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EBD/83/306

November 30, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Jamaica - Exchange System

The attached paper on the exchange system of Jamaica is circulated for the information of the Executive Directors.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Jamaica--Exchange System

Prepared by the Western Hemisphere Department and the
Exchange and Trade Relations Department

(In consultation with the Legal Department)

Approved by E. Wiesner and W.A. Beveridge

November 30, 1983

In the attached communication dated November 28, 1983 the Jamaican authorities have informed the Fund that, effective November 24, 1983, the official exchange rate, the parallel market exchange rate, and the special rate for CARICOM transactions have been unified into a single rate. The spot exchange rate will be set by the commercial banks on a daily basis within margins prescribed by the Bank of Jamaica. Institutional arrangements for the daily fixings have not yet been determined. The initial upper and lower limits of these margins will be J\$3.00 = US\$1 and J\$3.30 = US\$1, respectively, and they will be reviewed by the Bank of Jamaica on a fortnightly basis. On November 30, 1983, the buying and selling rates quoted by the banks were J\$3.10 = US\$1 and J\$3.15 = US\$1, respectively. The corresponding midpoint rate of J\$3.125 = US\$1 compares with the previous official exchange rate of J\$1.78 = US\$1, which had prevailed since May 2, 1979, the CARICOM rate of J\$2.25 = US\$1, 1/ and a parallel market midpoint rate on November 23, 1983 of J\$2.94 = US\$1.

The unification of the exchange rate system eliminates certain multiple currency practices, approval of which had been granted by the Executive Board on June 24, 1983 (EBS/83/122, 6/13/83). These multiple currency practices consisted of a dual exchange market which was established on January 10, 1983, and the special fixed exchange rate for virtually all transactions with CARICOM countries introduced on May 18, 1983. Jamaica continues to maintain a multiple currency practice arising from a 3 percent commission charged on specified sales by the Bank of Jamaica, and certain exchange restrictions, including external payments arrears.

In support of the exchange measures, it was also announced on November 24 that the import licensing system would be dismantled shortly for all but a small range of goods considered to be nonessential or of low priority.

A staff team is scheduled to commence the 1983 Article IV consultation discussions with the Jamaican authorities in December. The relevant reports to the Executive Board will contain an assessment of economic policies and prospects, including those in the exchange rate area.

Attachment

1/ Jamaica--Exchange System (EBD/83/146, 5/23/83).

INTERFUND
WASHINGTON

NOVEMBER 28, 1983

EFFECTIVE NOVEMBER 24, 1983, THE PRE-EXISTING OFFICIAL, CARICOM AND PARALLEL MARKET RATES HAVE BEEN UNIFIED INTO A SINGLE EXCHANGE RATE. THE SPOT EXCHANGE RATE WILL BE FIXED JOINTLY BY THE COMMERCIAL BANKS ON A DAILY BASIS WITHIN A BAND PRESCRIBED BY THE BANK OF JAMAICA. THE INITIAL RANGE OF THIS BAND WILL BE JADLR 3.00 = USDLR 1.00 TO JADLR 3.30 = USDLR 1.00. THIS BAND WILL BE REVIEWED BY THE BANK OF JAMAICA ON A FORT-NIGHTLY BASIS.

SINCE NOVEMBER 24 THE BANKS HAVE BEEN OPERATING AT A BUYING RATE OF JADLR 3.10 = USDLR 1.00 AND SELLING RATE OF JADLR 3.15 = USDLR 1.00. THESE RATES ARE SUBJECT TO CHANGE WITHIN THE BAND DESCRIBED ABOVE.

APPROPRIATE CROSS RATES FOR OTHER CURRENCIES ARE DERIVED FROM THE U.S. DOLLAR RATE.

OWEN JEFFERSON
DEPUTY GOVERNOR
BANK OF JAMAICA

Received in Cable Room: November 28, 1983