

EBS/84/233
Supplement 1

CONFIDENTIAL

December 7, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Jamaica - Review Under Stand-By Arrangement and
Request for Waiver of Performance Criteria

There is attached for consideration by the Executive Directors a supplementary paper on Jamaica describing the recent changes in Jamaica's exchange arrangements. A revised draft decision on the review under the stand-by arrangement appears on pages 7-9 and a proposed decision on the exchange system of Jamaica appears on page 9.

This subject has now been scheduled for discussion on Wednesday, December 12, 1984.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Hardy (ext. (5)7158).

Att: (1)

INTERNATIONAL MONETARY FUND

JAMAICA

Review under Stand-by Arrangement and Request for Waiver of
Performance Criteria - Supplementary Information and
Request for Modification of Performance Criteria and Approval of
Multiple Currency Practice

Prepared by the Western Hemisphere and Exchange
and Trade Relations Departments

(In consultation with the Fiscal Affairs, Legal, and
Treasurer's Departments)

Approved by E. Wiesner and S. Kanesa-Thanan

December 7, 1984

I. Introduction

As noted in EBS/84/233 (11/19/84), Jamaica's foreign exchange auction mechanism came under increasing pressure in August and September 1984, and the authorities introduced various restrictions on bids in an attempt to reduce the rate of depreciation of the Jamaica dollar. The removal of these restrictions was followed during October and November by a steadily increasing level of unsatisfied demand in the auction and strong pressure on the exchange rate. As a result the exchange rate band was adjusted from a range of J\$3.85-J\$4.15 per U.S. dollar in mid-September to J\$4.60-J\$4.90 by late November.

In response to these developments the authorities requested an immediate review of the exchange system, which was initiated at headquarters during the first ten days of November. The Jamaican delegation was headed by the Prime Minister, who is also Minister of Finance and Planning, and the Governor of the Bank of Jamaica. Agreement in principle was reached on a major modification of the exchange system to allow freely floating spot and forward exchange rates. The agreement was finalized during November 18-December 2 in Jamaica, concurrently with discussions under the second review of the present stand-by program, which will be reported to the Board in a separate paper by end-December 1984. The present paper, which deals only with the modifications to the exchange system, is being issued for consideration by the Board in its discussion of the September program review, which is now scheduled for Board consideration on December 10, 1984. The modifications are also described in the attached letter of December 1, 1984 from the Governor of the Bank of Jamaica.

II. The Modified Exchange System

The level of unsatisfied demand in the foreign exchange auction market grew to about US\$8 million per auction in mid-September, declined to less than US\$1 million, following the introduction of the restrictions mentioned in EBS/84/233, but rose again to an average of US\$16 million during the second half of November after the restrictions had been lifted. As a result, the band was adjusted on four occasions during October and November, and the Jamaica dollar depreciated from J\$4.11 per U.S. dollar on October 2 to J\$4.86 per U.S. dollar on November 20. Although the buildup of unsatisfied demand resulted in part from earlier attempts to stabilize the rate, the Jamaican authorities felt that the auction mechanism itself encouraged speculative demand for foreign exchange because of the predictability with which the band was adjusted in response to a given level of unsatisfied demand over a sequence of auctions. The authorities also felt that the system encouraged speculation because it only provided for upward adjustment of the band in terms of Jamaica dollars per U.S. dollar, but had no provision for a downward adjustment; they viewed this feature as a built-in bias toward depreciation.

Under the new exchange arrangements, the band which constrained the U.S. dollar/Jamaica dollar rate has been removed, and the rate is now floating freely. A "Dutch" auction system, in which each successful bidder pays his bid price, is being used on a temporary basis (up to March 31, 1985). This practice may give rise to a multiple currency practice if the difference between the highest and lowest successful bids exceeds 2 percent, but it is expected that the bids in the auctions will soon converge toward a market-clearing price as participants become familiar with the system. In order to smooth the transition to a free float, the Jamaican authorities also proposed to use US\$10 million to help eliminate the backlog of demand that had emerged under the previous system.

In addition to allowing the Jamaica dollar to float, a forward market is being set up in which commercial banks can offer their customers forward cover for one- to six-month periods. Importers can obtain such cover from the date of shipment by the overseas supplier. The forward market is to become operational on December 10.

Commercial banks will take bids and offers for forward transactions from their clients, and may sell forward an aggregate of up to US\$30 million in excess of forward purchases. Of this amount, the banks, at their option, may leave up to US\$10 million uncovered, but the rest must be covered in the spot market or by forward transactions with the Bank of Jamaica. There are no restrictions on the banks' access to the spot market for the purpose of obtaining cover, up to the aggregate limit of US\$30 million. The introduction of the forward market does not preclude the existing practice of commercial banks bidding in the spot auction for foreign exchange with which to open letters of credit. This practice developed when foreign correspondent banks became reluctant

to allow domestic banks to utilize lines of credit due to the emergence of payments arrears. However, exchange obtained for the purpose of opening letters of credit is to be counted within the aggregate limit of US\$30 million on net forward commitments. Specific limits on net commitments and uncovered positions apply to each commercial bank in proportion to their share in total foreign exchange transactions.

The Bank of Jamaica will deal in the forward market only with the commercial banks, and its operations will be strictly limited, in order to minimize possible losses. Total gross forward sales by the Bank of Jamaica will not exceed US\$10 million, of which no more than US\$2 million may remain uncovered; the rest must be covered in the spot market. Any accumulation of foreign exchange by the Bank of Jamaica for covering its forward sales will not be counted in its net foreign assets position for the purpose of the net foreign assets test of the program. The corresponding monetary impact, as well as losses incurred by the Bank of Jamaica on any uncovered forward position, will need to be accommodated within the credit ceiling of the program.

Receipts from certain current transactions, corresponding to those which are surrendered directly to the Bank of Jamaica, may not be sold forward; these include receipts from exports of bauxite and alumina, sugar, bananas, products marketed by the commodity boards, receipts from hotels, in-bond shops and car rental companies, and that portion of nontraditional exports which by contract must be surrendered to the Export Development Fund.

To encourage the use of external trade credit, the Bank of Jamaica has made available external lines of credit, including credits guaranteed by the U.S. Eximbank, through the local commercial banks. The authorities have argued that the pressure on the spot market partly arose because importers prefer to pay cash rather than utilizing foreign credit lines. The mission emphasized that the reluctance to take up foreign credits reflects the perception that domestic financing is less expensive than foreign borrowing, given exchange rate expectations, and that the introduction of a forward cover facility per se will not overcome this problem. Therefore, domestic interest rates, adjusted for the expected depreciation of the Jamaica dollar, must be brought in line with foreign rates, if the use of normal trade credits is to be promoted.

To smooth the transition to a free float, the Bank of Jamaica is supplying the spot market with US\$10 million in order to eliminate part of the unsatisfied demand for foreign exchange that had accumulated. The US\$10 million is being supplied by withdrawing from the auction an equivalent amount of bids for import payments, and paying those through the IBRD-SAL loan which disburses against current import bills.

To accommodate the Bank of Jamaica's intervention, the authorities have requested that the Fund agree to a lowering of the program's net international reserves target for December 1984 and March 1985 by US\$10 million, with a corresponding upward adjustment in the ceilings on net

domestic assets of the Bank of Jamaica. The lowering of the reserve target for December 1984 may entail allowing US\$10 million of external public sector arrears to carry over into the January-March quarter. This is because the programmed increase in reserves for the December quarter was to take place through a reduction in outstanding arrears only. The request for modification of the performance criteria is contained in the attached letter of December 1, 1984, with accompanying technical memorandum, from the Governor of the Bank of Jamaica. The corresponding revisions resulting from the modifications to the program are presented in Table 1, and in the Statistical Appendix. The authorities also stressed that in the event that a significant trend toward appreciation of the Jamaica dollar were to emerge, the Bank of Jamaica would accelerate the buildup of its net international reserves.

Helped by this transitional mechanism, the first and second auctions under the freely floating system resulted in exchange rates of J\$4.82 and J\$4.86 per U.S. dollar (selling), approximately the same rates as in the last auction under the previous system. In this third auction, on December 6, the rate appreciated to J\$4 per U.S. dollar largely owing to an oversupply by the Bank of Jamaica and the fact that the demand for foreign exchange for opening letters of credit was still excluded pending the introduction of the forward market arrangements.

III. Staff Appraisal

The staff welcomes the decision to float the Jamaica dollar as an appropriate step to help eliminate speculation against the currency and, at the same time, ensure the achievement of the program goals. This measure should also facilitate the development of a forward market, which will support the return to normal use of trade credits, provided that domestic interest rates are adjusted to make such credits attractive. Given that imports and exports of the public sector, including oil, as well as those of the bauxite sector are excluded from the forward market, and that the cover may revolve several times a year, the staff believes that the limit of US\$30 million on the banks' net forward sales will not unduly constrain the scope of the forward market, and therefore its usefulness in supporting the normal utilization of trade credits. The decision of the authorities to allow banks to continue to access the spot market for opening letters of credit provides a safety mechanism for import financing until market participants gain confidence in the new exchange arrangements and the payments system is normalized. As the Jamaican authorities recognize, it is essential that the forward and spot rates are fully responsive to market forces, and that the Bank of Jamaica does not attempt to stabilize the rates through its forward market operations.

Table 1: Jamaica: Quantitative Performance Criteria

	1984									
	1983	June		Sept.		December Program		1985 March		
	Dec.1/ March 1/	Program	Actual	Program	Actual	Orig.	Modified	Orig.	Modified	
(End of period, in millions of U.S. dollars)										
Net international reserves <u>2/</u>	-854	-863	-750	-739.0	-755	-733.9	-670	-680	-570	-580
Public sector external arrears		362	114	113.5	76	74.6 <u>3/</u>	--	10	--	--
Net external debt disburse- ments <u>4/</u>		...	279	214.2	377	282.4	399	399	478	478
(In millions of U.S. dollars)										
Reduction in private sector external arrears		...	14	14.0	14	14.3	14	14	14	14
(End of period, in millions of Jamaica dollars)										
Net domestic assets of the Bank of Jamaica <u>5/</u>	3,952	3,968	3,516	3,470.7	3,546	3,448.8	3,285	3,325	2,855	2,895
Central government net borrowing requirement <u>6/</u>			229	216.5	518	503.8	710	710	697	697
Net banking credit to selected public sector <u>6/</u>			-38	-100.3	65	-118.2	35	35	67	67
Net nonbank credit to selected public sector <u>6/</u>			42	-3.9	42	-11.9	42	42	42	42

Source: Technical Memorandum of Understanding and attached letter of Jamaican authorities.

1/ Actual.

2/ Targets adjustable upward for any excess of net external debt disbursements over programmed amounts.

3/ Includes US\$44.8 million of new arrears incurred during the July-September quarter.

4/ Refers to medium- and long-term debt. Any excess in net disbursements is to be added to net international reserves. Excludes project loans by multilateral and other official development agencies and trade financing contracted by the private sector with a government guarantee. Figures refer to cumulative change from December 31, 1983.

5/ Ceilings adjustable downward for any excess of net external debt disbursements over programmed amounts.

6/ Cumulative change from March 31, 1984.

Because of the buildup of unsatisfied demand for foreign exchange in the auctions prior to the floating of the rate, and the risks involved in changing the system, it was the authorities' view that an orderly transition to an unconstrained floating rate regime required support in the form of limited intervention in the spot market by the Bank of Jamaica. The staff shared this view and therefore supports the authorities' request for a modification of the performance criteria for net international reserves and net domestic assets of the Bank of Jamaica for December 31, 1984 and March 31, 1985. The staff notes that the adoption of a "Dutch" auction system is of a transitory nature and only for the period to end-March 1985. As it is expected that bid rates will tend to converge quickly, the staff supports the authorities' request for temporary approval of the multiple currency practice which this may occasion.

IV. Proposed Decisions

In view of the foregoing, the following draft decisions, which replace the previous draft decision set forth in EBS/84/233, are proposed for adoption by the Executive Board:

Stand-By Arrangement

1. Jamaica has consulted with the Fund in accordance with paragraph 4(d) of the stand-by arrangement for Jamaica (EBS/84/101, Sup. 3, June 13, 1984) and paragraph 32 of the letter dated April 25, 1984 from the Governor of the Bank of Jamaica and Prime Minister and Minister of Finance and Planning, in order to review the progress made in implementing the policies affecting demand management and exchange system and to reach understandings with the Fund regarding the circumstances in which purchases under the arrangement can be resumed and to modify the performance criteria specified in paragraph 4 of the arrangement.

2. The letters of October 22, 1984 and December 1, 1984 from the Governor of the Bank of Jamaica and the supplement to the technical memorandum of understanding dated April 25, 1984 attached thereto shall be annexed to the stand-by arrangement for Jamaica, and the letter of April 25, 1984 and the technical memorandum of understanding annexed thereto shall be read as supplemented and modified by the letters of October 22, 1984 and December 1, 1984 and the supplement to the technical memorandum of understanding dated April 25, 1984 attached thereto. Accordingly, the limit on net domestic assets of the Bank of Jamaica, the target for the net international reserves of the Bank of Jamaica, and external payment arrears on public sector obligations, including any new arrears, as indicated in paragraphs 4 and 5 of the technical

memorandum of understanding annexed to the letter dated April 25, 1984, shall be amended as indicated in the supplement to the technical memorandum of understanding dated April 25, 1984 attached to the letter of December 1, 1984.

3. Paragraph 4 of the stand-by arrangement shall be amended by inserting a new subparagraph (d) between existing subparagraphs (c) and (d) as follows:

"(d) if the limits on the forward position of the Bank of Jamaica or any subsidiary indicated in paragraph 4 of the supplement to the technical memorandum of understanding dated April 25, 1984 attached to the letter of December 1, 1984, are not observed, or"

The existing subparagraphs (d) and (e) of paragraph 4 of the arrangement shall be subparagraphs (e) and (f), respectively.

4. Jamaica has requested a waiver of the observance of the performance criteria in paragraph 4 (c) and (f) of the arrangement relating to (1) new external payments arrears referred to in paragraph 5 of the technical memorandum of understandings annexed to the letter dated April 25, 1984, (2) temporary imposition of an exchange restriction, which has subsequently been abolished, and (3) introduction of a multiple currency practice resulting from the auction system as described in EBS/84/233, Supplement 1.

5. The Fund waives observance of the performance criteria mentioned above.

6. Jamaica may proceed to make purchases under the stand-by arrangement as long as it does not maintain a multiple currency practice unapproved by the Fund under Article VIII, Section 3.

Exchange System

Jamaica maintains an exchange restriction arising from arrears on payments and transfers for current international transactions and a multiple currency practice resulting from the auction system as described in EBS/84/101 and EBS/84/233, Supplement 1. In view of the circumstances of Jamaica, the Fund grants approval of these practices, until March 31, 1985 or the completion of the next Article IV Consultation, whichever is earlier."

Kingston, Jamaica
December 1, 1984

Mr. Jacques de Larosiere
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. de Larosiere:

1. You will recall that by letter dated October 22, 1984, the Jamaican Authorities sought your agreement to an indepth review of the exchange system and auction mechanism during the Fund Review Mission scheduled for November 1984. Recent developments in the operations of the exchange system had reinforced the view that the current auction mechanism could not permit an orderly movement towards an exchange rate which cleared the market. Above all, the system had placed the social fabric of the country under great strain and put at risk the stabilisation programme which is supported by the Fund Stand-by arrangement, the World Bank structural adjustment programme and financial assistance from Donor Countries and external banks.

2. The adjustable bands which constrained the exchange rate movement provided a target for bidders to the auction. The asymmetrical system was predictable and encouraged speculation against the domestic currency. Importers were driven by their prediction of exchange rate depreciation to forego normal trade credit arrangements and where credit was obtained, to its prepayment. Finally, forward market operations were discouraged by a system which moved the exchange rate in one predictable direction. Consequently, a team led by Prime Minister Seaga discussed these issues with Fund staff in Washington over the period 5th to 8th November, 1984, and in Jamaica from the 15th to 29th November. The understandings reached on the modification of the exchange system are set out in the following paragraphs.

Spot Exchange Market--Auction

3. The adjustable band mechanism and the foreign exchange auction system described in paragraphs 5-8 of the letter of intent dated April 25, 1984, was removed on November 29, 1984, and the exchange rate was permitted to float freely. The auction mechanism and bidding procedures continue as before except that for the period to March 31, 1985 or up to the conclusion of the next consultation with the Fund, whichever is earlier, a "Dutch" bidding arrangement will be used in which each successful bidder will pay his bid price. The bid rate which clears the auction will be the banks' publicised selling rate for foreign exchange, and the buying rate will be determined by a spread not exceeding J\$0.04 below the selling rate. Such rates will remain in force

through the day of the subsequent auction. The Jamaican Authorities request approval of any multiple currency practices which may arise from this "Dutch" auction system during the period.

Forward Exchange Market

4. Forward cover facilities have been provided, under which commercial banks may offer their clients cover for periods of one-to-six months.

5. Bids and offers for forward exchange will be presented to the banks by their clients, and to the extent bids and offers for any maturity do not match, the resulting open position can be covered in the spot auction or by an opposite forward transaction with the Bank of Jamaica at the choice of the commercial banks (see paragraphs 7 and 8 below). Of course, it is expected that the commercial banks may also be able at their choice to develop resources through their Head Offices or correspondent banks to support open positions and mismatches of maturities.

6. In the case of importers, forward cover may be obtained from the date of shipment by the foreign supplier.

7. In transactions with customers, the banks are restricted to selling forward US\$30 million in excess of forward purchases. Of this, the banks may hold up to an aggregate of US\$10 million uncovered. Specific limits apply to each bank's uncovered position, as well as to the difference between total forward sales and purchases.

8. The Bank of Jamaica will deal in the forward market only with the commercial banks, and at the initiative of the Bank of Jamaica. The total sales of forward exchange by the Bank of Jamaica will not exceed US\$10 million, of which up to US\$2 million may remain uncovered, while the rest must be covered in the spot market. The Bank of Jamaica agrees that foreign exchange accumulated to provide cover for its net forward commitments be excluded for the purpose of the net international reserves target of the standby programme.

Transitional Arrangements

9. In order to smooth the free float in the initial stages, the Bank of Jamaica will, if necessary, supply the auction market with foreign exchange during the period to March 31, 1985. To make possible this intervention, the Jamaican Authorities request that the net international reserve targets of the standby arrangement be reduced by US\$10 million for December 1984 and March 1985 and that corresponding adjustments be made in the ceiling on the net domestic assets of the Bank of Jamaica. The December reduction of the net international reserve target would need to be accommodated by the accrual of US\$10 million of external payments arrears by the public sector.

Other

10. The participation of the Bank of Jamaica in the forward market, see paragraph 8, is designed to promote the development of that market while, at the same time, minimizing any losses incurred by the Bank of Jamaica on its forward transactions. Any such losses will be accommodated within the credit programme, and any expansion in the money supply created by the holding of foreign exchange by the Bank of Jamaica to cover its forward commitments will be sterilized.

11. It is expected that the new exchange system based on a floating rate and the provision of forward cover facilities will encourage the restoration of commercial trade credits. This will enable the commercial banks to gradually phase out the current practice of requiring cash from importers to secure foreign currency resources for opening letters of credit. However, the commercial banks will still be permitted to bid in the spot auction to fund letters of credit within the forward exchange market overall limit of US\$30 million referred to in paragraph 7 above. To further encourage the use of external credit, the Bank of Jamaica has recently developed external lines of credit, including credit guaranteed by the US Export-Import Bank, to be made available by the commercial banks to importers.

12. Receipts from certain current transactions, corresponding to those which are surrendered directly to the Bank of Jamaica, may not be sold forward. These include receipts from exports of bauxite and alumina, sugar, bananas, products marketed by the Commodity Boards, receipts from hotels, U-drive companies and in-bond shops, and that portion of non-traditional exports which by contract must be surrendered to the Export Development Fund.

A Supplement to the Technical Memorandum of Understanding dated April 25, 1984, is attached.

Yours sincerely,

/s/

H.G. Barber
Governor

Supplement to the Technical Memorandum of Understanding
Dated April 25, 1984

1. This supplement specifies the amendments to the Technical Memorandum of Understanding of April 25, 1984, described in the accompanying letter of the Government of Jamaica.

2. For the remainder of the standby arrangement, the stock of the net domestic assets of the Bank of Jamaica will be no higher than J\$3,325 million from March 31, 1984 through December 31, 1984 and no higher than J\$2,895 million from March 31, 1984 to March 31, 1985. These ceilings will be subject to downward adjustments for any excess over the projected net foreign disbursements set out in Table 4 of the Technical Memorandum of Understanding dated April 25, 1984. For the purpose of this paragraph 2, the stock of net domestic assets of the Bank of Jamaica and the accounting rates for all foreign assets and liabilities are as defined in paragraph 4 of the Technical Memorandum of Understanding dated April 25, 1984.

3. For the remainder of the Standby arrangement, the net international reserve position of the Bank of Jamaica will not be less than negative US\$680 million through December 31, 1984 and will not be less than negative US\$580 million through March 31, 1985. The net international reserve targets will be subject to upward adjustments for any cumulative excess over the projected net foreign disbursements set out in Table 4 of the Technical Memorandum of Understanding dated April 25, 1984.

For the purpose of this paragraph, foreign assets and liabilities of the Bank of Jamaica and the accounting rates for all assets and liabilities in foreign currencies are as defined in paragraph 5 of the Technical Memorandum of Understanding dated April 25, 1984. In addition, for the purpose of this paragraph, any foreign exchange held by the Bank of Jamaica to provide cover on its net forward commitments will be excluded from the foreign assets of the Bank of Jamaica. Net forward commitments are defined as forward sales of foreign exchange less forward purchases of foreign exchange. The uncovered forward position is defined as the amount, in foreign exchange, of forward sales of foreign exchange less forward purchases of foreign exchange and spot purchases of foreign exchange for the purpose of providing forward cover. All foreign assets acquired in the form of swaps from domestic commercial banks will be excluded from the foreign assets of the Bank of Jamaica. Swaps are defined as reversible purchases of foreign assets in exchange for domestic currencies or obligations.

External payments arrears on public sector obligations will not exceed US\$10 million through December 31, 1984, and will be eliminated by March 31, 1985. No new arrears will be incurred after December 31, 1984.

4. The uncovered forward position of the Bank of Jamaica (or any subsidiary) will not at any time exceed US\$2 million. Further, the total forward commitments of the Bank of Jamaica (or any subsidiary) whether covered or not, will not at any time exceed US\$10 million.

Table 2. Jamaica: Summary Monetary Accounts

	First Quarter		Second Quarter		1984/85	
	Prog.	Actual	Prog.	Prel.	Prog.	Rev.
(Cumulative flows in millions of Jamaica dollars)						
I. Banking System						
<u>Net international reserves</u>	<u>412</u>	<u>401</u>	<u>382</u>	<u>...</u>	<u>1,075</u>	<u>1,048</u>
<u>Net domestic credit</u>	<u>-318</u>	<u>-277</u>	<u>-205</u>	<u>...</u>	<u>-487</u>	<u>-460</u>
Central Government	-322	-155	-435	-30	-1,062	-805
Selected public entities	-38	-122	65	-118	67	67
Other public sector	7	326	14	...	30	440
Private sector	20	14	96	53	250	196
Medium- and long-term foreign liabilities	7	-85	7	-110	199	-221
Arrears counterpart	--	-303	--	-303	--	-262
Valuation adjustment, exchange losses, and other (net)	8	48	48	...	29	125
<u>Liabilities to private sector</u>	<u>139</u>	<u>-57</u>	<u>222</u>	<u>...</u>	<u>633</u>	<u>639</u>
<u>Special deposits</u>	<u>-45</u>	<u>181</u>	<u>-45</u>	<u>...</u>	<u>-45</u>	<u>-51</u>
II. Bank of Jamaica						
<u>Net international reserves 1/</u>	<u>452</u>	<u>496</u>	<u>432</u>	<u>516</u>	<u>1,132</u>	<u>1,132</u>
<u>Net domestic credit</u>	<u>-452</u>	<u>-497</u>	<u>-421</u>	<u>-518</u>	<u>-1,072</u>	<u>-1,072</u>
Central Government	-428	-108	-495	-241	-1,339	-789
Selected public entities	--	-33	52	14	52	52
Other public sector	--	211	--	35	--	225
Net credit to banks	-9	-173	-17	28	-58	-205
Medium- and long-term foreign liabilities	7	-85	7	-110	199	-221
Arrears counterpart	--	-303	--	-303	--	-262
Valuation adjustment, exchange losses, and other (net)	-22	-6	34	59	74	128
<u>Currency in circulation</u>	<u>--</u>	<u>-1</u>	<u>11</u>	<u>-2</u>	<u>60</u>	<u>60</u>
III. Commercial Banks						
<u>Net foreign assets</u>	<u>--</u>	<u>-95</u>	<u>-10</u>	<u>...</u>	<u>-57</u>	<u>-84</u>
<u>Net domestic credit</u>	<u>94</u>	<u>220</u>	<u>176</u>	<u>...</u>	<u>585</u>	<u>612</u>
Central Government	106	-47	60	211	277	-16
Selected public enterprises	-38	-89	13	-132	15	15
Other public sector	7	115	14	...	30	215
Private sector	20	14	96	53	250	196
Claims on Bank of Jamaica	9	211	17	...	58	205
Other (net)	3	15	-11	...	-45	-3
<u>Liabilities to private sector</u>	<u>139</u>	<u>-56</u>	<u>211</u>	<u>...</u>	<u>573</u>	<u>579</u>
<u>Special deposits</u>	<u>-45</u>	<u>181</u>	<u>-45</u>	<u>...</u>	<u>-45</u>	<u>-51</u>

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Valued at J\$4 per U.S. dollar.

Table 3. Jamaica: Balance of Payments

	1984/85 1/			Proj.				
	Revised 1983/84	Original Program 2/	Revised Program 3/	1985/86	1986/87	1987/88	1988/89	1989/90
(In millions of U.S. dollars)								
Current account	-271	-133	-131	-115	-100	-71	-79	-69
Exports, f.o.b.	700	870	802	899	1,057	1,236	1,421	1,634
Bauxite	(465)	(563)	(502)	(593)	(713)	(806)	(926)	(1,064)
Other	(235)	(307)	(300) 3/	(306)	(344)	(430)	(495)	(570)
Imports	-1,221	-1,305	-1,190	-1,204	-1,250	-1,388	-1,618	-1,861
Oil	(-405)	(-412)	(-388)	(-400)	(-421)	(-444)	(-463)	(-490)
Other	(-816)	(-893)	(-802)	(-804)	(-829)	(-944)	(-1,155)	(-1,371)
Services/transfers	250	302	257	190	93	81	118	178
Travel (net)	(361)	(430)	(386)	(413)	(450)	(497)	(547)	(601)
Interest, official (net)	(-243)	(-262)	(-272)	(-309)	(-323)	(-337)	(-344)	(-353)
Other	(132)	(134)	(143)	(86)	(-34)	(-79)	(-85)	(-90)
Capital (net)	-189	370	660	83	143	122	139	126
Official	65	339	631	83	143	122	139	126
Inflows	(449)	(768)	(1,040)	(555)	(518)	(478)	(490)	(511)
Outflows	(-384)	(-429)	(-409)	(-472)	(-375)	(-356)	(-351)	(-385)
Domestic commercial banks	-15	14	20	--	--	--	--	--
Other private 4/	-239	17	9	--	--	--	--	--
Overall balance	-460	237	529	-32	43	51	60	57
Financing	460	-237	-529	32	-43	-51	-60	-57
Change in net international reserves	316	-283	-283 5/	-156	-188	-189	-204	-156
Gross reserves	(37)	(-88)	(-98)	(-38)	(-44)	(-25)	(-45)	(-60)
IMF	(39)	(58)	(58)	(-104)	(-130)	(-150)	(-159)	(-96)
Arrears 6/	(190)	(-190)	(-190)	(--)	(--)	(--)	(--)	(--)
Other	(50)	(-63)	(-53)	(-14)	(-14)	(-14)	(--)	(--)
Exceptional financing (net) 7/	144	-228	-246	--	--	--	--	--
Financing gap	--	274 8/	--	188	145	138	144	99
(In percent of GDP) 9/								
Current account deficit	12.1	6.4	6.4 10/	4.6	3.7	2.4	2.4	1.9

Sources: Bank of Jamaica; and Fund staff estimates.

1/ Fiscal Year April 1 to March 30.

2/ As presented in EBS/84/101.

3/ Includes re-exports of US\$24 million as a result of aircraft sale-lease back arrangement.

4/ Includes net errors and omissions.

5/ The program target was based on a stock figure for March 1985; a downward revision by US\$10 million of the end-March 1984 outcome would have required a corresponding upward adjustment in the flow figure for the program year. The recent request by the Jamaican authorities for a US\$10 million reduction in the net foreign assets target for March 1985 means that the revised program now remains unchanged in flow terms.

6/ Overdue payments which are treated as reserve liabilities for program purposes.

7/ For details, see Table 5.

8/ Amount of refinancing required under original program.

9/ Calculated on the basis of the average shadow rate, i.e., the rate necessary to keep the real effective exchange rate constant at the 1970 level.

10/ Based on revised GDP.

