sale of assets	3.99		Food processing-cold storage
National Commercial Bank	1986	Sale of shares	156.0		Finance
National Hotel Supplies Ltd.	1987	Sale of assets	6.00		Tourism
Caribbean Cement Co. Ltd.	1987	Sale of shares	142.65		Manufacturing
Royal Caribbean Hotel	1987	Sale	23.00		Tourism
Telecommunications of Jamaica Ltd.	1987-1990	Sale of shares	108.74	129.86	Communications
Martins Travel Service Ltd.	1987	Sale of shares			Tourism
Serge Island Dairies Ltd.	1988	Sale of shares	1.78		Agro-processing
West Indies Pulp and Paper Ltd.	1989	Sale of shares			Manufacturing
Jamaica Gypsum and Quarries Ltd.	1989	Sale of shares	4.00	4.00	Manufacturing
Casa Monte Hotel	1989	Sale of assets	5.00		Tourism
Casa Montego Hotel	1989	Sale of assets	22.40		Tourism
Inn-on-the Beach Hotel	1989	Sale of assets	7.00		Tourism
Wyndham Rose Hall Hotel	1989	Sale of assets	25.12	18.00	Tourism
Jamaica Jamaica Hotel	1989	Sale of assets	44.96	8.00	Tourism
Eden II/Sandals Dunn River	1989	Sale of assets	27.70	5.00	Tourism
Hedonism II Hotel	1989	Sale of assets	63.21	10.75	Tourism
Trelawny Beach Hotel	1989	Sale of assets	29.93	5.10	Tourism
Montego Inn Hotel	1989	Sale of assets	2.70		Tourism
Jack Tar Hotel	1990	Sale of assets	24.15	3.50	Tourism

Jamaica: Summary of Privatizations, 1981-97

Entity	Date of privatization	Method of sale	Payment in millions of Jamaican dollars	Payment in millions of U.S. dollars	Sector
Wyndham New Kingston Hotel	1990	Sale of assets	14.87	6.38	Tourism
Mallards/Americana Hotel	1991	Sale of assets		17.00	Tourism
Jamaica Frozen Foods Ltd.	1991	Sale of assets	8.00		Food processing-cold storage
Jamaica Fisheries Complex Ltd.	1991	Sale of assets	0.48		Food processing-cold storage
West Indies Glass Ltd.	1991	Sale of shares	40.00		Manufacturing
Agricultural Mechanical Services	1991	Sale of assets	2.00		Agri-mechanical
Negril Cabines	1991	Sale of assets	15.00		Tourism
RJR "B" Shares	1991	Sale of shares	15.70		Communications
Montpelier/Shettlewood Properties	1992	Sale of land	18.00		Agricultural
National Commercial Banks	1992	Sale of shares	526.00		Finance
Jamaica Drip Irrigation Ltd.	1992	Sale of shares	0.60		Agricultural
Governmenting Printing Office	1992	ESOP			Printing services
Caribbean Steel Co. Ltd.	1992	Sale of shares	163.35		Manufacturing
Caribbean Cement Co. Ltd.	1992	Sale of shares	168.00		Manufacturing
Cornwall Dairy Development Ltd.	1993	Sale of assets	9.49		Agri-processing
Jamaica Soya Products Industries Ltd.	1993	Sale of shares	49.50		Agro-processing
National Computer Centre	1993	ESOP			Computer services
National Cassava Centre	1993	Sale of assets	3.20		Agro-processing
CMP Shares	1993	Sale of shares	1.25		Manufacturing
Skyline Hotel	1993	Sale of assets	100.00		Tourism

Jamaica: Summary of Privatizations, 1981-97

Entity	Date of privatization	Method of sale	Payment in millions of Jamaican dollars	Payment in millions of U.S. dollars	Sector
Sugar Estates:	1993	Sale of factory	1,360.00		Agro-processing
Frome		Equipment and cane			
Monymusk		Lands; lease of			
Long Pond		cane lands			
Bernard Lodge					
Victoria and Eastern Banana	1994	Sale of shares	330.00		Agricultural
Holiday Inn-Montego Bay Hotel	1994	Sale of assets		21.00	Tourism
Air Jamaica Ltd.	1994	Sale of assets/shares			Transportation
Police Garage	1994	Management services			Transportation
Water Valley Estate	1994	Sale of land	14.00		Agricultural
Ashtröm Building Systems Ltd.	1995	Capital reorganization			Construction-housing
Insswood Vinegar	1995	Sale of shares	3.30		Agro-processing
Trans-Jamaican Airline Ltd.	1995	Sale of shares			Transportation
Highgate Foods	1996	Sale of shares	7.03		Agro-processing
Spring Plains-Packing Line	1996	Sale of assets		0.10	Agricultural
Digital Computer Systems Ltd.	1996	Liquidation	0.25		Computer services
NIBBI Tractors	1996	Sale of assets	2.48		Agri-mechanical
Jamaica Grain and Cereal Ltd.	1996	Sale of shares	12.00		Agro-processing
Long pond Poultry Assets	1997	Sale of buildings	4.50		Agro-processing
Jamaica Broadcasting Company	1997	Sale of assets	70.0		Communication
II. Land Settlements					
Privatization of land	1989/94	Sale of land	156.4		
Total			3,834.18	228.69	

Source: Ministry of Finance; NIBJ, 1997.

Jamaica: Summary of Tax System as of March 31, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>1. Tax on net income and profits</p>	<p>Annual tax on resident company income, which accrued in or was derived from Jamaica or elsewhere irrespective of whether the income is remitted to Jamaica. For nonresident companies, on income which accrued in or was derived from Jamaica. The year of assessment is the period from January 1 to December 31 in each year.</p>	<p>Exemptions: charitable, religious, scientific, and educational organizations are exempt under the Income Tax Act. Other enterprises are under the Industrial Incentives Act, the Hotel Incentives Act, the Shipping Incentives Act, the Motion Picture Industry Encouragement Act, the Jamaica Export Free Zone Act, the Foreign sales Corporations Act, the Income Act in respect of prescribed agricultural activity the Cooperative Societies Act, and the Resort Cottages Act.</p>	<p>1) Company Profit Tax: 33.3 percent; building society 30 percent; life assurance company 75 percent</p>
<p>1.1 Taxes on companies corporations and enterprises The Income Tax Act 1954, as amended up to 1955).</p>	<p>Bauxite mining income assessed on assumed net profit per ton of bauxite. To avoid the transfer pricing problem, profits are calculated on a transparent set of price indicators.</p>	<p>For example: approved enterprises may be granted a tax holiday of up to ten years depending on local value-added content.</p>	<p>2) Distributions: Withholding tax (resident shareholder), 33.3 percent. On nonresident shareholder, appropriate Jamaican or treaty rate. Withholding tax on specified distributions to resident shareholders (other than capital dividends), security holders, and principal members (loans, residence), 33.3 percent.</p>
		<p>Income from qualifying activities in the Export Free Zone is exempt from tax indefinitely.</p>	
		<p>Income derived from hotels may be exempt up to 15 years.</p>	
		<p>Deductions: 1) Expenses wholly and exclusively incurred by corporation in earning income in the year of assessment are fully deductible. 2) Bad debts are deductible in the year of assessment in which they become bad. 3) Losses are deductible in the year of assessment and can be carried forward indefinitely until set off in full. There is no loss carry back. 4) For industrial and provident societies any payment to members on account of their transactions is tax deductible For building societies share interest and profits allocated to general reserves up to 5 percent of assets are deductible items. 5) National insurance contribution: employers-paid contributions are deductible.</p>	<p>3) Premium Income: a) Regionalized insurance companies - 15 percent of premium income; b) Others - 2 percent of premium income.</p>
		<p>Tax Credit: From 1994 tax credit is given on issue of bonus shares of nominal value not exceeding 50 percent of after tax profits.</p>	<p>25 percent of nominal value of shares issued.</p>
		<p>Capital allowances: wear and tear for the write-off of fixed assets are permitted as below:</p>	
		<p>(1) Industrial buildings: Initial allowance: Declining balance:</p>	<p>20 percent Rate approved by Commissioner</p>

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>(2) Nonresidential buildings: annual allowance (only) prescribed rates Basis: straight line or (fixed line) unless the allowance is being claimed under Section 13 (N).</p> <p>Initial allowance: Annual allowance: (a) Reducing balance (b) Straight-line according to the formula: $5/4 \times 9/10 \times \frac{I}{\text{anticipated normal working life}}$</p>	<p>2.5 or 5 percent</p> <p>Rate as calculated using the straight-line formula.</p>
		<p>(3) Motor Vehicles. (a) Trade vehicles: annual allowance, (straight-line): (b) Private vehicles: (annual allowance in respect of private vehicles is limited to a yearly maximum per vehicle of J\$400 and an aggregate maximum of J\$3,200); annual allowance, (straight-line).</p>	<p>12.5 percent.</p> <p>12.5 percent.</p>
		<p>(4) Basic industry. Manufacturing (including canning and preserving), construction, electricity, store warehouses, cold storage, and docks. Investment allowance (in lieu of any initial allowance but not applicable in determining unallowed residue).</p> <p>Special allowance for plant or machinery used on two shifts or more per day in specified canning and preserving, agricultural processing and manufacturing industries.</p>	<p>20 percent.</p> <p>Not explicitly specified but not exceeding those applicable to plant and machinery.</p>
		<p>(5) From 1994 Special Capital Allowances on new machinery.</p>	<p>50 percent write off for each of two years.</p>
		<p>(6) Sugar industry investment allowance. Special investment allowance: not applicable in determining unallowed residue. The 40 percent may be election be spread forward up to six years. Any portion still remaining unallowed at the end of the period above may be carried forward to another 11 years. Total period for allowing the SIA is therefore 17 years. Annual allowance:</p>	<p>40 percent. Various prescribed rates.</p>
		<p>(7) Agricultural investment allowance on expenditure in farming. As above for sugar industry except that the total period for write-off is 11 years.</p>	<p>As per sugar industry.</p>
		<p>(8) Mines and oil wells: Initial allowance: Annual allowance:</p>	
		$\frac{\text{Output of the year}}{\text{Output of the year} + \text{total potential output} \times \text{residue of expenditure}}$	

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2 Taxes on Individuals (The Income Tax Act 1954, as amended 1992).	A tax on "world income" accruing to or derived by residents from any trade, business, rental, profession, employment, or vocation. Nonresidents are taxed on all income accruing in or derived from Jamaica. Although there is no specific provision, capital receipts and gains are not considered income.	(9) Plant and machinery (used for mines and oil wells but treated as plant and machinery for year). Annual allowance (as for ordinary plant and machinery).	Prescribed rates determined by Commissioner.
		(10) Scientific research: Annual allowance.	20 percent of capital expenditure and 1/4 of other relevant expenditure.
		(11) Patents allowance: annual.	1/4 of capital expenditure annually.
	Income from employment during the current fiscal year is subject to pay-as-you-earn (PAYE) assessment. As regards other sources of income, the current fiscal year also forms the base for assessment purposes.	Note: companies enjoying exempt status are not eligible for special investment allowances. Income derived by nonresidents on investment or deposits in building society, housing schemes, approved public utilities, and hotel enterprises are tax exempt.	Taxable income: all taxable income is taxed at the flat rate of 25 percent. Nonresident also pay at the rate of 25 percent, or at a rate under Double Taxation Treaty.
	Employment income includes estimated annual values of perquisites or other benefits provided in kind, and pensions, annuities, etc., for past services. Annual value of housing accommodation provided by the employer (maximum limit 15 percent of total emoluments) is included in chargeable income. Payments by the employer of services at the employee's residence, for example, electricity, gas, telephone, domestic helpers, etc., are also considered perquisites and are taxable in the hands of the employee but upkeep allowances for motorcars paid to public servants are excluded.	Residents and nonresidents enjoy the following exemptions:	Withholding taxes
	Income of a married woman living with her husband shall be assessed and charged to tax as if she were unmarried, but joint assessment may be elected.	(1) Capital gains on shares, stocks, and securities (if these do not exceed one half of income from other sources). (2) Dividends from approved investments, including from firms receiving tax holidays.	(1) Residents Interest payments, 25 percent; dividends 25 percent (2) Nonresidents 25 percent or at treaty rate.
		(3) Interest on government securities paid out of Consolidated Fund.	Exemptions from withholding tax:
		(4) Proceeds from approved pension scheme or a statutory pension scheme p to J\$15,000.	(a) Interest paid to an approved overseas organization; (b) Interest from investment by nonresident (other than a resident in a tax treaty country) in a building society; and improved housing scheme or an approved public utility.
		(5) Lump-sum payments from public funds.	(3) Mining companies registered in Jamaica
		(6) Income from prescribed agricultural activity.	Interest paid overseas on mining related debt: nil.
		(7) Total income not in excess of J\$100,464 w.e.f. Jan. 1, 1999 or J\$145,464 for persons other than pensioners 65 years and over or J\$190,464 for pensioners 65 years and over.	

Tax	Nature of Tax	Exemptions and Deductions	Rates
		(8) All expenses incurred wholly or exclusively in acquiring income are deducted. Contributions to National Insurance Scheme are fully deductible but limits have been placed on allowable deductions for pensions contributions (up to 10 percent of total emoluments).	
		(9) Payments for telephone, the employee's residence, used for the purpose of the employment is not taxed. Other payments exempt from tax are: (a) meals provided outside of normal working hours; and (b) uniforms or laundry where the employee is required to wear a uniform.	Limited to J\$5,739 for uniform and J\$3,395 for laundry. This applies only to certain categories of workers. In general, white-collar workers do not enjoy tax free status on these allowances w.e.f. 1-1-95.
		(10) Interest on foreign currency deposit accounts.	
		(11) The taxpayer enjoys a full and complete offset of losses incurred in the course of earning income.	
		(12) Employer's contributions to an approved superannuation fund or retirement scheme.	
		(13) Taxable income from dividend is the gross amount of dividend but tax withheld is credited against shareholder's income tax liability.	
		(14) Interest-bearing-deposits of life insurance companies held for three or more years are tax exempt.	
		(15) Income for scholarship and bursary received by an individual attending full-time school is tax exempt.	
		(16) Income from approved gratuity scheme in the tourist industry is exempt.	
		(17) Income from approved productivity scheme is exempt.	
2. Contributions for social security			
2.1 Social security contributions	Social Security contributions, initiated in April 1966, finance the National Insurance Scheme, an autonomous body administered by the Ministry of Pensions and Social Security. Benefits provided by the scheme are old age, widows, widowers, children, and invalids' pensions, lump sum and funeral grants, and payments for certain employment-related accidents and certain diseases.	Persons below 18, men over 70 years of age, and women over 65 years of age are exempt.	Employed persons pay 2.5 percent of emoluments not exceeding J\$20,833 per annum or J\$4,808 per week, and employers pay 2.5 percent. Self-employed persons pay 5 percent of annual earnings not exceeding J\$250,000. Domestic workers, members of Jamaica Defence Force, and their employers pay J\$10 each per week. Voluntary contributions pay J\$20 per week.
(National Insurance Act No. 38 of 1965 as amended).			

Tax	Nature of Tax	Exemptions and Deductions	Rates
3. Payroll contributions			
3.1 National Housing Trust Contributions (National Housing Trust, Act No. 32 of 1979).	<p>Compulsory in nature, these contributions are made by employers and employees. They are refundable and earn interest, at present 7 percent a year. Refund is to be made to employees in the eighth year after the contribution is collected or at the time of retirement, whichever comes earlier, and to employers in the 26th year after the contribution is collected.</p> <p>Employees receive interest along with repayment of their contribution after seven years.</p> <p>These contributions accrue to National Housing Trust an autonomous body which finances low-cost housing and which began operation on January 1 1976. Employers are charged a penalty rate of 20 percent on contributions not paid on due dates.</p>	<p>Men over 65 and women over 60 years of age are exempt.</p> <p>Employers' contributions are deductible in arriving at taxable income.</p>	<p>Contributions are based on gross wages (including overtime but excluding allowances)</p> <p>Employees: 2 percent Employers: 3 percent Self-employed persons pay 3 percent.</p>
3.2. Human Employment and Resource Training Contributions (HEART) (Act. No. 13 of 1982).	<p>Contributions to the HEART. Trust Fund are used to finance the development of employment opportunities for trainees.</p>	<p>The following are exempt:</p> <ol style="list-style-type: none"> (1) Ministry or Department of Government; (2) a statutory body or authority; (3) a company registered under the Companies Act, being a company in which the Government or an agency of Government holds not less than 51 percent of the ordinary shares; (4) any Parish Council; (5) the Kingston and St. Andrew Corporation; (6) any employer whose average monthly payments of emoluments to employees during the period of 12 months immediately preceding the appointed day and during any subsequent contribution year, does not exceed the prescribed amount. 	<p>3 percent of emoluments payable by employer</p>
3.3 Education Tax (Education Tax Act. 1987)	<p>Tax on earnings of individuals. Total emoluments are those subject to PAYE for income tax purposes.</p>	<p>Persons below 18 and over 65 years of age.</p>	<p>In respect of employed persons:</p> <ol style="list-style-type: none"> (a) self-employed persons: 2 percent; (b) other employed persons: 2 percent by employee, 3 percent by employer; (c) domestic workers: 20 cents a week payable by employees and 20 cents a week payable by employers.

Tax	Nature of Tax	Exemptions and Deductions	Rates																				
4. Taxes on property																							
4.1 Real Property Tax																							
4.1.1 Property tax	(Land Valuation Act No. 15 of 1974; Property Tax Act No. 35 of 1973; Provisional Collection of Tax (Property Tax) (No. 2) Order, 1974; Property Tax (Amendment of First Schedule) Order, 1976; Land Taxation (Relief) Act No. 36 of 1973, Gazette No. 42A, 1987.	Levied in all parishes since 1974, on the site value of property (excluding buildings and crops). Valuations are based on market value of land at the valuation date—once every five years— and are based on its location and present use, land prices in the area, zoning, type of land, development potential of land or "highest and best use of land" as against existing use of land. Property tax does not include water rates or sewerage rates.	Property belonging to Central Government, municipal corporations, and parish councils are exempt from property tax. Churches, hospitals, educational institutions, and approved social, cultural, and charitable organizations are exempt from property tax.																				
The Provisional Collection of Tax (Property Tax) Order, 1993.	Penalty for late payment: 10 percent of tax due, plus interest of 15 percent per annum.	Relieves from property tax are statutorily granted under the Land Taxation (Relief) Act in respect of land used substantially for agricultural production. The derating relief is granted on a case-by-case basis and only three years at a time. Agricultural lands enjoy a relief of 50 percent of their tax due. In no case can the tax payable be reduced below J\$50.	The following rates are effective April 1993:																				
		Relief from property tax can also be granted in the following categories of "hardship cases".	<table border="1"> <thead> <tr> <th data-bbox="1507 443 1650 464">Improved values</th> <th data-bbox="1745 443 1839 464">Rate of tax</th> </tr> <tr> <th colspan="2" data-bbox="1608 475 1759 496">(Jamaica dollars)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1507 529 1619 550">Up to 20,000</td> <td data-bbox="1797 529 1839 550">\$50</td> </tr> <tr> <td data-bbox="1507 558 1650 579">20,001-50,000</td> <td data-bbox="1713 558 1818 579">0.10 percent</td> </tr> <tr> <td data-bbox="1507 587 1650 609">50,001-100,000</td> <td data-bbox="1713 587 1818 609">0.30 percent</td> </tr> <tr> <td data-bbox="1507 617 1661 638">100,001-500,000</td> <td data-bbox="1713 617 1818 638">0.75 percent</td> </tr> <tr> <td data-bbox="1507 646 1671 667">500,001-1,000,000</td> <td data-bbox="1713 646 1818 667">1.50 percent</td> </tr> <tr> <td data-bbox="1507 675 1692 696">1,000,001-2,500,000</td> <td data-bbox="1713 675 1818 696">2.00 percent</td> </tr> <tr> <td data-bbox="1507 704 1692 725">2,500,001-5,000,000</td> <td data-bbox="1713 704 1818 725">2.50 percent</td> </tr> <tr> <td data-bbox="1507 734 1650 755">Over 5,000,000</td> <td data-bbox="1713 734 1818 755">3.00 percent</td> </tr> </tbody> </table>	Improved values	Rate of tax	(Jamaica dollars)		Up to 20,000	\$50	20,001-50,000	0.10 percent	50,001-100,000	0.30 percent	100,001-500,000	0.75 percent	500,001-1,000,000	1.50 percent	1,000,001-2,500,000	2.00 percent	2,500,001-5,000,000	2.50 percent	Over 5,000,000	3.00 percent
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1,000,001-2,500,000	2.00 percent																						
2,500,001-5,000,000	2.50 percent																						
Over 5,000,000	3.00 percent																						
		(1) valuation based on potentialities of land far exceed valuations under its present se, particularly in case of owner occupied dwellings and agricultural lands on the fringes of commercial and industrial zones;																					
		(2) intended improvements on land necessitate substantial capital expenditure; and																					
		(3) sports and other organizations with approved purposes. The Minister can reduce or write off property taxes in case of needy individuals, pensioners, etc.																					
4.2 Urban Renewal (Tax Relief) Act	Tax incentives designed to encourage and facilitate the re-development and restoration or derelict urban areas for social and economic rejuvenation. These incentives will attract the private capital necessary to achieve this objective.	Tax credit of 25 percent to an approved developer in respect of improvement works in any year of assessment.																					
		Interest income on urban renewal bonds issued by an approved organization is exempt from income tax.																					
		Renewal Bonds exempt from the payment of Stamp Duty.																					
		Where approved developer leases improved property in a special development area during the incentive period, tax relief on the income obtained from the lease.																					

Tax	Nature of Tax	Exemptions and Deductions	Rates										
4.3 Death and Gift Taxes	None, except transfer tax (see 4.4 and 4.5 below).												
4.4 Transfer tax Inter vivos transfers	Tax payable since 1970 for the transfer on the market value of property at the time of its transfer, including gifts.	Property transfers by Government of Jamaica, municipal corporations, and parish councils are exempt. Gifts to approved institutions, charitable, religious, etc., and for approved purposes are also exempt.	For all property transfers 7.5 percent of market value (except in case of death) or 37.5 percent of the national capital gain realized on the transfer whichever is less.										
(Transfer Tax Act No. 7 of 1971, 5 of 1973, 44 of 1974, 12 of 1975) P.R.R. No. 35 of April 4, 1984.	Property includes land (lease of land, interest in land), and shares (debentures, other securities and annuities).												
Mortis cause transfer	Since 1975, transfers on death have also been subjected to this tax and all land, shares, and other property of the deceased persons, including immovable property outside Jamaica, but excluding life insurance policies, is subject to tax.	Distributions by corporations of income, gains, and benefits, which are not in the nature of capital distributions, are exempt.	Aggregate of property transfers by the deceased:										
			<table border="1"> <thead> <tr> <th>Jamaica dollars</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>First 10,000</td> <td>Nil</td> </tr> <tr> <td>10,0001-40,000</td> <td>10.0</td> </tr> <tr> <td>40,0001-100,000</td> <td>12.5</td> </tr> <tr> <td>Remainder</td> <td>15.0</td> </tr> </tbody> </table>	Jamaica dollars	Percent	First 10,000	Nil	10,0001-40,000	10.0	40,0001-100,000	12.5	Remainder	15.0
Jamaica dollars	Percent												
First 10,000	Nil												
10,0001-40,000	10.0												
40,0001-100,000	12.5												
Remainder	15.0												
	False return, or failure to file a return is an offense liable to a J\$2,000 fine and/or imprisonment.	First J\$10,000 for transfer of real estate is tax exempt if the value of the property does not exceed J\$150,000, and so are government securities. Other exemptions include:											
		(1) principal place of residence vale which does not exceed J\$150,000;											
		(2) shares and securities sold in the Jamaica Stock Exchange through a broker.											
4.5 Transfer tax Mortis causa transfer		Full relieves are granted from tax in case of:											
		(1) properties on whose transfer capital gain is not more than 12.5 percent of the value in 1970; and											
		(2) value of crops, trees, etc., on an agricultural property.											
		Deductions are made from deceased person's taxable property of mortgages, debt, funeral expenses, etc., before tax is charged.											
5. Tax on goods and services													
5.1 General Consumption Tax (Acts Nos. 16 and 21 of 1991 amended June 18, 1993).	Goods and services supplied in or imported into Jamaica.	Deduction Input tax credit being tax charged on the supply or on the importation of goods and services required wholly or mainly for the purpose of making taxable supplies.	All taxable goods and services are taxed at 15 percent with effect from April 24, 1995 except:										
Gazette No. 25, June 18, 1993.	Taxable activity includes activity carried on in the form of a business, trade, profession, vocation, association or club.		1) Portland Cement 12.5 percent 2) Pre-mixed Concrete 12.5 percent 3) Cement Blocks 12.5 percent 4) Steel reinforcing bars 12.5 percent										
	(a) Zero-rated Items												
	General												
	(i) Agriculture--including animal feds (except pet food), machetes, 11.43 cm triangular cutlass files, grubbing hoes, farm forks (that is to say, four pronged forks), hog wire,		Zero percent										

Tax	Nature of Tax	Exemptions and Deductions	Rates
	mesh wire and barbed wire which the Commissioner is satisfied are purchased solely for use in agricultural activities, irrigation equipment, planting material, fishing apparatus, gear, boats, engines and parts for commercial fishermen, fertilizer, fungicides, herbicides, plant growth regulators, nematocides.		
	(ii) Health—medical, dental, surgical, ophthalmic or veterinary instruments, orthopedic appliances, surgical belts, trusses, splints, canes, crutches, artificial limbs, eyes, teeth, x-ray or radiation appliances, invalid carriages, bandages and gauze.		Zero percent
Gazette No.12A, February 10, 1994	Other Corn Soyameal Wheat		Zero percent
5.1 General Consumption Tax (Acts Nos. 16 and 21 of 1991 amended June 18, 1993).	(iii) Diplomatic and international organizations - all articles for use by the Governor General or for diplomatic missions and international organizations.		Zero percent
Gazette No. 25 - June 18, 1993	(iv) Exports.		Zero percent
Gazette No. 12A - February 10, 19	(v) Goods purchased or imported by central or local government or statutory bodies (other than those excepted).		Zero percent
	(vi) Places of worship - Altar bread, matzos, unleavened bread, communion wafers, candles, myrrh, frankincense, offertory envelopes, goods, solely for furnishing or decorating place of worship.		Zero percent
	(vii) Books, newspapers, booklets, maps, stationery and other apparatus solely for use in education, brochures and pamphlets for religious purposes.		Zero percent
	(viii) Miscellaneous items: (a) sports equipment for basketball, boxing, cricket, football, hockey, netball, table tennis, track and field, volley ball, dominoes, badminton, cycling, golf, lawn tennis, rugby, softball, squash, swimming. (b) Some gift parcels. (c) Passenger baggage (d) Re-imports. (e) Gold bullion (f) Unused postage stamps. (g) Goods except motor vehicles acquired by Boys' Scout or Girls' Guide Associations and other youth organizations approved by the Minister. (h) Insurance in respect of buses used for public passenger transport.		Zero percent
	(ix) Motor vehicles for use by prescribed persons e.g., statutory bodies, parliamentarians, school principals, medical		Zero percent

Tax	Nature of Tax	Exemptions and Deductions	Rates
	practitioners, nurses, public health officers, travelling officers.		
	(x) Apparatus designed to produce energy, heat, light, etc., from sun, wind, water and other renewable sources of energy.		Zero percent
	(xi) Energy-saving devices - fluorescent lamps and ballasts.		Zero percent
	(xii) Coverings and containers (including boxes, barrels, crates, bottles and bags).		Zero percent
	(xiii) Items under enactment's exempt from customs duty:		Zero percent
	1. The Bauxite and Alumina Industries (Encouragement) Act.		
	2. The Export Industry Encouragement Act.		
	3. The Hotels (Incentives) Act.		
	4. The Industrial Incentives Act.		
	5. The Industrial Incentives (Factory Construction) Act.		
	6. The Jamaica Export Free Zones Act.		
	7. The Motion Picture Industry (Encouragement) Act.		
	8. The Petroleum Act		
	9. The Petroleum Refining Industry (Encouragement) Act.		
	10. The Resort Cottages (Incentives) Act.		
	(xiv) Goods used in the Modernization Program.		
	(b) Items Attracting Special Rates of GCT		
	Motor cars (including buses with less than 10 seats including driver's seat) with a taxable base for imports as follows:		
	By a dealer: Customs Duty value + Customs Duty + Dealer's mark-up		
	Other importer: Customs Duty value + Customs Duty		
	-- not exceeding 1000 CC		17.094% imported by dealer 19.23% other importer
	-- 1000 cc - 1500 cc		27.35% imported by dealer 30.768% other importer
	-- 1500 cc - 2000 cc (gas), 2200 (diesel)		34.188% imported by dealer 38.69% other importer
	-- 2000 cc - 3000 cc (gas), 2200 cc - 3200 cc (diesel)		57.28% imported by dealer 57.69% other importer
	-- exceeding 3000 cc (gas), 3200 cc (diesel)		157.26% imported by dealer 176.92% other importer
	Limousines for tourism		51.28% imported by dealer 57.69% other importer
	Motor tractors, trailers, motor chassis for agriculture.		12.6984% imported by dealer 14.2857% other importer

Tax	Nature of Tax	Exemptions and Deductions	Rates
	Other motor tractors, trailers, motor chassis.		21.164% imported by dealer 23.809% other importer
	Trucks for agriculture		8.08% imported by dealer 9.09% other importer
	Other Trucks		
	– under 2032 kg.		36.36% imported by dealer. 40.91% other importer.
	– exceeding 2032 kg.		20.20% imported by dealer. 22.72% other importer
	(i) Range Rover, Jeep, Pathfinder or Trooper for use in agriculture.		20.51% imported by dealer. 23.076% other importer
	(ii) Other of (i) above not exceeding 2000 cc (gas) 2200 (diesel).		34.188% imported by dealer. 38.46% other importer.
	(iii) Others of (i) and (ii) above: not exceeding 3000 cc (gas), 3200 cc (diesel).		51.28% imported by dealer. 57.69% other importer.
	(iv) Others of (i) above exceeding 3000 cc (gas), 3200 (diesel).		157.265% imported by dealer. 176.92% other importer.
	Buses including mini-buses except those below:		76.77% imported by dealer. 86.36% other importer.
	Buses and minibuses for public transportation and tourism with:		20.20% imported by dealer. 22.72% other importer.
	(i) seating capacity of 15-24 seats		
	Buses and minibus for tourism with seating capacity:		
	(a) 9-14 seats; and		36.36% imported by dealer. 40.90% other importer.
	(b) less than 9 seats		17.094% imported by dealer. 19.23% other importer.
	(ii) seating capacity of 25 or more seats		Zero percent
	Any other mechanically propelled road motor vehicle except motor cycles and invalid carriages.		29.6296% imported by dealer 33.3333% other importer
	Second sale of motor vehicles made by a person who is not a registered taxpayer.	Motor vehicles over 8 years old.	
	(a) Motor cars not exceeding 2000 cc		2000
	2000 cc - 3000 cc		4000
	Exceeding 3000 cc		6000
	(b) Trucks not exceeding 1,524 kg		2000
	1,524 kg - 3,048 kg	Exemptions	4000
	Exceeding 3,048 kg		6000

Tax	Nature of Tax	Exemptions and Deductions	Rates
		Activities carried on essentially as a private recreational pursuit or hobby.	For details of zero-rated items see Annex I SM/93/203
		Any engagement, occupation or employment under any contract of service or as a director of a company.	
		Goods	
		<ol style="list-style-type: none"> 1. Travel tickets for international travel. 2. Coffins made of wood. 3. Ice (except ice sold in retail packages). 4. Marl, sand, gravel, stone and top soil. 5. Raw foodstuff as follows: <ol style="list-style-type: none"> (a) fresh fruits and vegetables, excluding imported apples, pears, quinces, apricots, cherries, peaches (excluding nectarines), plums, sloes, berries, grapes and kiwis; (b) ground provisions; (c) legumes; (d) onions and garlic; (e) meat; (f) poultry; (g) fish, crustacean or mollusc, which contain no additive and which is not subject to any process other than - <ol style="list-style-type: none"> (i) freezing, chilling, salting or packaging; (ii) slicing, mincing, grinding, dicing or chopping; or (iii) natural drying. 6. Milk (including powdered skimmed) but excluding flavored milk, milk-based products and milk substitutes. 7. Cornmeal and cereal flour which is known as counter flour and which is made from cereal containing thiamin, riboflavin, niacin and iron but no other additives. 8. Corned beef. 9. Pickled mackerel, herring, shad and dried salted fish. 10. Canned sardines, herrings and mackerel. 11. Infant formulae. 12. (1) Bread, buns, biallis, biscuits and crackers. (2) In paragraph (1) "cracker" means small dry bakery products made only of bleached flour and water with or without leavening or shortening and salted, the total weight of which contains not more than ten percent of sugar and without flavoring, coating or topping and verified to be such by the Bureau of Standards. 13. Rice. 14. Sugar (brown). 15. Soya oil (pure or mixed), coconut oil and margarine. 16. Salt. 17. Eggs. 18. Patties, that is to say beef or vegetable pies of the description popularly known as that name in Jamaica. 	

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>19. Rolled oats.</p> <p>20. Baking flour packaged in quantities of not less than 45.359 kilograms.</p> <p>21. Any live bird, fish, crustacean, mollusk or any other animal of a kind generally used as or yielding or producing food for human consumption and draught animals.</p> <p>22. Unprocessed agriculture produce, including produce from stock farming, fresh water fish farming, forestry cultivation and horticulture supplied directly at the farm gate.</p> <p>23. Motor spirit, which before being sold is colored to the satisfaction of the Commissioner, and lubricating oils which are sold to fishermen for use in commercial fishing and which are so certified by the Director, Fisheries division, Ministry of Agriculture. Provided that with respect to motor spirit, the extent of the exemption granted under this Item shall apply only in respect of fifty percent of the tax payable.</p> <p>24. Processed cheese packaged by a manufacturer in tins of 1 kilogram or more.</p> <p>25. Cooking oil.</p> <p>26. Black pepper.</p> <p>27. Instant Coffee.</p> <p>28. Tea.</p> <p>29. Chocolate-flavored drink mix.</p> <p>30. Syrup as specified under Tariff Heading No. 21.06 of the First Schedule to the Customs Tariff (Revision) Resolution, 1972</p> <p>31. Fish, cock and noodle soups packaged in aluminum sachets.</p> <p>32. Matches with wooden sticks.</p> <p>33. Toilet paper.</p> <p>34. Oral and dental preparations including tooth-paste, denture powder and denture fixatives.</p> <p>35. Soaps including medicated soaps.</p> <p>36. Synthetic detergents in powder form.</p> <p>37. Laundry bleach.</p> <p>38. Floor polish.</p> <p>39. Disposable protective bed pads.</p> <p>40. Tomato ketchup.</p> <p>41. School uniforms and school bags.</p> <p>42. Mosquito destroyer.</p> <p>43. Insect sprays.</p> <p>Services</p> <p>1. The following operations:</p> <p>a) the construction, alteration, repair, extension, demolition or dismantling of any building or structure, including offshore installations, that is to say, installations which are maintained or are intended to be established for underwater exploitation.</p> <p>b) the construction, alteration, repair, extension or demolition of any works forming or intended to form, part of the land, including (without prejudice to the generality of the foregoing) walls, road works, powerlines, telegraphic-lines, aircraft</p>	

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>runways, docks and harbors, railways, inland waterways, pipelines, reservoirs, watermains, wells, irrigation works, sewers, industrial plant and installation for purposes of land drainage, coast protection or defence.</p> <p>c) the installation in any building or structure of systems of heating, lighting, ventilation, power supply, fire protection, air conditioning, elevators or escalators.</p> <p>d) the internal cleaning of buildings and structures so far as carried out in the course of their construction, alteration, extension, repair or restoration.</p> <p>e) operations which form an integral part of, or are preparatory to, or are for rendering complete, such operations as described in paragraphs (a) to (d), including site clearance, earth moving, excavation, tunneling or boring, laying of foundations, erections of scaffolding, site restoration, landscaping and the provision of roadways and other access works.</p> <p>f) painting the internal or external surface of any building or structure.</p> <p>2. Transportation of goods and people within Jamaica, except armored courier services and tour services rendered.</p> <p>3. Services rendered by an undertaker in relation to burial or cremation.</p> <p>4. The rental or lease of residential property, including hotel, inn and guest house or similar accommodation to the same person as from the thirty first consecutive day of occupancy.</p> <p>5. Public postal and telegraph services.</p> <p>6. Activities for which an admission fee is charged:-</p> <p>(a) carried out by any cultural organization approved by Minister; and</p> <p>(b) in respect of which the Commissioner is satisfied that the proceeds therefrom are for religious, educational, scientific, philanthropic or charitable purposes.</p> <p>7. Services rendered free of charge to members of a business or professional organization approved by the Minister, the members of which pay a membership subscription.</p> <p>8. Services rendered by a charitable corporation or charitable association or a service club or home for the aged approved by the Minister.</p> <p>9. Repairs to agricultural equipment, tractors, implements and devices (specified in Item 4 of Group 2 of Part II of the First Schedule), and aircraft and vessels used in international transportation.</p> <p>10. Services rendered by a registered trade union.</p> <p>11. Medical, dental, nursing, optical and veterinary services and services provided pursuant to the Professions Supplementary to Medicine Act.</p> <p>12. Services pertaining to the provision of education and training except where a fee is charged for admission to a</p>	

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>conference, seminar or such other type of meeting conducted by the University of the West Indies, University of Technology or any other tertiary institution or a professional organization exclusively for its members).</p> <p>13. Services rendered under a contract of health insurance and life insurance.</p> <p>14. Services performed under a contract, the payment for which is by a foreign government or a multilateral lending agency.</p> <p>15. Services rendered by Legal Aid Clinics and under the Poor Prisoners (Defenders) Act and by Attorneys-at-law in relation to criminal matters and litigation concerning the liberty of persons.</p> <p>16. Services rendered by a corporation as defined in the Registration (Strata Titles) Act in pursuance of the powers and duties specified in that Act.</p> <p>17. The supply of water (excluding bottled water) to the public.</p> <p>18. The supply of electricity to or for the public.</p> <p>19. The supply of sewage and disposal services.</p> <p>20. The provision of cold storage facilities for foodstuff.</p> <p>21. Aerial spraying of agricultural crops.</p> <p>22. Services rendered in relation to the Betting, Gaming and Lotteries Act.</p> <p>23. (1) The following financial services:</p> <ul style="list-style-type: none"> (a) the exchange of money. (b) the payment or collection of a check; (c) the issue of a letter of credit, traveler's check, bank check, postal note, cash card, credit card, or money order; (d) the issue, allotment, drawing, acceptance, endorsement, transfer of ownership, or payment of a debt security; (e) the issue, allotment, or transfer of ownership of an equity security or a participatory security; (f) underwriting or subunderwriting the issue of an equity security, debt security, or participatory security; (g) the provision of credit under a credit contract; (h) the assignment of any hire-purchase agreement; (i) the provision of a guarantee indemnity, security, or bond in respect of the performance of obligations under a check, credit card, equity security, debt security, or participatory security, or in respect of the activities specified in paragraphs (b) to (h); (j) the provision, or transfer of ownership, of a life assurance contract or the provision of re-insurance in respect of any such contract; (k) the provision or transfer of ownership of an interest in a superannuation scheme or the management of a superannuation scheme; (l) the provision or assignment of a futures contract through a 	

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>futures exchange;</p> <p>(m) the agreeing to do or arranging of any of the activities specified in paragraphs (a) to (1);</p> <p>(n) the payment of dividends and interest; "(1A) Paragraphs (1) shall not apply to:</p> <p>(a) any commission earned by a salesman in the life insurance industry who is self employed or is employed as an independent contractor; or</p> <p>(b) the following:</p> <p>(i) services rendered by an accountant or attorney-at-law; or</p> <p>(ii) fees or commission charged, in respect of any of the services specified in sub-paragraphs (a) to (n) of that paragraph". (2) In paragraph (1)</p> <p>"equity security" means an interest in or right to share in the capital of a body corporate.</p> <p>"participatory security" means an interest or right to participate in any capital, assets, earnings, or other property of any person, including an interest in a unit trust but not in an equity security.</p> <p>24. Services rendered by the Jamaican Branch of the Red Cross Society.</p> <p>25. Services rendered by the St. John's Ambulance Brigade.</p> <p>26. Services rendered by the Boy Scouts and Girl Guides Association of Jamaica and any other youth organization or association approved by the Minister.</p> <p>27. Services (excluding catering services) rendered at a port or international airport in Jamaica in connection with the importation or exportation of goods or the transportation of people into or out of Jamaica.</p> <p>28. The rental or lease of land used for agricultural purposes or as a building site.</p> <p>Taxable Supplies which constitute the provision of Services</p> <p>The following shall be regarded as the provision of services:</p> <p>(a) the production of goods consequent on the treatment of processing of other goods;</p> <p>(b) the supply of -</p> <p>(c) hiring (other than under a hire-purchase agreement), leasing or renting of goods;</p> <p>(d) the supply, other than the sale of real property, of anything for a consideration, which is not a supply of goods;</p> <p>(e) the supply of drinks or meals in the operation of a bar, canteen, club, hotel, restaurant or other place of business similar thereto or a catering service other than drinks or meals supplied in the cafeteria or canteen of an educational institution approved by the Minister of Education.</p>	

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.2 Special Consumption Tax (Act. No. 16 of 1991 amended June 1993) and April 24, 1995.	Tax imposed on the manufacture in or importation into Jamaica of prescribed goods including alcoholic beverages, tobacco products and petroleum products. N.B. Spirits, beer, wines, cordials and tobacco products are chargeable with General Consumption Tax.	<ol style="list-style-type: none"> 1. Diesel oil intended for use by any company licensed to supply a public electricity. Exemption to the extent of 8.35 cents per liter. 2. Prescribed goods that are - <ol style="list-style-type: none"> (a) shipped as stores or exported; (b) delivered for use by the Jamaica Defence Force; (c) permitted by regulation of the Act to be used for any purpose free of tax. 3. SCT may be remitted by the Commissioner if satisfied that goods are lost, destroyed and were not used or consumed in the Island, or deficiency of spirits or beer caused by leakage, evaporation or absorption. 4. Where prescribed goods spoilt or unfit for use and are permitted to be destroyed. 	<p>Petroleum Products</p> <p>(a) Motor spirits:</p> <p style="padding-left: 20px;">Leaded: \$5.3802 per liter plus 62.51% of price above \$8.607. Unleaded: \$5.3862 plus 60.75% of price above \$8.8663.</p> <p>(b) Aviation Spirit: 63.5711 cents per liter.</p> <p>(c) Kerosene: \$3.9988 cents per liter plus 47.58% of price above \$8.404.</p> <p>(d) Marine Diesel Oil: 64.01 cents per liter plus 41.31% of price above \$1.5497.</p> <p>(e) Automotive Diesel Oil \$4.6447 per liter plus 57.75% of price above \$8.0432.</p> <p>(f) Fuel Oil: 15.12 cents</p> <p>(g) Petroleum Asphalt: 37.03 cents and cutbacks.</p> <p>(h) Manufactured liquid Propane and Butane: 0.6005 cents per liter plus 0.395% of price above \$1.519.</p> <p>Alcoholic Beverages</p> <p>(a) Spirits:</p> <ul style="list-style-type: none"> -- of a strength exceeding 57.1% of alcohol by volume - 24.3% of value. -- of a strength 31.5% to 57.1% of alcohol by volume - 16.1% of value. -- of a strength not exceeding 31.5% of alcohol by volume - 7.5% of value. <p>(b) Beer:</p> <ul style="list-style-type: none"> -- of a strength not exceeding 6% of alcohol by volume - 15.9% of value. -- Other - 10% of value. -- Wines - 12% of value. -- Cordials and Liqueurs - 12% of value. <p>Tobacco Products</p> <p>Cigarettes \$113.034 per 100 cigarettes plus ad valorem tax as follows:</p> <p>(a) if manufactured in Jamaica, 39.9 per Centum of the amount to which the ex-factory price per 100 cigarettes exceeds \$213.360;</p>

Tax	Nature of Tax	Exemptions and Deductions	Rates
			<p>(b) if imported into Jamaica, 39.9 per Centum of the amount by which the value per 100 cigarettes determined under Section 13 (1) (a) exceeds \$213.360.</p> <p>Cigars, cheroots, cigarillos, snuff - 12% of value.</p> <p>(1) Petroleum Products</p> <p>(a) Automotive Diesel Oil: 4.6447 dollars per liter plus 57.75 percent of price above \$8.0432.</p> <p>(b) Fuel Oil: Free</p> <p>(c) Petroleum Asphalt: Free and cutbacks.</p> <p>(d) Manufactured liquid Propane and Butane: 0.6005 cents per liter plus 0.395 percent of price above \$1.519.</p> <p>(2) Alcoholic beverages:</p> <p>(a) Spirits:</p> <p>(i) of a strength exceeding 57.1 percent of alcohol volume: 24.3 percent of value.</p> <p>(ii) of a strength 31.5 percent to 57.1 percent of alcohol by volume: 16.1 percent of value.</p> <p>(iii) of a strength not exceeding 31.5 percent of alcohol by volume: 7.5 percent of value.</p> <p>(b) Beer:</p> <p>(i) of a strength not exceeding 6 percent of alcohol by volume: 15.9 percent of value.</p> <p>(ii) other: 10 percent of value.</p> <p>(iii) Wines: 12 percent of value.</p> <p>(iv) Cordials and liqueurs: 12 percent of value.</p> <p>(3) Tobacco products:</p> <p>(a) J\$113.034 per 100 cigarettes plus ad valorem tax as follows:</p> <p>(i) if manufactured in Jamaica 39.9 percent of the amount to which the ex-factory price per 100 cigarettes exceeds \$213.36;</p> <p>(ii) if imported into Jamaica, 39.9 percent of the amount by which the value per 100 cigarettes determined under Section 13 (1) (a) exceeds \$213.36 Cigars, cheroots, cigarillos, snuff: 12 percent of value.</p>

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.3 Selective Taxes on Services			
5.3.1 Travel tax (Amended June 9, 1989). The Trav Tax (Amendment) Regulations 1994.	Payable by all travelers to destinations outside Jamaica and collected by carriers carrying such travelers. Also payable by cruise passengers who land in Jamaica and remain ashore for any period of time.	The following are exempt: (1) crews of ships, aircraft leaving Jamaica; (2) any person recruited with the approval of the Minister responsible for labor of agricultural work in any place outside Jamaica; (3) such categories of travelers as may be prescribed.	(1) J\$750 per traveler other than a cruise passenger effective June 1, 1998. (2) A cruise passenger who departs from: (a) Ocho Rios on or after January 1, 1994 but before October 1, 1995, US\$13 or an equivalent amount in Jamaican currency at the current rate of exchange in relation to the currency of the United States of America. On or after October 1, 1995, US\$15 or an equivalent amount in Jamaican currency at the current rate of exchange in relation to the currency of the United States of America. (b) Any other port on or after January 1, 1994 but before January 1, 1996, US\$12 or an equivalent amount in Jamaican currency at the current rate of exchange in relation to the currency of the United States of America. On or after January 1, 1996 but before January 1, 1997, US\$13.50 or an equivalent amount in Jamaican currency at the current rate of exchange in relation to the currency of the United States of America. (3) "Cruise passenger" means a passenger from a cruise ship who lands in Jamaica and remains ashore for any period of time. (4) "Current rate of exchange" means the spot market weighted average buying rate as determined by the Bank of Jamaica, in the currency of the United States of America on the day on which the traveler leaves Jamaica.
6. Taxes on international trade and transactions			
6.1 Imports Taxes	Tax on imported goods (excluding CARICOM Origin) goods.	Corn, most fertilizers, certain pharmaceuticals, books and educational goods, commercial fishing gear, goods for central and local governments and for hospitals; raw materials (including component parts) excluding goods listed under the Fourth Schedule to the Customs Tariff.	0 percent - 40 percent.
6.1.1 Customs duties, Customs Tariff Resolution, 1972. Amendment, 1993 Gazette 16, 19/3/93. Gazette 27, 25/3/94.			

Tax	Nature of Tax	Exemptions and Deductions	Rates						
		Incentives granted under the Industrial Incentive Act and the Export Industry Encouragement Act exempt firms from customs duties.							
6.1.2 Other import taxes									
6.1.2.1 Additional Stamp Duties on Customs warrants inward.	Duty paid on c.i.f. value including any customs duties entered on the document.	Raw materials, capital goods, government imports, basic foods, petroleum products, imports from CARICOM countries, drugs, fertilizers, school, and hospital equipment.	<p>(1) On primary aluminum products rates of additional stamp duty are 20-25 percent, 35 percent on corn, soya beans, condensed milk.</p> <p>(2) Aggregate rates of customs duty and additional stamp duty ranging from 65 percent to 90 percent are chargeable on specified agricultural and agro-industrial products.</p>						
6.1.2.2 Stamp Duty on travel tickets	Tax on international travel.		<p>Domestic air travel J\$30.00. On travel tickets issued in Jamaica below J\$3,000, J\$300; from J\$3,000 - J\$10,000, J\$400; above J\$10,000, J\$600.</p> <p>For travelers under 12 years old:</p> <table data-bbox="1509 846 1833 915"> <tr> <td>Not exceeding J\$3,000</td> <td>J\$150</td> </tr> <tr> <td>J\$3,000 - 10,000</td> <td>J\$200</td> </tr> <tr> <td>Over J\$10,000</td> <td>J\$300</td> </tr> </table>	Not exceeding J\$3,000	J\$150	J\$3,000 - 10,000	J\$200	Over J\$10,000	J\$300
Not exceeding J\$3,000	J\$150								
J\$3,000 - 10,000	J\$200								
Over J\$10,000	J\$300								
6.2 Export Taxes	None								
7. Other Taxes									
7.1 Stamp Duties (The Stamp Duty Act 1937, as amended, November 1992).	Stamp Duty at the time of execution of any instrument creating a security, conveyance, lease, settlement, transfer, assignment, contract, travel tickets.	Surcharge on tickets purchased by traveler leaving Jamaica.	<p>For example:</p> <p>(1) Foreign bills of exchange and promissory note drawn abroad payable on demand: J\$8 per J\$200.</p> <p>(2) Agreement: Hand Seal J\$10 J\$20</p> <p>(3) Inland bills of exchange and promissory notes: J\$4 per J\$200, maximum J\$1,000.</p> <p>(4) Bills of lading: J\$50.</p> <p>(5) Bonds: J\$30 per J\$2,000.</p> <p>(6) Mortgages on land: J\$1 per J\$200 plus surcharge of 25 percent.</p> <p>(7) Mortgages on other property: J\$3 per J\$300 plus surcharge of 25 percent.</p>						

Tax	Nature of Tax	Exemptions and Deductions	Rates
7.2 Production Levies	Levy and royalty on bauxite production. They are not credited against income tax liability, but treated as a production cost item for determining taxable income.		(8) Stocks and shares: 1 percent of value of transaction.
Bauxite production levy and royalty (The Quarries Control Act 1983). The Quarries			(9) Unit trusts: 1 percent of value of transaction.
Control (Quarry Tax) Resolution 1990.			Levy; provisional rate of US\$5.25 per ton of bauxite subject to escalation clause which cannot reduce the rate below US\$5.00 per ton.
7.3 Other	Tax on betting gaming, and lottery winnings.	Lotteries conducted for charitable purposes or incidental to bazaars, fairs, dances, etc., sweepstakes on race meetings, private lotteries.	Royalty: US\$0.50 per ton.
7.3.1 Betting Tax			Bet winnings tax: tax in relation to betting on horse racing only abolished on January 25, 1994.
(Betting, Gaming, and Lotteries Act of 1965).			Bookmakers' Levy on Horse Racing: Local Horse Races: increased from 10 percent of gross sales to 11 percent of gross sales from January 25, 1994. J\$80 for each day by each bookmaker remains unchanged. Overseas Horse races: increased from 7.5 percent on the first J\$2M of sales and 5 percent on remainder to 11 percent of sales from March 8, 1994.
			Pool Betting Duty: a duty of 7 percent of sales imposed from January 25, 1994 on betting with the promoter of racing. The rate of 15 percent on bets taken with the racing pool remains unchanged.
			Fees for Bookmakers' Permit: increased from J\$1,000 a year to J\$100,000 a year from November 22, 1993