

EBS/85/107

CONFIDENTIAL

April 30, 1985

To: Members of the Executive Board
From: The Acting Secretary
Subject: Jamaica - Review Under Stand-By Arrangement and
Request for Waiver of Performance Criteria

Attached for consideration by the Executive Directors is a paper on a review under the stand-by arrangement for Jamaica and its request for waiver of performance criteria. Draft decisions appear on pages 21-23.

This subject will be brought to the agenda for discussion on a date to be announced.

Mr. Hardy (ext. 7158) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

INTERNATIONAL MONETARY FUND

JAMAICA

Review Under Stand-by Arrangement and Request for Waiver
of Performance Criteria

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

April 30, 1985

I. Introduction

A 12-month stand-by arrangement with Jamaica in an amount of SDR 64 million (44 percent of quota) became effective on June 22, 1984 (EBS/84/101 and Supplements 1-6). On June 26, 1984, Jamaica also purchased SDR 72.6 million (50 percent of quota) under the compensatory financing facility. Completion of reviews with the Fund by September 30 and December 31, 1984 is a performance criterion under the stand-by arrangement. The Executive Board completed the first review on December 12, 1984, when it also approved a waiver for a deviation from the performance criterion on external arrears for September 30, 1984 on the grounds that new arrears had been accumulated because of a temporary delay in disbursement of an external loan (EBS/84/233 and Supplement 1). Jamaica has so far made three purchases totaling SDR 28 million under the arrangement (Table 1).

A mission to conduct the second review, consisting of Messrs. Hardv (Head), Escobar, Fajgenbaum, and Gronlie (all WHD), Mr. Thomsen (ETR), Mr. Citrin (ASD), and Mrs. Hewitt (Secretary-WHD) visited Jamaica during the period November 19-December 2, 1984 and held discussions with the Prime Minister, who is also Minister of Finance and Planning, the Governor of the Bank of Jamaica, other senior officials, and representatives of the commercial banks. Mr. Pickering, Advisor to the Executive Director for Jamaica, participated in several of the discussions. The mission was assisted by Mr. Lee, the Fund's resident representative in Kingston. Further discussions with the Jamaican authorities were held subsequently at headquarters and during the Article IV consultation mission to Jamaica in March 1985.

At the end of December 1984, Jamaica observed the ceilings on Bank of Jamaica net domestic assets, net bank credit to the selected public enterprises, and the central government deficit; however, it failed to observe the target on net international reserves by US\$0.3 million, and

Table 1. Jamaica: Projection of Fund Position During Period
of Stand-by Arrangement: April 1984 - May 1985

	Out- standing Apr. 30 1984	1984			1985	
		May- June	July Sept.	Oct.- Dec.	Jan.- Mar.	Proj. Apr.- May
(In millions of SDRs)						
<u>Transactions under tranche policies (net)1/</u>		9.4	-5.5	-4.9	-15.2	26.1
Purchases	14.6	3.4	10.0	--	36.0	
Ordinary resources	(14.6)	(3.4)	(10.0)	--	(36.0)	
Repurchases	-5.2	-8.9	-14.9	-15.2	-9.9	
Ordinary resources	(-1.3)	(-5.1)	(-6.8)	(-5.1)	(-5.7)	
Enlarged access resources	(-3.9)	(-3.9)	(-8.1)	(-10.1)	(-4.2)	
<u>Transactions under special facilities (net)2/</u>		68.6	-6.6	-2.6	-2.6	-2.6
Purchases	72.6	--	--	--	--	
Repurchases	-4.0	-6.6	-2.6	-2.6	-2.6	
<u>Total Fund credit outstanding (end of period)</u>	583.0	661.0	648.9	641.4	623.6	647.1
Under tranche policies 1/	534.9	544.2	538.7	533.8	518.6	544.7
Special facilities 2/	48.1	116.8	110.2	107.6	105.0	102.4
(In percent of quota)						
<u>Total Fund credit outstanding (end of period)</u>	400.7	454.3	446.0	440.8	428.6	444.7
Under tranche policies 1/	367.6	374.0	370.2	366.9	356.4	374.4
Special facilities 2/	33.1	80.3	75.7	73.9	72.2	70.4

Source: International Monetary Fund.

1/ Ordinary and enlarged access resources.

2/ Compensatory Financing Facility.

external public sector arrears, which are counted as reserve liabilities, exceeded the subceiling by US\$35 million (Table 2). In an attached letter, the Jamaica authorities request a waiver from the end-December performance criteria relating to net international reserves and external arrears on the ground that the nonobservance was again mainly due to a temporary delay in the disbursement of an external loan, which was subsequently received in February 1985. Because of recent developments in the alumina industry of Jamaica which have worsened its economic prospects, and to allow sufficient time for the implementation of corrective policy measures that have been delayed somewhat following social unrest, the authorities are also requesting that the performance criteria on net international reserves, net domestic assets, net disbursements of public and publicly guaranteed foreign indebtedness and external payment arrears at the end of March 1985 not be applicable but be modified and established instead for the end of April 1985.

During the past two years Jamaica has frequently experienced difficulty in remaining current with the Fund and on occasions payments to the Fund have become overdue for periods ranging from a few days to eight weeks. In recent months delays have been of brief duration, and presently Jamaica is current in its obligations to the Fund.

II. Background and Recent Developments

In view of the lack of adjustment under previous Fund programs and the growing difficulties of the economy, the 1984/85 arrangement called for a major adjustment effort, particularly in the central government finances. In addition, the growth of bank credit was to slow down substantially, interest rates were to be raised, wage increases were to be maintained within the margins of expected inflation, imports were to be liberalized and the exchange rate (which had been unified at around J\$3 per U.S. dollar in November 1983) was to be determined by market forces. Complementing the domestic adjustment effort, the program sought a restructuring of Jamaica's external debt, a normalization of external payments by eliminating arrears, and a rebuilding of liquid international reserves to the equivalent of some five weeks of imports.

The adjustment effort undertaken by the authorities during 1984/85 is reflected in an estimated reduction of the central government overall deficit to 7 percent of GDP from over 16 percent on average in the previous four years (Table 3). Furthermore, the Jamaica dollar has depreciated by over 60 percent during the program period, measured in terms of Jamaica dollars per U.S. dollar. Measured in terms of U.S. dollars, the real effective depreciation was 18 percent during the program year and 39 percent since November 1983 when the rate was unified. Because of the continued decline in bauxite exports, the balance of payments current account deficit is now expected to be reduced only by 1 percent of GDP, from the previous year. Nevertheless, the overall balance of payments is expected to show a surplus of US\$505 million, including a US\$400 million reduction in external arrears that is largely due to debt refinancing.

Table 2. Jamaica: Quantitative Performance Criteria

	1983 Dec.1/	1984						1985		
		March 1/	June		September		December		March	April
		Program	Actual	Program	Actual	Program	Actual	Program 2/	Proposed	
(End of period, in millions of U.S. dollars)										
Net international reserves <u>3/</u>	-854	-863	-750	-739.0	-755	-733.9	-680	-680.3	-580	-595
Public sector external arrears		362	114	113.5	76	74.6 <u>4/</u>	10	44.7	--	--
Net external debt disbursements <u>5/</u>		--	279	214.2	377	282.4	399	379.7	478	489
(In millions of U.S. dollars)										
Reduction in stock of private sector external arrears		--	14	14.0	14	14.3	14	16.0	14	6
(End of period, in millions of Jamaica dollars)										
Net domestic assets of the Bank of Jamaica <u>6/</u>	3,952	3,968	3,516	3,470.7	3,546	3,448.8	3,325	3,323.8	2,895	2,950
Central government net borrowing requirement <u>7/</u>			229	216.5	518	503.8	710	688.5	697	-- <u>8/</u>
Net banking credit to selected public sector <u>7/</u>			-38	-100.3	65	-118.2	35	-255.7	67	-- <u>8/</u>
Net nonbank credit to selected public sector <u>7/</u>			42	-3.9	42	-11.9	42	-10.9	42	-- <u>8/</u>

Source: Technical Memorandum of Understanding.

1/ Actual.

2/ As modified in EBS/84/233, Sup. 1 (12/7/84).

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

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

5/ Refers to medium- and long-term debt excluding 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. Any excess in net disbursements is to be added to net international reserves.

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

7/ Cumulative change from March 31, 1984.

8/ The end-March 1985 performance criterion, which relates to the end of the fiscal year, applies.

Table 3. Jamaica: Selected Indicators

	1980/81	1981/82	1982/83	1983/84	Est. 1984/85
(In percent)					
I. <u>Growth and Prices</u>					
Real GDP	-3.3	2.2	0.5	1.1	-0.4
GDP deflator	14.3	19.9	10.9	18.9	29.7
Consumer prices (period average)	26.5	9.0	7.1	14.9	29.6
(In percent of GDP)					
II. <u>Central Government Finances</u>					
Overall deficit	-17.1	-16.4	-16.4	-16.5	-7.1
Net foreign financing	4.5	9.4	6.4	5.0	13.0
Net domestic financing	12.6	7.0	10.0	11.5	-5.9
III. <u>Balance of Payments</u> ^{1/}					
Current balance	-9.1	-20.5	-23.9	-12.6	-11.7
Overall balance	-7.2	2.0	-11.4	-20.6	23.5 ^{2/}
Outstanding external debt (including arrears)	70.8	97.6	132.0	144.2	168.5
IV. <u>Real Effective Exchange Rate Index</u>					
Index (end of period) (1980 = 100)	106.3	110.6	108.1	76.1	62.0

Source: Fund staff estimates.

^{1/} On the basis of the shadow exchange rate except for 1984/85.

^{2/} Largely reflects rescheduling or cash payment of US\$400 million that were in arrears at the beginning of the fiscal year. The debt relief from rescheduling of arrears of US\$226 million is shown as part of capital inflow in tables 4 and 5.

The discrepancy between the relatively small adjustment of the current account deficit in the balance of payments and the large expected reduction in the overall deficit of the Central Government in 1984/85 is not easily explainable. The measurement of these magnitudes is distorted by the large movements in the exchange rate between 1983/84 and 1984/85. The discrepancy may indicate that the improvement in the finances of the overall public sector has not been as great as that in the Central Government: the information on the operations of the rest of the public sector is deficient, and their use of short-term foreign financing may have allowed them to run a higher deficit than programmed; furthermore, the Bank of Jamaica made large operating losses, and another state enterprise (BATCO) paid tax arrears. It is possible also that domestic payment arrears have been incurred by the Central Government or other parts of the public sector in 1984/85. Also, there has probably been a sharp deterioration in the savings position of the private sector due to the decline in real income.

The review mission that visited Kingston in November/December recommended that to ensure compliance with the March performance criteria, prices of certain petroleum derivatives and basic foods (including sugar) be increased by an average of 20-25 percent before the end of January 1985 to pass on the effects of the exchange rate depreciation. The former had not been adjusted since January 1984. In addition, the staff again recommended that interest rates be raised.

On January 14, prices of petroleum derivatives were raised by 22 percent--an action which triggered civil disturbances. At the same time, the exchange rate came under increasing pressure, depreciating from J\$4.90 per U.S. dollar at the beginning of the year to J\$5.54 on February 14, despite action by the Bank of Jamaica to slow down the rate of depreciation by increasing supply to the foreign exchange auction. In addition, the economic outlook worsened significantly when the Aluminum Company of America (ALCOA) announced that, as of February 20, 1985, it would close down its alumina plant in Jamaica for at least a 12-18 month period due to excess capacity in the world market. The situation was aggravated when it became known that another alumina plant (ALPART) was also likely to close down in the near future. These developments have reduced the prospects for economic growth and have affected adversely the outlook for the public finances and balance of payments.

Against this background, the staff had discussions with the authorities at headquarters in February and March which focused on measures aimed at assuring compliance with the end-March performance criteria under the current program and at preventing a further deterioration of Jamaica's economic and financial situation. Since these measures require time to be implemented, the discussions also included establishment of certain performance criteria for end-April 1985.

In the attached letter the Jamaican authorities describe a number of policy measures that have been, or are being, taken to tighten credit, raise interest rates and adjust the public finances. These measures include an increase in the cash reserve and liquid asset reserve requirements on commercial banks to 20 and 48 percent from 14 and 44 percent, respectively, and on nonbank financial institutions to 5 and 20 percent from 0 and 15 percent, respectively; an increase in the minimum interest rate paid on savings deposits by 5 percentage points to 20 percent (which will be completed May 1), and in the central bank rediscount rate by 2 percentage points to 21 percent; the freezing of net credit to the private sector at the level prevailing in early March; and the removal of interest rate ceilings applicable to building societies. Some of these actions (such as raising the commercial bank cash reserve requirement and the interest rate ceilings on building societies) required legislative action that was only completed in April 1985; the increase in the cash reserve requirements for the commercial banks and the nonbanks will not become fully effective until mid-June as banking regulations limit such increases to 2 percentage points in any two-week period.

On the fiscal side, stamp duties of 10 percent on imports of raw materials, 20 percent on imports of capital goods, and 30 percent on certain imported consumer goods have been imposed, effective April 16, 1985. Basic foods imported under U. S. and Canadian aid programs, drugs, certain agricultural imports and raw materials used by agro-industry and by manufacturers for export are exempted from these duties. The authorities expect that this measure will generate revenues equivalent to about 4 percent of GDP. In addition, prices of basic foods have been raised by an average of 23 percent. The price of sugar will be raised by 30 percent, effective before the date of Executive Board review of the stand-by arrangement. Prices of goods and services provided by public enterprises will be adjusted more frequently (monthly or quarterly) to reflect exchange rate and other cost changes. In particular, a formula has been established for the adjustment in petroleum prices according to a set of indicators, including exchange rate changes, movements in other costs, and the financial position of the Petroleum Company of Jamaica.

1. The external sector

a. Balance of payments

In the three quarters through December 1984, net international reserves were US\$0.3 million below the target. A shortfall in net public sector capital inflow of some US\$11 million arose because a US\$30 million loan was not disbursed until early February; this shortfall was compensated in part by a U.S. AID disbursement of US\$19 million in December that had been programmed for the first quarter of 1985. Although the change in net foreign assets was about in line with the program, external public sector arrears exceeded the ceiling of US\$10 million by some US\$35 million. The failure to reduce arrears also

reflected the fact that Jamaica set aside reserve assets against new short-term oil credits and underestimated the available level of liquid reserves at the end of December.

The latest estimates indicate that the current account deficit of the balance of payments for 1984/85 was substantially higher than programmed (Table 4). Exports and tourism receipts performed worse than expected, while imports remained relatively high. Export receipts are now estimated to have been US\$85 million lower than projected at the time of the first review, and US\$5 million below the 1983/84 level, mainly because of a continued decline in bauxite and alumina exports, continued stagnation in exports of traditional agricultural products (sugar and bananas) and declining exports to CARICOM. By contrast, nontraditional exports to markets other than CARICOM have risen by about 40 percent over the previous year, in response to the substantial real depreciation in the Jamaica dollar. Imports in 1984/85 are now estimated to have been US\$41 million higher than expected at the time of the last review, with nonbauxite-related imports at about the same level as in 1983/84 despite the large depreciation of the Jamaica dollar.

In the services account, the January civil disturbances had an adverse impact on tourist arrivals during the high season (January to April) and tourist arrivals are now estimated to have increased by 4 percent in 1984/85 compared to the 9 percent rise projected earlier. Consequently, tourist earnings are estimated to have increased by 6 percent in 1984/85 after rising by 13 percent in 1983/84. The current account deficit is estimated to have amounted to US\$240 million, or 11.7 percent of GDP in 1984/85, compared to the US\$131 million programmed and US\$282 million in 1983/84.

As far as official capital is concerned, net medium- and long-term inflows are estimated to have been approximately as programmed, as major shortfalls in inflows from bilateral and multilateral sources (other than the United States) and for project financing appear to have been offset by higher than anticipated refinancing and other borrowing (Table 5). Short-term capital inflows are estimated to have exceeded US\$100 million, which was considerably higher than programmed; of this, some US\$70 million reflected short-term oil credits secured by the Petroleum Corporation of Jamaica from a foreign commercial bank. The program included no ceiling on short-term trade financing, in part because of the difficulty of monitoring.

The increase in net international reserves and the reduction in arrears for the year ended March 1985, taken together, is estimated to have been about US\$18 million smaller than programmed. The lower arrears reduction would be reflected largely in the proposed delay of the payment of private sector arrears to the April-June quarter of 1985. The Jamaica authorities are requesting this postponement because of the deterioration in the foreign exchange cash flow position since the civil disturbances in January. Further, the authorities are requesting that observance of the performance criteria on net international

Table 4. Jamaica: Balance of Payments

	1983/84 Rev. Est.	1984/85		
		Orig. Prog.1/	Revised Program 2/	Proj. Outturn
(In millions of U.S. dollars)				
<u>Current account</u>	<u>-282</u>	<u>-133</u>	<u>-131</u>	<u>-240</u>
Exports, f.o.b.	722	870	802	717
Bauxite/alumina	(477)	(563)	(502)	(438)
Other	(245)	(307)	(300)	(279)
Imports	-1,251	-1,305	-1,190	-1,231
Oil	(-402)	(-412)	(-388)	(-388)
Other	(-849)	(-893)	(-802)	(-843)
Services and transfers	247	302	257	274
Travel (net)	(361)	(430)	(386)	(385)
Official interest (net)	(-252)	(-262)	(-272)	(-279)
Other (net)	(138)	(134)	(143)	(168)
<u>Capital (net)</u>	<u>-166</u>	<u>370</u>	<u>660</u>	<u>745</u>
Public sector medium and long term	65	339	631	622
Inflows	(449)	(768)	(1,040)	(1,020)
Outflows	(-384)	(-429)	(-409)	(-398)
Domestic commercial banks	-30	14	20	17
Short term and private <u>3/</u>	-201	17	9	106
<u>Overall balance</u>	<u>-448</u>	<u>237</u>	<u>529</u>	<u>505</u>
<u>Financing</u>	<u>448</u>	<u>-237</u>	<u>-529</u>	<u>-505</u>
Change in net international reserves	306	-283	-283	-279
Gross reserves	(27)	(-88)	(-88)	(-67)
IMF	(39)	(58)	(58)	(38)
Arrears <u>4/</u>	(190)	(-190)	(-190)	(-172)
Other	(50)	(-63)	(-63)	(-78)
Other arrears (net) <u>5/</u>	142	-228	-246	-226
Financing gap	--	274 <u>6/</u>	--	--
(In percent of GDP)				
Current account deficit	12.6	6.7	6.4	11.7

Sources: Bank of Jamaica; and Fund staff estimates.

1/ As contained in EBS/84/101 (5/4/84).

2/ As contained in EBS/84/233, Supplement 1 (12/7/84).

3/ Includes net errors and omissions.

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

5/ For a breakdown, see Table 5.

6/ Identified possible sources of finances included rescheduling of debt due to Paris Club creditors (a total of US\$120 million were eligible), US\$158 million in amortization payment due to the commercial banks (of which US\$65 million fell due in 1983/84), and a new commercial bank loan of US\$8 million.

Table 5. Jamaica: External Financing

(In millions of U.S. dollars)

	1983/84	1984/85		
		Original Program	Rev. Program	Proj. Outturn
<u>Current account</u>	-282	-133	-131	-240
<u>Public sector (net)</u>	65	339	631	622
<u>Public sector inflows:</u>				
<u>new funds</u>	338	599	505	492
Bilateral	201	322	244	256
United States	(114)	(195)	(176)	(195)
United Kingdom	(6)	(7)	(5)	(4)
Canada	(12)	(22)	(7)	(5)
Other	(69)	(98)	(56)	(52) ^{1/}
Multilateral	51	116	92	91
IDB	(16)	(35)	(12)	(11)
World Bank	(35)	(81)	(80)	(80)
Project financing/suppliers' credits ^{2/}	77	132	129	89
Other	9	30	40	56
<u>Public sector inflows:</u>				
<u>rescheduling</u>	111	169	535	528
Mexico	--	--	41	41
Venezuela	15	73	97	90
Trinidad and Tobago	96	96	98	98
Commercial banks	--	--	164	164
Paris Club creditors	--	--	116	116
Other creditors	--	--	19	19
<u>Public sector outflows</u>	-384	-429	-409	-398
<u>Short term and private capital (net)</u>	-231	31	29	123
<u>Net international reserves</u>				
(increase -)	306	-283	-283	-279
Arrears ^{3/}	190	-190	-190	-172
Other	116	-93	-93	-107
<u>Other arrears</u>	142	-228	-246	-226
Venezuela	--	-73	-77	-77
Paris Club	39	-34	-39	-39
Commercial banks	65	-65	-65	-65
Other ^{4/}	38	-56	-65	-45
<u>Financing gap</u>	--	274 ^{5/}	--	--

Sources: Bank of Jamaica; and Fund staff estimates.

^{1/} Includes suppliers' credit for automobiles.

^{2/} Includes Eximbank.

^{3/} Overdue payments which are treated as reserve liabilities for program purposes (decrease -).

^{4/} Amounts in 1984/85 represent private sector arrears removed from the auction in May 1984 and made subject to a phased repayment schedule.

^{5/} Identified possible sources of finance included rescheduling of debt due to Paris Club creditors (a total of US\$120 million were eligible), US\$158 million in amortization payments due to the commercial banks (of which US\$65 million fell due in 1983/84), and a new commercial bank loan of US\$8 million.

reserves and public sector external payments arrears at the end of March 1985 not be applicable because of the time required to implement the corrective policy measures discussed above. Instead, the performance criteria on net international reserves, public sector external payment arrears, net domestic assets of the Bank of Jamaica, and public and publicly guaranteed foreign debt, would be established for end-April 1985, taking account of the targeted end-March position and the projected flows in the month of April. This would result in some easing of the end-March targets due to postponement of the elimination of some US\$18 million of private external arrears. However, a performance criterion is included to effect a reduction by US\$6 million in these arrears by end-April 1985.

All bilateral agreements under the 1984/85 Paris Club rescheduling have been either signed or agreed in principle. Rescheduling agreements with Libya, Iraq, and Algeria have been reached in principle, but not on as favorable terms as those granted by Paris Club creditors.

b. Exchange rate policy

On November 29, 1984 the adjustable band that had been constraining movements of the Jamaica dollar/U.S. dollar rate was removed.^{1/} On the eve of the change, the exchange rate was J\$4.86 per U.S. dollar. The Jamaica dollar appreciated to J\$4 per U.S. dollar in the third auction following the removal of the band, but resumed a depreciating trend thereafter. By mid-February it had depreciated to J\$5.54 per U.S. dollar. On February 19 and again on February 26, the authorities supplied the auction with US\$7 million, twice the amount that had been supplied per auction in the previous few weeks, and the Jamaican currency appreciated to J\$5.06 per U.S. dollar. By March 28, however, the Jamaica dollar had again reached J\$5.50 per U.S. dollar (Chart 1). Through end-February 1985, the real effective exchange rate had depreciated by 41 percent since the unification of the exchange rate system in November 1983, and by 18 percent since the adoption of the auction system in March 1984 (Chart 2).

2. Demand management

The mission review and developments in early 1985 outlined above suggested the need for adoption of further restrictive credit measures; tight restraint on government expenditures; and an adjustment in prices charged by the public enterprises to reflect the depreciation of the Jamaica dollar that had taken place.

a. Central government finances

According to preliminary data for April-December 1984, total central government revenues exceeded the program estimate by J\$50 million;

^{1/} This change in the exchange rate regime and developments preceding the change were described in EBS/84/233, Supp. 1.

Table 6. Jamaica: Summary Operations of the Central Government

	1980/81 Actual	1981/82 Actual	1982/83 Actual	1983/84 Prel.	1984/85			Est.
					Prog.1/ Prog.	April-December Actual		
(In millions of Jamaica dollars)								
<u>Revenue</u>	1,192	1,483	1,629	1,790	2,738	1,733	1,783	2,649
Tax revenue	881	1,131	1,377	1,540	2,060	1,382	1,362	2,002
Nontax revenue	81	52	54	76	194 ^{3/}	48	58	159 ^{4/}
Bauxite levy ^{2/}	230	300	198	174	484	303	363	488
<u>Expenditure</u>	2,022	2,365	2,594	2,997	3,374	2,443	2,472	3,284
Current	1,550	1,721	1,921	2,420	2,830	2,045	2,002	2,820
Capital	472	644	673	538	544	398	315	(464
Float and unrecorded items	--	--	--	39	--	--	155	(
<u>Overall balance</u>	-830	-882	-965	-1,207	-636	-710	-689	-635
<u>Financing</u>	830	882	965	1,207	636	710	689	635
Net external ^{2/}	220	504	376	370	1,551	1,156	934	1,157
Net domestic	610	378	589	837	-915	-446	-245	-522
Banking system	(490)	(189)	(636)	(820)	(-1,062)	(-504)	(-323)	(-654)
Other (including residual)	(120)	(189)	(-47)	(17)	(147)	(58)	(78)	(132)
(In percent of GDP)								
<u>Revenue</u>	24.5	27.6	27.6	24.5	30.8			29.8
Tax revenue	18.1	21.0	23.3	21.1	23.2			22.9
Nontax revenue	1.7	1.0	0.9	1.0	2.2			1.8
Bauxite levy	4.7	5.6	3.4	2.4	5.4			5.5
<u>Expenditure</u>	41.6	44.0	44.0	41.0	37.9			36.9
Current	31.9	32.0	32.6	33.6 ^{5/}	31.8			31.7
Capital	9.7	12.0	11.4	7.4	6.1			5.2
<u>Overall balance</u>	-17.1	-16.4	-16.4	-16.5	-7.1			-7.1
<u>Financing</u>	17.1	16.4	16.4	16.5	7.1			7.1
Net external	4.5	9.4	6.4	5.0	17.4			13.0
Net domestic	12.6	7.0	10.0	11.5	-10.3			-5.9
Banking system	(10.1)	(3.5)	(10.8)	(11.2)	(-11.9)			(-7.3)
Other (including residual)	(2.5)	(3.5)	(-0.8)	(0.2)	(1.7)			(1.5)
<u>Memorandum item</u>								
Fiscal year GDP (millions of Jamaica dollars)	4,863	5,373	5,895	7,296	8,900			8,900

Sources: Ministry of Finance; and Fund staff estimates.

1/ As shown in EBS/84/233, Supplement 1.

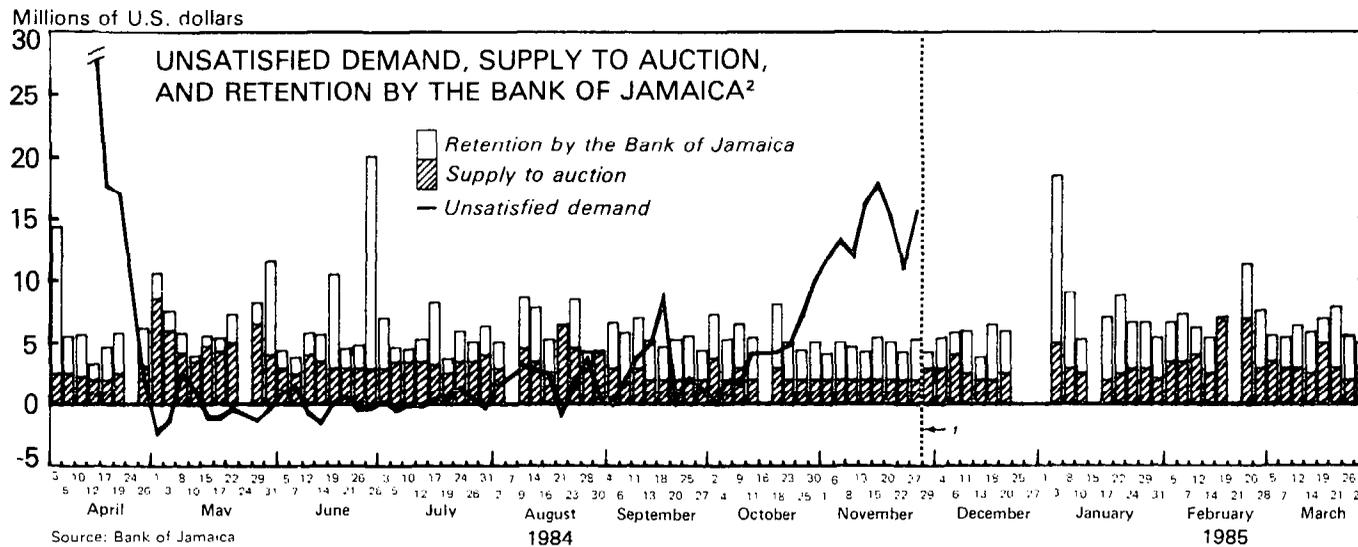
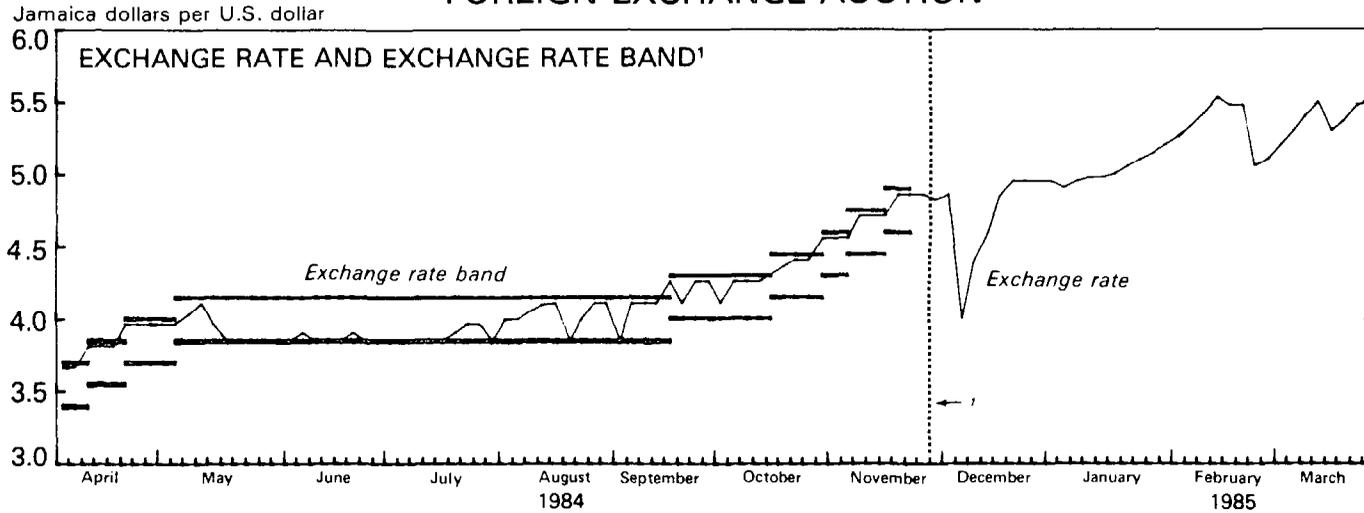
2/ Includes loan repayments of J\$16 million, J\$34 million and J\$61 million, respectively in 1982/83, 1983/84, and 1984/85, corresponding to an advance of the levy in 1982/83.

3/ Includes a grant of J\$65 million.

4/ Includes a grant of J\$25 million.

5/ Includes float and unrecorded items.

CHART 1
JAMAICA
FOREIGN EXCHANGE AUCTION



Source: Bank of Jamaica

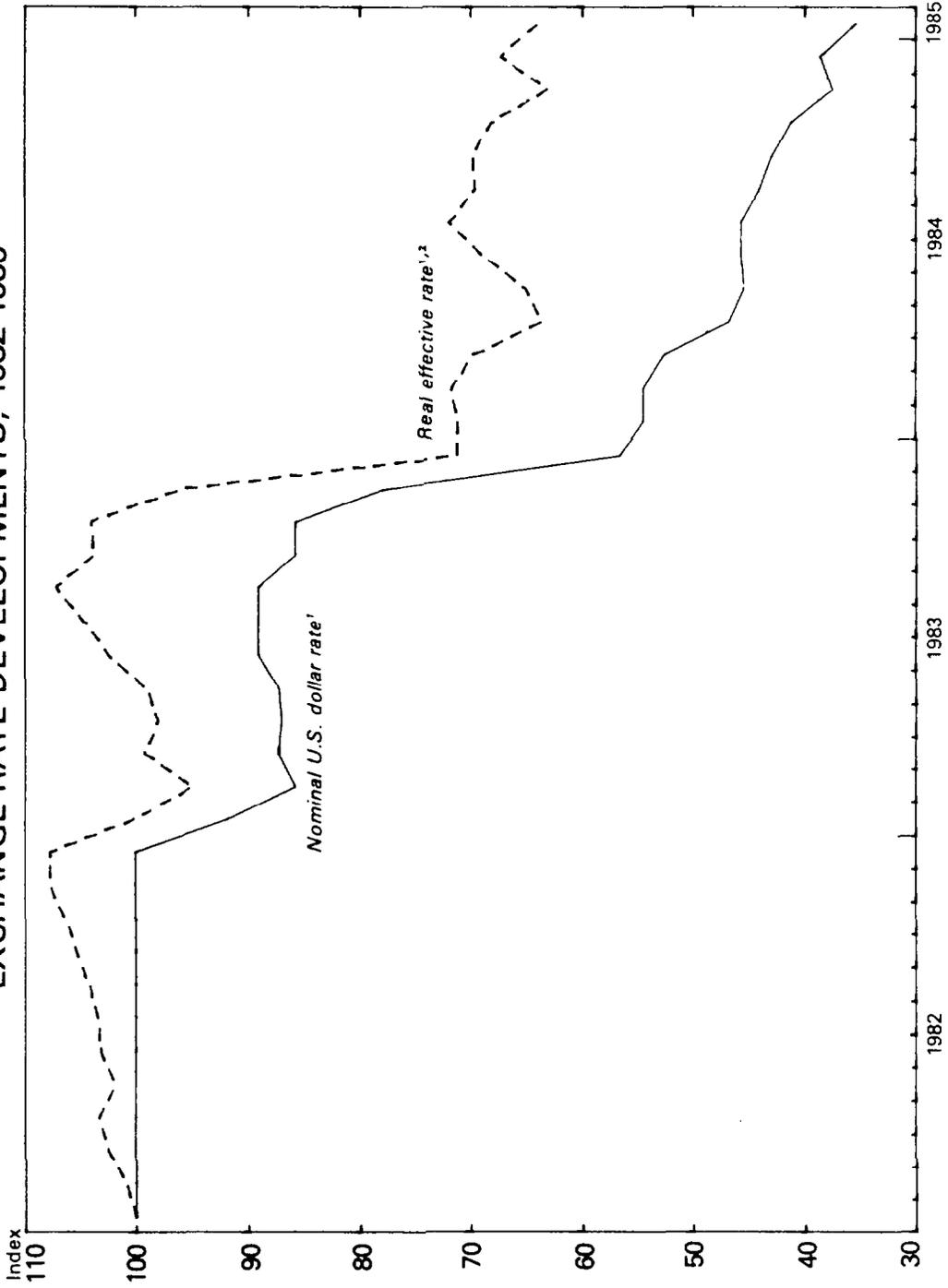
¹Starting with the auction of November 29, the exchange rate band was eliminated and the exchange rate set by a "Dutch auction".

Since this is a market clearing exchange rate, there is no unsatisfied demand.

²In April, all bids corresponding to imports cleared or service payments due before end February 1984 were removed from the auction and funded by the Bank of Jamaica according to a payment schedule for arrears.



CHART 2
JAMAICA
EXCHANGE RATE DEVELOPMENTS, 1982-1985



Source: Fund staff estimates.
1 January 1982 = 100. Includes the weighted average of the official and parallel exchange rates between January and November 1983.
2 Trade weighted average value of partner countries' currencies in terms of Jamaica dollars, adjusted for movements in relative consumer prices (increase in index denotes appreciation)

1.

2.

3.

4.

5.

a J\$20 million shortfall in tax revenues was more than offset by higher receipts from the bauxite levy, which reflected payment of overdues in the levy by BATCO (the government bauxite/alumina trading company, Table 6). However, revised estimates for 1984/85 as a whole indicate that total revenue would be about J\$90 million lower than programmed, reflecting shortfalls in both tax revenues (J\$58 million) and nontax revenue (J\$35 million). The shortfall in tax revenues, which is attributable to lower imports of items subject to high rates of taxes (such as automobiles), is expected mainly in customs duties, the retail sales tax, and consumption taxes applicable to imports. In this regard, the staff stressed its earlier recommendation that the phasing out of quantitative restrictions on imports should be accompanied by higher tariffs and that the economic rent accruing to importers who obtain licenses under the remaining quota system should be taxed.

Receipts from the bauxite levy in terms of Jamaica dollars are estimated to be as programmed, despite declining bauxite and alumina exports, largely because of accrued levy payments by the government-owned trading company and a larger than expected depreciation of the Jamaica dollar. In terms of U.S. dollars, levy receipts would be some US\$27 million lower than programmed.

Central government expenditures were above program levels during the first nine months of the fiscal year, to judge by the available data on financing and on revenue (see Table 6). However, recorded expenditures were some J\$130 million lower than programmed, suggesting significant problems in the recording of expenditures. The latest estimates for the 1984/85 fiscal year show total expenditures at about J\$90 million lower than programmed. Capital expenditures are expected to have been some J\$80 million less than programmed largely because of lower on-lending and portfolio investment, while current expenditures for 1984/85 would be about as planned. In light of the overrun in the first nine months, such an outturn implied strict expenditure discipline in the March quarter if there was to be no accumulation of domestic arrears in 1984/85.

A reduction in the public sector wage bill is expected to lay the basis for a permanent improvement in the public finances. In 1984/85 manpower reduction in the Central Government covered about 4,000 employees (some 4 percent of total public sector employment) compared to 5,900 indicated in the program. It appears that additional manpower reductions carried out at the local government level will provide little if any permanent reduction in recurrent expenditure, since the associated services, like refuse collection, have now to be contracted from the private sector.

External financing to the Central Government is estimated to have fallen short of target by about J\$400 million in the program year, mainly reflecting a shortfall in official bilateral flows, and project loans. As a result, the planned reduction in net domestic bank financing by the Central Government was smaller by a similar amount. It had

been possible to accommodate this larger reliance on domestic bank financing by the Central Government under the credit program, largely because of the margins created by higher refinancing of central bank external debt and by short-term external borrowing by some public enterprises.

b. Operations of the public entities

The program included a ceiling of J\$67 million on the aggregate net domestic bank credit to 26 "selected" public entities during 1984/85. In addition, these entities could borrow up to J\$42 million from domestic nonbank financial institutions.

During the period April-December, bank deposits of the selected entities rose by about J\$200 million more than envisaged, mainly due to a higher cash surpluses of the Petroleum Corporation of Jamaica (PCJ) and the Jamaica Commodities Trading Company (JCTC), as well as the buildup of temporary surpluses by the National Insurance Fund (NIF). This stronger than expected build-up of deposits of the enterprises was largely the counterpart of short-term external credit for oil, and of an initial margin in the pricing structure of both the PCJ and the JCTC during the first half of the program year, which subsequently disappeared with the depreciation of the Jamaica dollar.

The revised projections for the fiscal year indicate that the selected entities as a group reduced their net indebtedness to the banking system by at least J\$140 million (instead of an increase of J\$67 million as originally planned). This difference from the original program mainly reflects proceeds from an aircraft sale and leaseback operation and short-term oil credits, which together amount to some US\$80 million (J\$400 million or about 4 percent of GDP), neither of which had been expected when the program was formulated.

c. Monetary and credit policies

The monetary program in the stand-by arrangement contemplated a reduction in the net domestic assets of the banking system, to be achieved through a large reduction of the net indebtedness of the Central Government and a substantial deceleration in the growth of bank credit to the private sector, the selected public enterprises, and the rest of the public sector.

During the nine months ended December 1984, net domestic bank credit was reduced as programmed. However, the composition of the reduction was significantly different from that originally expected in the program. Because of the refinancing of some of its medium- and long-term external liabilities and the build-up of deposits of state enterprises, the Bank of Jamaica was able to cover higher than expected losses, and greater than programmed use of domestic credit by the Central Government, while still staying within the ceiling on its net domestic assets. Commercial bank credit to the private sector rose by

only 3 percent in the period April-December (Table 7), and the banks tended to increase their liquidity, in part reflecting the growth of deposits of state enterprises referred to above.

For the program year, banking system liabilities to the private sector are estimated to have grown by about 18 percent; credit to the private sector is estimated to have grown by 4 percent, compared to a programmed increase of 7 percent.

To tighten liquidity in the banking system, the authorities took a number of measures in late 1984 and early 1985. From August to October 1984 these measures included a shift of deposits of public enterprises from commercial banks to the Bank of Jamaica, an increase in compulsory holdings of liquid assets from 40 to 44 percent and of cash reserves from 10 to 14 percent of prescribed deposits. In addition, these legal requirements were made subject to daily instead of monthly observance. *Because of these measures and increases of 1-2 percentage points in controlled interest rates in September 1984, interest rates paid on large CDs rose from 15-18 percent to 17-20 percent per annum, and bank lending rates rose from 18-21 percent to 20-23 percent.*

In the discussions with the authorities, the staff stressed that interest rates in Jamaica remained low compared to the cost of borrowing abroad adjusted for the rate of depreciation of the Jamaica dollar, and compared to domestic inflation (in the year ended December 1984 consumer prices rose by 32 percent, and during the second half of 1984, inflation ran at an annual rate of about 20 percent). In these circumstances, the reluctance of the private sector to borrow abroad or to use their holdings of foreign assets was not difficult to explain.

In January 1985 controlled interest rates were increased by a further 1-2 percentage points, and in March-April the authorities began to introduce additional measures to tighten credit conditions and raise interest rates. These included a phased increase in the cash reserve requirement, raising it to 15 percent in March and progressively to 20 percent by mid-June, a 4 percentage point increase in the liquid asset ratio to 48 percent in mid-March, a 5 percentage point increase in the reserve requirements for nonbank financial institutions by mid-June, a 5 percentage point rise in the minimum interest rate paid on savings deposits (3 percent effective April 1 and a further 2 percent effective May 1), and an increase in the rediscount rate from 19 to 21 percent. Since the banks were already holding cash and liquid assets equivalent to 21 percent and 47 percent of deposits, respectively, at end-February, the increase in the cash reserve and in the liquid assets ratios would serve mainly to sterilize existing holdings. With these additional measures, interest rates on large CDs are expected to rise to around 22 percent and most lending rates to exceed 25 percent. Altogether, over the last 12 months the minimum interest rate on savings deposits has increased by 9 percentage points to 18 percent and the treasury-bill rate by 8 percentage points to about 21 percent per annum, which raised the general structure of interest rates by a similar magnitude.

Table 7. Jamaica: Summary Monetary Accounts
(Cumulative flows in millions of Jamaica dollars)

	April-September		April-December		1984/85		
	Rev. Prog.	Actual	Rev. Prog.	Actual	Orig. Prog.	Rev. Prog. 1/	Proj. Outturn
I. Banking System							
Net international reserves 2/	312	381	596	634	1,075	1,088	1,043
Net domestic assets	-107	-183	-106	-124	-487	-500	-417
Net claims on							
Central Government	-344	-31	-303	-323	-1,062	-805	-654
Net claims on							
selected public entities	95	-126	-59	-255	67	67	-140
Net claims on other public							
sector	374	125	310	305	30	440	309
Credit to private sector	92	33	83	112	250	196	147
Medium- and long-term							
foreign liabilities	-107	-116	-296	-177	199	-221	-290
Arrears counterpart	-303	-365	-262	-273	--	-262	-262
Valuation adjustment, exchange							
losses, and other (net)	86	297	421	487	29	85	473
Liabilities to private sector	100	92	440	449	633	639	612
Special deposits	105	106	50	61	-45	-51	14
II. Bank of Jamaica							
Net international reserves 2/	417	502	717	716	1,132	1,172	1,117
Net domestic assets	-405	-501	-626	-627	-1,072	-1,112	-1,056
Net claims on							
Central Government	-148	-241	-452	-262	-1,339	-789	-823
Net claims on selected							
public entities	64	14	-93	-59	52	52	-47
Net claims on							
other public sector	169	35	210	156	--	225	130
Net credit to banks	-35	30	-31	-363	-58	-205	-160
Medium- and long-term							
foreign liabilities	-107	-110	-290	-173	199	-221	-290
Arrears counterpart	-303	-365	-262	-273	--	-262	-262
Valuation adjustment,							
exchange losses,							
and other (net)	-45	136	292	347	74	88	396
Currency in circulation	12	1	91	89	60	60	61
III. Commercial Banks							
Net foreign assets	-105	-121	-121	-82	-57	-84	-74
Net domestic assets	298	318	520	503	585	612	639
Net claims on Central							
Government	-196	210	149	-61	277	-16	169
Net claims on selected							
public enterprises	31	-140	34	-196	15	15	-93
Net claims on other							
public sector	205	90	100	149	30	215	179
Credit to private sector	92	33	83	112	250	196	147
Claims on Bank of Jamaica	155	92	141	494	58	205	319
Other (net)	11	33	13	5	-45	-3	-82
Liabilities to private sector	88	91	349	360	573	579	551
Special deposits	105	106	50	61	-45	-51	14
(Changes in percent)							
Banking system 3/							
Net domestic assets	-3.1	-5.4	-3.1	-3.6	-14.3	-14.6	-12.2
Net credit Central Government	-10.1	-0.9	-8.9	-9.5	-31.1	-23.6	-19.2
Credit to private sector	2.7	1.0	2.4	3.3	7.3	5.7	4.3
Liabilities to private sector	6.0	5.8	14.4	14.9	17.2	17.2	18.3

Sources: Bank of Jamaica; and Fund staff estimates.

1/ As shown in EBS/84/233, Supplement 1.

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

3/ Changes in relation to the stock of private sector liabilities at the beginning of the period.

The authorities have requested that the observance of the performance criterion on net domestic assets of the Bank of Jamaica for end-March not be applicable, and be replaced by a new criterion for end-April 1985, consistent with the changes requested in the net foreign assets target described earlier.

d. Wage developments

The program assumed that wage increases would average 15 percent during 1984/85. In mid-1984, it was announced that, effective January 1985, minimum wages would be increased by 30 percent. Comprehensive data on wages and benefits are not available, and the monitoring of wage settlements by the Jamaican authorities remains incomplete. Although some important wage settlements (such as that in the bauxite sector) have averaged close to 20 percent a year, indicators provided by the Ministry of Labor suggest that wage settlements negotiated during 1984 were broadly in conformity with the 15 percent annual increase assumed under the program. According to these data, the simple average of the first year settlements for public sector entities was slightly below 11 percent, and on average private sector settlements were close to 17 percent.

III. The Medium-Term Outlook

When the 1984/85 financial program was adopted, the medium-term balance of payments projections showed large financing gaps for the years ahead despite the assumption of a recovery of bauxite/alumina exports. The decline in international alumina prices, the closure of the ALCOA alumina plant in February 1985 for at least 12 to 18 months, and the possibility of another alumina company closing down in the near future have resulted in a widening of those financing gaps. Assuming that foreign commercial banks maintain their present exposure in Jamaica and that borrowing on concessionary terms from bilateral and multilateral sources remains at the present high levels, and before further use of Fund resources and rescheduling by official creditors, the financing gap for 1985/86 would be about US\$370 million, including amortizations due of US\$400 million. The gap would increase in 1986/87 and decline only slowly in subsequent years (Table 8). For the purpose of this projection nonbauxite-related imports have been kept constant in volume terms in 1985/86 and the mix of additional adjustment and financing needed to close the financing gap in 1985/86 and beyond is left open; the projected current account and debt ratios should be interpreted in this context.

This outlook points to the need for very stringent policies and a significant reduction in nonbauxite-related imports, as well as for continued large-scale debt relief and concessional assistance over an extended period of time.

Table 8. Jamaica: Medium-Term Balance of Payments Projections
and External Debt

(In millions of U.S. dollars)

	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90
<u>Trade account</u>	-514	-630	-632	-663	-700	-732
Exports	717	524	582	694	790	904
Bauxite/alumina	(438)	(235)	(243)	(294)	(315)	(337)
Nontraditional ^{1/}	(142)	(166)	(197)	(243)	(299)	(368)
Other	(137)	(123)	(142)	(157)	(176)	(199)
Imports	-1,231	-1,154	-1,214	-1,357	-1,490	-1,636
Bauxite related	(-220)	(-152)	(-134)	(-167)	(-178)	(-191)
Other	(-1,011)	(-1,022)	(-1,080)	(-1,190)	(-1,312)	(-1,445)
<u>Services and transfers</u>	274	257	300	344	376	415
Travel (net)	385	406	443	483	526	573
Interest payments (net)	-279	-312	-307	-302	-308	-311
Of which: not previously rescheduled						
official bilateral debt	(-67)	(-30)	(-26)	(-25)	(-22)	(-18)
Other services (net)	20	8	4	3	-13	-23
Transfers (net)	148	155	160	160	171	176
<u>Current account</u>	-240	-373	-372	-319	-324	-317
<u>Capital account</u>	745	130	113	139	161	107
Official	622	130	113	139	161	107
Inflows ^{2/}	1,020	530	478	494	518	543
Outflows	-398	-400	-365	-355	-357	-436
Of which: not previously re-scheduled official						
bilateral debt	(...)	(-89)	(-82)	(-60)	(-43)	(-31)
Private and errors and omissions	123	--	--	--	--	--
<u>Overall balance of payments</u>	505	-243	-219	-180	-163	-209
<u>Changes in reserves</u>	-279	-113	-182	-204	-182	-117
Assets	-67	-20	-44	-44	-20	-20
Liabilities	-212	-93	-138	-160	-162	-97
IMF	(38)	(-61)	(-124)	(-146)	(-162)	(-97)
Other ^{3/}	(-250)	(-32)	(-14)	(-14)	(--)	(--)
<u>Exceptional financing</u>	-220	-15	--	--	--	--
<u>Financing gap ^{4/}</u>	--	356	401	384	345	326
<u>Memorandum items</u>						
External debt (end of period) ^{5/}	3,440	3,697	3,920	4,096	4,223	4,321
External debt as percentage of GDP ^{3/}	168	210	221	224	231	223
Current account deficit as percentage of GDP	-11.7	-18.6	-15.6	-13.6	-12.6	-11.1
Debt service ratio	47.1	58.4	53.3	48.1	44.5	41.3
Bauxite (millions of tons)	3.44	2.53	2.53	2.53	2.53	2.53
Alumina (millions of tons)	1.66	0.95	0.95	1.14	1.14	1.14

Source: Fund staff estimates.

^{1/} Other than exports to CARICOM.

^{2/} Assumes that foreign commercial banks maintain exposure.

^{3/} Includes arrears.

^{4/} The mix of additional adjustment and incremental financing needed to close the financing gap has been left open.

^{5/} Medium- and long-term public and publicly guaranteed debt, including liabilities of the Bank of Jamaica.

IV. Staff Appraisal

Jamaica is confronting a critical economic situation as it attempts to correct deep-seated structural problems and at the same time to cope with a massive external debt and major difficulties in its principal export sector, bauxite/alumina. Even though significant adjustments have been made under the current stand-by arrangement, the difficult medium-term scenario outlined in EBS/84/101 (May 4, 1984) has now worsened considerably. Sustained and strong adjustment efforts will be required in 1985/86.

Under the current stand-by, with the assistance of a flexible exchange rate system, a realignment of relative prices has taken place which should help improve resource allocation and promote the growth of nontraditional exports and tourism. At the same time progress has been made in liberalizing the economy and in reducing external arrears. Although certain domestic prices have risen sharply to reflect this restructuring of relative prices, demand management policies have dampened the inflationary effects. In particular, the central government deficit has been reduced, credit policies have been tightened, and interest rates raised.

Further substantial adjustment will be required in the years ahead, given the expected sharp drop in export income and the already critical external debt level. Of necessity, central government expenditure, particularly wage payments, will have to be reduced substantially, and the rest of the public sector will have to improve its financial performance. At the same time it will be necessary to maintain tight credit policies and an appropriate structure of interest rates.

A continuation of the floating exchange rate system is needed to ensure attainment of the balance of payments targets, and foster the needed restructuring of the economy. The authorities will need to allow the auction market to function without restraint and to avoid intervention aimed at obtaining a given exchange rate result. To allow the exchange rate to perform its function efficiently, it is important that public sector prices be adjusted promptly, in the light of changes in the exchange rate and other costs.

Jamaica failed to observe the performance criteria on the level of net international reserves and public sector external arrears for December 1984 and since that date Jamaica has also temporarily incurred new arrears in payments. The authorities have now implemented corrective measures in the fiscal and monetary fields, as well as adjustments in the prices of petroleum products, basic foods, and domestic sugar.

In the attached letter, the authorities request a waiver of the observance of the end-December performance criteria and that the performance criteria set for the end of March 1985, on net international reserves, net domestic assets of the Bank of Jamaica, and net disbursement of public and publicly guaranteed foreign indebtedness not be

applicable because of the need for additional time to implement the corrective policy measures. Instead, new performance criteria would be established for end-April 1985. Also, they have requested that the performance criterion on elimination of private sector arrears be extended through June 21, 1985. In the circumstances, and especially in view of the actions taken recently by the authorities, the staff would support the authorities' request for waiver of the observance of the performance criteria for end-December and the incurrence of new arrears after December 31, 1984. The staff also supports the request of the authorities to set new performance criteria for end-April as mentioned above, and notes that the authorities intend to eliminate private sector arrears before the end of the current stand-by arrangement.

VII. Proposed Decisions

The following draft decisions are proposed for adoption by the Executive Board:

1. Jamaica has consulted with the Fund in accordance with paragraph 4(e) of the stand-by arrangement for Jamaica (EBS/84/101, Supp. 3, June 13, 1984) and paragraph 32 of the letter dated April 25, 1984 from the Prime Minister and Minister of Finance and Planning and the Governor of the Bank of Jamaica, in order to review the progress made in implementing the policies affecting demand management and the exchange system and to reach understandings with the Fund regarding the circumstances in which purchases under the arrangement can be resumed.
2. The letter of April 26, 1985 from the Prime Minister and Minister of Finance and Planning and the amendment to the technical memorandum of understanding of April 25, 1984 and its supplement attached thereto shall be annexed to the stand-by arrangement for Jamaica, and the letters of April 25, 1984, October 22, 1984 and December 1, 1984 and the technical memorandum of understanding of April 25, 1984 and its supplement attached thereto shall be read as supplemented and modified by the letter of April 26, 1985 and the amendment to technical memorandum of understanding of April 25, 1984 and its supplement attached thereto.
3. Accordingly, the references in paragraph 4(a)(iii), (iv), 4(b) and (c) of the arrangement, respectively, to the limit on net domestic assets of the Bank of Jamaica, the targets for the net international reserves, and net disbursements of new public and publicly guaranteed foreign indebtedness and the limits on external

payment arrears originally set for the period to the end-March, 1985 in the technical memorandum of understanding attached to the letter dated April 25, 1984 and its supplement attached to the letter of December 1, 1984 shall refer to the limits and targets for the period to the end of April, 1985, as set forth in the letter of April 26, 1985, and the amendment to the technical memorandum of understanding of April 25, 1984 and its supplement attached thereto.

4. Paragraph 2(a) of the stand-by arrangement shall be amended to read as follows:

2. (a) Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 64 million, provided that purchases shall not exceed the equivalent of SDR 14.6 million until July 16, 1984, the equivalent of SDR 18 million until October 16, 1984, and the equivalent of SDR 28 million until January 16, 1985 and the equivalent of SDR 46 million until May 16, 1985.

5. The Fund finds that, in light of the letter of April 26, 1985 from the Prime Minister and Minister of Finance and Planning, no additional understandings are necessary concerning the nonobservance of the performance criteria relating to the target for the net international reserves, and the limit on external public sector arrears for December 31, 1984, and the incurrence of new payment arrears after December 31, 1984, referred to in paragraph 4(a)(iv) and (c) of the arrangement and in paragraph 3 of the

supplement to the technical memorandum of understanding attached to the letter of December 1, 1984, and that Jamaica may proceed to make purchases under the stand-by arrangement.

6. In accordance with Executive Board Decision No. 7908-(85/26) of February 20, 1985 on overdue payments to the Fund, the stand-by arrangement for Jamaica is amended to read as set forth in the Attachment.

Exchange System

The approval of Jamaica's exchange restriction and multiple currency practice under Decision No. 7872-(84/181), adopted December 12, 1984 is extended until June 21, 1985 or the completion of the next Article IV consultation, whichever is earlier.

Jamaica - Fund Relations
(As of March 31, 1985)

I. Membership status

- (a) Date of membership: February 21, 1963.
(b) Status: Article VIII.

(A) Financial Relations

II. General Department

- (a) Quota: SDR 145.5 million
(b) Total Fund holdings of Jamaica dollars:
SDR 769.2 million or 528.7 percent of quota
(c) Fund credit (i.e., Fund holdings of Jamaica dollars
subject to repurchase and charges):

	<u>Millions</u> <u>of SDRs</u>	<u>As Percent</u> <u>of Quota</u>
<u>Total Fund credit</u>	623.6	428.6
Of which: Under tranche policy	518.6	356.5
Credit tranches	41.6	28.6
Extended facility	477.0	327.9
Ordinary resources	(138.6)	(95.3)
Supplementary financing	(172.0)	(118.2)
Enlarged access resources	(166.4)	(114.4)
Under CFF	105.0	72.2

- (d) Reserve tranche position: --

III. Current stand-by or extended arrangement and special facilities

- (a) Current stand-by arrangement:
(i) Duration: June 22, 1984 to June 21, 1985
(ii) Amount: SDR 64 million
(iii) Utilization: SDR 28 million.
(iv) Undrawn balance: SDR 36 million.
(b) Stand-by and extended arrangements during the last ten years:

<u>Type</u>	<u>Date</u>	<u>Duration</u>	<u>Amount</u>	<u>Utilization</u>	
				<u>(millions</u> <u>of SDRs)</u>	<u>(In percent</u> <u>of then quota)</u>
Stand-by	6/01/73	1 year	26.5	26.5	50.0
Stand-by	8/11/77	2 years	64.0	19.2	25.9
EFF	6/09/78	3 years	200.0		
(augmented)	6/11/79		259.7	155.0	209.5
EFF	4/13/81	3 years	477.7	402.8	362.9

- (c) Special facilities during the last 3 years:

CFF	4/13/81	SDR 37.0 million
CFF	8/25/82	SDR 19.4 million
CFF	6/26/84	SDR 72.6 million

IV. SDR Department

- (a) Net cumulative allocation: SDR 40.61 million
- (b) Holdings: SDR 0.00 million (0.00 percent of net cumulative allocation)

V. Administered Accounts

- (a) Trust Fund loans: --
- (b) SFF Subsidy Accounts: Payments by Fund

August 10, 1982	SDR	4.67	million
September 29, 1983	SDR	3.33	million
July 20, 1984	SDR	3.07	million
Total	SDR	11.07	million

VI. Overdue obligations to Fund:

Jamaica has frequently experienced difficulty in remaining current with the Fund within the past two years and has been overdue on payments for periods ranging from a few days to eight weeks. Jamaica is at present current with the Fund.

(B) Nonfinancial Relations

VII. Exchange rate arrangement:

In November 1983, Jamaica adopted a unified floating rate within an adjustable exchange rate band. An auction mechanism to determine rates was instituted in December 1983 and modified in March 1984. The band was eliminated on November 27, 1984.

VIII. Last Article IV consultation:

January 1984, completed by the Executive Board on June 8, 1984 (Standard 12-month cycle).

IX. Technical Assistance:

- (a) CBD: Two CDB advisors were assigned to the Bank of Jamaica from April 1983 to November 1984.

X. Resident Representative:

Mr. Daniel Citrin, since December 1, 1984. Mr. Citrin succeeded Mr. Chee Sung Lee.

Jamaica--Basic DataArea and population

Area	4,411 sq. miles (11,424 sq. kilometers)
Population (1984)	2.2 million
Annual rate of population increase (1978-84)	1.1 percent
Unemployment rate (October 1984)	25.4 percent

GDP (1984)1/

SDR 1,992 million
US\$2,032 million
J\$8,839 million

GDP per capita (1984)

SDR 905

Origin of GDP (1984)

(percent)

Agriculture and fishing	6
Mining	7
Manufacturing	18
Construction	9
Government	13
Other	47

Ratios to GDP (1984)

Exports of goods and nonfactor services	60.6
Imports of goods and nonfactor services	65.6
Central government revenues (fiscal year from April 1)	29.8
Central government expenditures (fiscal year from April 1)	36.9
External government and government-guaranteed debt (fiscal year from April 1)	144.2
Gross national savings	16.1
Gross domestic investment	20.9
Money and quasi-money (end of year)	38.2

Annual percentage changes in selected economic indicators

	1981/82	1982/83	Rev. 1983/84	Proj. 1984/85
Real GDP per capita	2.0	-1.5	0.6	-1.1
Real GDP	2.2	0.9	1.4	--
GDP at current prices	22.5	11.4	20.7	23.7
Domestic expenditure (at current prices)	19.6	10.0	14.5	...
Investment	(51.2)	(3.8)	(18.9)	(...)
Consumption	(13.9)	(11.5)	(13.5)	(...)
GDP deflator	19.9	10.4	19.0	23.9
Consumer prices (period average)	9.0	7.1	14.9	25.0
Money and quasi-money	31.3	26.8	26.3	18.3
Money	(17.4)	(2.3)	(21.3)	(22.1)
Quasi-money	(36.9)	(35.5)	(26.5)	(17.1)
Net domestic bank assets 2/	24.3	33.1	57.6	-12.2
Credit to public sector (net)	(...)	(30.6)	(17.3)	(-19.2)
Credit to private sector	(17.8)	(20.5)	(17.6)	(4.3)
Central government revenues	24.5	9.9	9.9	48.0
Central government expenditures	16.9	9.7	14.1	11.0
Merchandise exports (f.o.b., in U.S. dollars)	-11.9	-17.4	-1.7	-0.1
Merchandise imports (c.i.f., in U.S. dollars)	23.8	-6.5	-10.1	-1.6
Travel receipts (net, in U.S. dollars)	30.5	5.6	13.7	6.7

<u>Central government finances</u>	1981/82	1982/83	1983/84	Proj. 1984/85
	(millions of Jamaica dollars)			
Revenues	1,482.9	1,629.0	1,790.3	2,649.0
Expenditures	2,364.7	2,594.4	2,958.0	3,284.0
Current account deficit (-)	-238.0	-292.4	-629.7	-171.0
Overall deficit (-)	-881.8	-965.4	-1,167.7	-635.0
External financing (net)	503.7	376.2	370.0	1,157.0
Domestic financing (net) and residual	378.1	589.2	837.0	-522.0
 <u>Balance of payments</u>	 (millions of U.S. dollars)			
Merchandise exports (f.o.b.)	889.1	734.2	721.8	717.0
Merchandise imports (c.i.f.)	-1,487.7	-1,391.6	-1,250.7	-1,231.0
Travel (net)	300.4	317.3	360.9	385.2
Investment income (net)	-225.3	-214.6	-1,676.0	-210.7
Other services and transfers (net)	85.7	94.2	53.2	100.0
Balance on current and transfer accounts	-437.8	-460.5	-282.4	-239.5
Official capital (net)	427.1	387.4	65.4	621.5
Private capital (net) and errors and omissions	54.3	-73.3	-219.0	123.3
SDR allocation	--	--	--	--
Overall balance	43.6	-146.4	-436.0	505.3
 <u>International reserve position</u>	 (end of period, millions of U.S. dollars)			
Central Bank (gross)	130.7	188.1	65.0	135.0
Central Bank (net)	-539.8	-619.2	-859.3	-580.0

1/ Based on the average exchange rate for the Jamaica dollar.

2/ In relation to the stock of liabilities to the private sector at the beginning of the period.

Jamaica - Amended Stand-By Arrangement of June 22, 1984

Attached hereto is a letter, with annexed technical memorandum of understanding, dated April 25, 1984 from the Prime Minister and Minister of Finance and the Governor of the Bank of Jamaica requesting a stand-by arrangement and setting forth:

(a) the objectives and policies that the authorities of Jamaica intend to pursue for the period of this stand-by arrangement;

(b) understandings of Jamaica with the Fund regarding reviews that will be made of progress in realizing the objectives of the program and of the policies and measures that the authorities of Jamaica will pursue for the period of this stand-by arrangement.

To support these objectives and policies the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For a period of one year from the effective date of the stand-by arrangement, Jamaica will have the right to make purchases from the Fund in an amount equivalent to SDR 64 million, subject to paragraphs 2, 3, 4, 5, and 6 below, without further review by the Fund.

2. (a) Purchases under this stand-by arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 64 million, provided that purchases shall not exceed the equivalent of SDR 14.6 million until July 16, 1984, the equivalent of SDR 18 million until October 16, 1984, the equivalent of SDR 28 million until January 16, 1985 and the equivalent of SDR 46 million until May 16, 1985.

(b) None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Jamaica's currency in the credit tranches beyond 25 percent of quota.

3. Purchases under this stand-by arrangement shall be made from ordinary resources.

4. Jamaica will not make purchases under this stand-by arrangement that would increase the Fund's holdings of Jamaica currency in the credit tranches beyond 25 percent of quota

(a) during any period in which the data at the end of the preceding period indicate that

(i) the limit on the central government borrowing requirement described in paragraph 2 of the technical memorandum of understanding annexed to the letter dated April 25, 1984, or

(ii) the limit on net domestic credit to the selected public entities as described in paragraph 3 of the technical memorandum of understanding annexed to the letter dated April 25, 1984, or

(iii) the limit on net domestic assets of the Bank of Jamaica as described in paragraph 4 of the technical memorandum of understanding annexed to the letter dated April 25, 1984, or

(iv) the target for the net international reserves as described in paragraph 5 of the technical memorandum of understanding annexed to the letter dated April 25, 1984 are not observed, or

(b) if Jamaica fails to observe the understandings on net disbursements of new public and publicly guaranteed foreign indebtedness described in paragraph 6 of the technical memorandum of understanding annexed to the letter dated April 25, 1984, or

(c) if the limits on external payment arrears as described in paragraph 5 of the technical memorandum of understanding annexed to the letter dated April 25, 1984, are not observed, or

(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

(e) during any period after September 30, 1984 and December 31, 1984, until the review referred to in paragraph 32 of the letter dated April 25, 1984, has been carried out and any understandings deemed by the Fund to be necessary have been reached pursuant to such review, or such understandings, having been reached, are being observed; or

(f) during the entire period of this stand-by arrangement if Jamaica

(i) imposes new or intensifies existing restrictions on payments and transfers for current international transactions, or

(ii) introduces multiple currency practices, or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII, or

(iv) imposes new or intensifies existing import restrictions for balance of payments reasons.

When Jamaica is prevented from purchasing under this stand-by arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Jamaica and understandings have been reached regarding the circumstances in which such purchases can be resumed.

5. Jamaica will not make purchases under this stand-by arrangement during any period of the arrangement in which the member has an overdue financial obligation to the Fund or is failing to meet a repurchase expectation pursuant to the Guidelines on Corrective Action in respect of a noncomplying purchase.

6. Jamaica's right to engage in the transactions covered by this stand-by arrangement can be suspended only with respect to requests received by the Fund after

(a) a formal ineligibility, or

(b) a decision of the Executive Board to suspend transactions, either generally or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Jamaica. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 5, purchases under this arrangement will be resumed only after consultation has taken place between the Fund and Jamaica and understandings have been reached regarding the circumstances in which such purchases can be resumed.

7. Purchases under this stand-by arrangement shall be made in the currencies of other members selected in accordance with the policies and procedures of the Fund, and may be made in SDRs if, on the request of Jamaica, the Fund agrees to provide them at the time of the purchase.

8. Jamaica shall pay a charge for this stand-by arrangement in accordance with the decisions of the Fund.

9. (a) Jamaica shall repurchase the outstanding amount of its currency that results from a purchase under this stand-by arrangement in accordance with the provisions of the Articles of Agreement and decisions of the Fund, including those relating to repurchases as Jamaica's balance of payments and reserve position improve.

(b) Any reductions in Jamaica's currency held by the Fund shall reduce the amounts subject to repurchase under (a) above in accordance with the principles applied by the Fund for this purpose at the time of the reduction.

10. During the period of the stand-by arrangement Jamaica shall remain in close consultation with the Fund. These consultations may include correspondence and visits of officials of the Fund to Jamaica or of representatives of Jamaica to the Fund. Jamaica shall provide the Fund, through reports at intervals or dates requested by the Fund, with such information as the Fund requests in connection with the progress of Jamaica in achieving the objectives and policies set forth in the attached letter and annexed technical memorandum of understanding.

11. In accordance with paragraph 32 of the attached letter Jamaica will consult the Fund on the adoption of any measures that may be appropriate at the initiative of the Government or whenever the Managing Director requests consultation because any of the criteria in paragraph 4 above have not been observed or because he considers that consultation on the program is desirable. In addition, after the period of the arrangement and while Jamaica has outstanding purchases in the upper credit tranches, the Government will consult with the Fund from time to time, at the initiative of the Government or at the request of the Managing Director, concerning Jamaica's balance of payments policies.

Kingston, Jamaica
April 26, 1985

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

Dear Mr. de Larosiere:

1. The data relating to the end-December 1984 performance criteria for the stand-by arrangement of June 1984 has been submitted to Fund staff. The information shows that external public arrears amounted to US\$45 million, compared to a ceiling of US\$10 million and that all other ceilings were met except for an insignificant excess of US\$0.3 million below the floor on net international reserves of -US\$680 million.

2. The net disbursements of external loans for the quarter ended December 1984 were short of the targeted amount by US\$11 million, although the delayed disbursement of the Girozentrale-Credit Suisse medium-term loan facility of US\$30 million (Austen Blades loan) was partly offset by a larger than programmed inflow from U.S. AID of US\$19 million. The proceeds of Girozentrale's loan would have permitted the Jamaican authorities to clear the excess arrears of US\$35 million and meet the related adjusted net international reserve target of -US\$669 million by a margin of US\$18 million.

3. The Girozentrale-Credit Suisse credit was disbursed on February 12, 1985. In addition, the Jamaican authorities concluded the sale and lease-back of four 727 Boeing aircraft and the first tranche of US\$12.7 million was disbursed on January 9, 1985. The gross proceeds amount to US\$16.4 million.

4. Since the nonobservance of the arrears ceiling in December reflected a temporary delay of a loan receipt, the Jamaican authorities request the agreement of the Fund Board to a waiver in respect of the breaches of the ceilings at end of December 1984 on net international reserves and public debt payment arrears and the incurring of new payment arrears since the end of December 1984.

5. As from January 15, 1985 the prices of petroleum products were increased to reflect cost movements including an average exchange rate of J\$5.5 per U.S. dollar. The Government also increased the prices of imported products distributed by the Jamaica Commodity Trading Corporation by some 23 percent on average in April 1985. The Government has decided that the domestic price of sugar will be increased by 30 percent before the date of Board review of the Stand-by arrangement.

6. In early February, Alcoa (an alumina exporter representing over 10 percent of Jamaica's export earnings) announced the closing of its alumina plant as of February 20, for a period of at least 12 to 18 months, because of prevailing world market conditions. The closure will reduce annual Government revenues by some J\$100 million or about 1 percent of GDP. It is evident that Jamaica now faces a much larger external and fiscal gap than had been envisioned.

7. As a first step in addressing the adjustment problems for 1985/86, as well as to ensure the attainment of the objectives of the current programme, the Government of Jamaica has implemented a number of policy measures in the monetary and fiscal areas. As regards credit policies, the cash reserve requirement and the liquid assets requirement for commercial banks were increased on April 4, 1985, from 14 percent and 44 percent, respectively, to 15 percent and 48 percent, respectively. The banking legislation is being amended to raise the statutory ceiling on the cash reserve requirement from 15 percent to 25 percent, and it has been announced that this requirement will be increased to 20 percent on a phased basis which will be completed by June 15, 1985, the earliest feasible date under the regulations. In the case of non-banks, the statutory limit on the liquid asset requirement will be increased from 15 percent to 30 percent and the relevant legislation will be amended to provide for a cash reserve requirement of up to 15 percent. The liquid asset requirement for non-banks will be increased to 20 percent, including a 5 percent cash reserve requirement, on a phased basis to be completed by June 15, 1985. Net commercial bank credit to the Private Sector has been frozen at the level prevailing on March 8, 1985 and interest rates have been raised substantially by increasing the savings rate from 15 percent to 18 percent effective April 1, with a further 2 percent increase effective May 1, 1985. The rediscount rate on commercial paper has been raised by 2 percentage points to 21 percent. Further, the ceiling on mortgage rates for building societies' operations has been removed. Finally, to reduce the liquidity of the commercial banking system, deposits of Public Entities with commercial banks have been substantially withdrawn and deposited at the Bank of Jamaica, and in addition, the collection terms on sales by the Jamaica Commodity Trading Corporation have been shortened to one month.

8. On the fiscal side and pending the finalization of the 1985/86 Budget, a tariff has been levied as from April 13 on non-bauxite/non-oil imports at incremental rates of 10 percent for raw materials, 20 percent for capital goods and 30 percent for consumer goods. Exemptions from this levy will include basic foods imported under U.S. and Canadian aid/grant programs, drugs, certain agricultural inputs and raw materials used by agro-industry and manufacturers for export. The yield is estimated to be in excess of J\$400 million for the fiscal year 1985/86.

9. The Government has decided that in future, the prices of public entities' goods and services should be adjusted on a timely basis. Products imported by the Jamaica Commodity Trading Corporation will be

adjusted on a monthly basis to reflect changes in the exchange rate and other costs. For petroleum products, prices will be adjusted as necessary according to an agreed mechanism which reflects changes in the exchange rate and other costs. For the electric utility, present pricing arrangements permit the adjustment of the fuel charge on a monthly basis to reflect changes in the exchange rate and other costs, and this practice will continue. For the remaining utilities including transportation, telecommunications and water, a quarterly evaluation of costs and trends will be undertaken and rates adjusted as necessary to reflect changes in the exchange rate and other costs.

10. The recent developments in the alumina industry of Jamaica have worsened the export prospects and, in addition, sufficient time is required for the corrective policy measures described in paragraphs 7 and 8 to become effective. Therefore, we are requesting that the performance criteria on net international reserves and net domestic assets of the Bank of Jamaica, as well as the ceilings on net disbursement of new public and publicly-guaranteed foreign indebtedness, and the target on external payments arrears to be observed at end-March 1985, no longer be applicable. We request instead that performance criteria on these items be established for end-April 1985, by adding to the programmed March targets the projected flows in April and that the performance criteria covering private sector external payments arrears be modified to permit their elimination by June 21, 1985 instead of end-March 1985 as programmed. The remaining performance criteria, including the borrowing requirement of the Central Government and the selected public entities and on the uncovered forward position and forward commitments of the Bank of Jamaica (or any subsidiary) in the forward exchange market, would remain for end-March 1985. Purchases of Fund resources under the stand-by arrangement to be made before the outcome of the end-April performance criteria is available, would be subject to compliance with the remaining end-March performance criteria mentioned above. Purchases of Fund resources that may be made after May 16, 1985 would be subject to compliance with the end-April performance criteria as established, together with the other performance criteria set forth in the arrangement. The Technical Memorandum of Understanding attached to the letter of April 25, 1984, supplemented and modified by the Supplement to the Technical Memorandum of Understanding attached to the letter of December 1, 1984, should be changed as in the attached amendment to the Technical Memorandum of Understanding.

Your sincerely,

E.P.G. Seaga
Prime Minister and
Minister of Finance and
Planning

March 26, 1985

Amendment to the Technical Memorandum
of Understanding, Attached to the Letter
of April 25, 1984, and its Supplement

1. This amendment specifies the changes to the Technical Memorandum of Understanding of April 25, 1984 as amended by the supplement to the Technical Memorandum of Understanding attached to the letter dated December 1, 1984.

2. For the remainder of the stand-by arrangement, the stock of the net domestic assets of the Bank of Jamaica will be no higher than J\$2,950 million through April 30, 1985. This ceiling will be subject to downward adjustment for any excess over projected net foreign disbursements set out in attached Table 1.

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 stand-by arrangement, the net international reserve position of the Bank of Jamaica will not be less than negative US\$595 million through April 30, 1985. The net international reserve target will be subject to upward adjustments for any cumulative excess over the projected net foreign disbursements set out in attached Table 1.

For the purpose of this paragraph 3, 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 attached to the letter dated April 25, 1984 and in paragraph 3 of the supplement to the Technical Memorandum of Understanding attached to the letter dated December 1, 1984.

4. Any changes in the stock of external debt of the public sector (as defined in paragraph 6 of the Technical Memorandum of Understanding dated April 25, 1984) in excess of US\$489 million through April 30, 1985 (set out in Table 1, attached) will be added to the net international reserves target.

5. External payments arrears on private sector obligations, which were about US\$65 million on March 31, 1984 and were reduced to US\$18 million on December 31, 1984, will be no more than US\$12.5 million at end-April 1985 and will be fully eliminated by June 21, 1985.

External payments arrears on public sector obligations will be eliminated by April 30, 1985. For the purpose of this paragraph, arrears will exclude the "proposed refinancing" specified in Table 3 which have been derived under the assumption that the listed payments will be rescheduled in 1985 at terms equivalent to those obtained under the 1984 rescheduling agreements with commercial banks and Paris Club creditors.

Table 1. Jamaica: Net Disbursements of External Debt ^{1/}

(In millions of U.S. dollars)

	Jan. 1984- March 1985	April 1985	Jan. 1984- April 1985
<u>Inflows</u> ^{2/}	<u>1,017</u>	<u>52</u>	<u>1,069</u>
Governments	568	17	585
Multilateral	125	--	125
Other	324	35	359
<u>Outflows</u>	<u>-539</u>	<u>-41</u>	<u>-580</u>
<u>Cumulative change in stock of debt</u>	<u>478</u>	<u>11</u>	<u>489</u>

Source: Bank of Jamaica.

^{1/} Medium- and long-term public and public-guaranteed debt, excluding reserve liabilities.^{2/} Excludes disbursements of project loans and loans extended to the private sector with a government guarantee.

Table 2. Derivation of Net Foreign Assets Target
for End-April 1985

(In millions of U.S. dollars)

<u>Net foreign assets,</u>	
<u>end-March 1985 (proj.)</u>	-579.3
Assets	150.9
Liabilities	-730.2
Of which: arrears	(-18.0)
<u>Cash flow, April 1985 (net)</u>	-27.3
Inflows	101.9
BOJ foreign exchange budget	(94.9)
Additional inflows	(7.0)
Outflows	-129.2 ^{1/}
BOJ foreign exchange budget	(-108.5)
Private sector arrears	(-6.0)
Public debt arrears (1984/85)	(-14.7)
<u>Change in reserve liabilities (increase -)</u>	12.3
IMF	-5.7
Arrears	18.0
<u>Net foreign assets target,</u>	
<u>end-April 1985</u>	-594.3
Assets	123.6
Liabilities	-717.9
Of which: arrears	(--)

Sources: Bank of Jamaica; and Fund staff estimates.

^{1/} Assumes nonpayment of debt service amounting to US\$36.8 million on refinanceable items (see Table 3).

Table 3. Jamaica: Public Debt Service on Amounts Proposed to be Refinanced, April 1985

(In millions of U.S. dollars)

	Amounts Due			Amounts Due			Amounts Due		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
<u>Total refinanceable</u>	<u>34.8</u>	<u>11.7</u>	<u>46.5</u>	<u>34.8</u>	<u>2.0</u>	<u>36.8</u>	--	<u>9.7</u>	<u>9.7</u>
Commercial banks	22.4	7.7	30.1	22.4	--	22.4	--	7.7	7.7
OECD	2.6	1.8	4.4	2.6	0.9	3.5	--	0.9	0.9
Non-OECD	9.8	2.2	12.0	9.8	1.1	10.9	--	1.1	1.1
Mexico	(0.7)	(0.3)	(1.0)	(0.7)	(0.15)	(0.85)	(--)	(0.15)	(0.15)
Venezuela	(9.1)	(1.9)	(11.0)	(9.1)	(0.95)	(10.05)	(--)	(0.95)	(0.95)

Source: Bank of Jamaica.