ANNUAL REPORT ON THE JAMAICAN ECONOMY

1991

Published by
The Private Sector Organisation of Jamaica
39, Hope Road, Kingston 10.
July, 1992.

Production Team
Graphcom Limited
Valbees Printers

FOREWORD

This is the seventh annual review of the Jamaican economy conducted by the Private Sector Organization of Jamaica. It is by no means an exhaustive account , nor is it meant to be. Our intention is to provide an analytic perspective on the economy which will be particularly instructive to the business community, students and academics with an interest in Jamaica.

President Dennis Lalor responding to questions from members of the media at a press conference to launch the "Policy Framework for Economic Development in Jamaica: A Progress Report". Also in attendance were Messrs. Douglas Orane, vice-president; John Lee, member of the PSOJ Economic Policy Committee (EPC); PSOJ member Delroy Lindsay, chairman of the EPC; Desmond Blades; Charles Ross, executive director; Joseph Matalon, EPC member; and Guy Martin, EPC member.

Official end-of-year data are included in the review where possible, otherwise, data were used for the latest available month.

The PSOJ extends special thanks to the many individuals in central government, statutory organizations and private companies who provided information willingly and expeditiously during the preparation of this report. Special thanks also to Joseph Cox of Island Life Insurance Company for preparing and writing this document and to Julie Chen for overseeing its publication.

Dennis Lalor
PRESIDENT

PSOJ PUBLICATIONS

	PUBLISHED
JAMAICAN ECONOMY REVIEW 1984	1985
JAMAICAN ECONOMY REVIEW 1985	1986
JAMAICAN ECONOMY REVIEW 1986	1987
JAMAICAN ECONOMY REVIEW 1987	1988
JAMAICAN ECONOMY REVIEW 1988	1989
JAMAICAN ECONOMY REVIEW 1989	1990
JAMAICA ECONOMY REVIEW 1990	1991
A POLICY FRAMEWORK FOR ECONOMIC DEVELOPMENT IN JAMAICA	1985
ECONOMIC ANALYSIS & PUBLIC POLICY I Foreign Trade Policy	1986
ECONOMIC ANALYSIS & PUBLIC POLICY II The Role of Government in the Jamaican Economy	1987
ECONOMIC ANALYSIS & PUBLIC POLICY III Exchange Rate Policy for Economic Growth & Development	1987
ECONOMIC ANALYSIS & PUBLIC POLICY IV Why the JCTC should be dismantled	1989
ECONOMIC ANALYSIS & PUBLIC POLICY V Social Policy	1990
A POLICY FRAMEWORK FOR ECONOMIC DEVELOPMENT IN JAMAICA II A Progress Report	1992

TABLE OF CONTENTS

LIST OF TABLES AND GRAPHS vii

OVERVIEW 1

GROSS DOMESTIC PRODUCT 3
Sectoral Performance
Outlook

BALANCE OF PAYMENTS 7
The Current Account
Merchandise Trade
Services
Transfers
The Capital Account and Foreign Reserves

EXTERNAL TRADE 11
Imports
Exports
Caricom Trade
Outlook

MONEY AND BANKING 17
Money Supply
Commercial Bank Loans and Advances
Commercial Bank Liquidity
Interest Rates
Stock Market Development

INFLATION 21
Internal Factors
External Factors
Consumer Price Index
Outlook

MANUFACTURING 25
Manufacturing Exports
Non-Traditional Manufacturing to Third Countries and Caricom
Domestic Production

ENERGY 29

MINING 31
Western World Primary Aluminium Market
Domestic Performance
Foreign Exchange Earnings

TOURISM 35
Expenditure
Hotel Room Occupancy
Outlook

LIST OF TABLES AND GRAPHS

1. Gross Domestic Product by Industrial Sectors at Current Prices, 1986-1991 3
2. Rate of Growth of Gross Domestic Product by Industrial Sectors at Current Prices 4
3. Gross Domestic Product by Industrial Sectors at Constant Prices 5
4. Rate of Growth of Gross Domestic Product by Industrial Sectors at Constant Prices 6
5. Current Account Balance (1985-1991) (Graph) 7
6. Balance of Payments (1985-1991) 7
7. Capital Account 8
8. Merchandise Trade (1985-1991) (Graph) 11
9. Merchandise Trade (1985-1991) 11
10. Composition of Merchandise Imports (1987-1991) 13
11. Composition of Merchandise Imports (1987-1991) (Graph) 13
12. Traditional Exports (1988-1991) 13
13. Jamaica-Caricom Trade 15
14. Composition of Merchandise Imports (1990-1991) 15
15. Money Supply (1975-1991) (Graph) 17
16. Money Supply (1975-1991) 17
17. Loans and Advances (1991) (Graph) 18
18. Loans and Advances by Sector (1984-1991) 18
19. Stock Market Index (1986-1991) 19
20. Stock Exchange Index 19
21. Rate of Inflation (1976-1991) (Graph) 21
22. Rate of Inflation (1973-1991) 22
23. Consumer Price Index Point to Point (1988-1991) 22
24. Manufactured Exports (1988-1991) (Graph) 25
25. Non-Traditional Manufactured Exports to Caricom (1985-1991) 26
26. Non-Traditional Manufactured Exports to Third Countries (1985-1991) 26
27. Value of Exports for the Manufacturing Sector 27
28. World Production of Aluminium, 1990-1991 (Graph) 31
29. Western World Primary Aluminium, Consumption, Supply, Inventories and Prices by Quarters, 1990-1991 31
30. Primary Aluminium Production/Consumption by Country 32
31. Bauxite/Alumina Production and Export by Quarters, 1990-1991 32
32. Foreign Exchange Earnings by Quarters, 1990-1991 33
33. Bauxite/Alumina Closing Inventories by Quarters, 1990-1991 33
34. Visitor Arrivals, 1986-1991 35
35. Residence of Landed Visitors 35
36. Estimated Visitor Expenditure, 1980-1991 35
37. Hotel Room Occupancy, 1980-1991 36
38. Visitor Arrivals, 1986-1991 (Graph) 36

He's Jamaican Too

When we harm our environment, we harm ourselves.

'Tatty'
Resident of the Hope Zoo, Kingston

Like this Jamaican Owl
(Pseudoscops Grammicus or Patoo), creatures of Nature contribute to life on this planet and deserve our respect. In Jamaica we must take care to sustain the quality of our air, sea and land---sources of life itself.

For many years, Shell has given support to the cause of environmental preservation in Jamaica.

Helping The National Effort
Shell helped found the Jamaica Junior Naturalists which teaches our children to value our country's plant and animal life. The Shell calendar is well known for its environment messages. It was Shell's marketing initiative that brought unleaded gasoline to Jamaica because of its less harmful effects on the environment.

Shell's Own Operation:
Within Shell's operations, the company continues its tradition of rigorous safety. This we extend to our customers, showing them how to use our products safely, and in ways that won't hurt the environment.

After an extensive audit of all our installations, we hired our own environmentalist. His sole responsibility is to see that we improve our performance in this area, and to give our customers advice on how to do the same.

The task of meeting our own high, international standards is formidable, but we have committed ourselves and our resources to this aim. Recently Shell has been urging the rest of the Jamaican business community to "bring the environment into the boardroom".

Few activities, if any, are risk free. But we can minimise the chances of damage by behaving responsibly. Often it seems that economic development conflicts with environmental welfare. But growth must include preserving the resources of our natural environment.

Everyone Must Help:
Everyone of us ... children, professionals, the man & woman in the street... must commit ourselves to the goal of a healthy and beautiful environment. After all, we're all Jamaicans too!

The Shell Companies in Jamaica
P.O. Box 140, Kingston 5, Jamaica, W.I. Tel: (809) 9287301-9, 9287321-9

OVERVIEW

The Jamaican economy recorded growth of 0.2 percent for calendar year 1991 and even this very feeble performance was quite remarkable in light of the developments that took place during the course of the year.

Record levels of inflation were posted during the year with the Consumer Price Index increasing by 80.2 percent throughout the course of the year. This was far in excess of the government's inflation target of 15 percent. The Jamaican dollar lost 61.2 percent of its value vis-a-vis its US counterpart during 1991. Interest rates on government's paper rose to new heights as did lending rates in the local financial institutions.

On the fiscal side, there were increases in stamp duties and other forms of taxation during the financial year. Despite these measures government's financial operations resulted in an overall budget of J$3,210 million at the end of December 1991. This deficit and the larger deficits (as a percentage of GDP) which were incurred during the financial year contributed significantly to a massive increase in the money supply, thereby fuelling inflation, which in turn resulted in the devaluation of the Jamaican dollar.

Towards the end of the year, the government introduced the General Consumption Tax which is a value-added tax designed to shift the burden of taxation from production to consumption. This tax was intended to be revenue neutral and replaced a range of taxes on manufacturing output. With regard to the balance of payments, preliminary data suggest that there was substantial improvement in the current account. This manifested itself in a current account deficit of US$52.1 million reflecting an improvement of US$223.4 million relative to 1990. This was partially attributable to an improvement in the balance of trade coupled with an 80 percent increase in net services income. However, the improvement in the current account was not replicated in the capital account for the calendar year, as net capital movements declined by 100.5 percent to negative US$1.9 million due mainly to a dramatic decrease in private capital flows.

1991 also saw the suspension of most of the foreign exchange controls and the establishment of a market-determined exchange rate. The value of the local currency fell quite sharply but inflows of hard currency into the commercial banks and into the newly established foreign currency accounts increased quite dramatically and facilitated the elimination of private sector commercial arrears in the financial system.

The government ' flip-flopped ' on its monetary policy, lowering interest rates in the early part of the year and then increasing them sharply as credit to the private sector grew and the exchange rate came under increasing pressure.

The Bank of Jamaica was then used to absorb large amounts of excess liquidity in the financial system as the fiscal deficit fuelled the growth in the money supply. These actions did not achieve the desired effect as, despite the BOJ'S aggressive open-market operations, the money supply continued to grow and the Jamaican dollar continued to lose value.

Towards the end of the year, the BOJ re-established the liquidity ratios on the commercial banks and gradually increased these in an effort to sterilize funds within the banking system.

The government remains committed to its policy of free market reforms and during 1991 undertook a number of bold initiatives in this regard. However, the transition period is proving to be a most difficult one and government is having a great deal of difficulty in fine-tuning its macro-economic policies in order to achieve economic stability and growth in the economy.

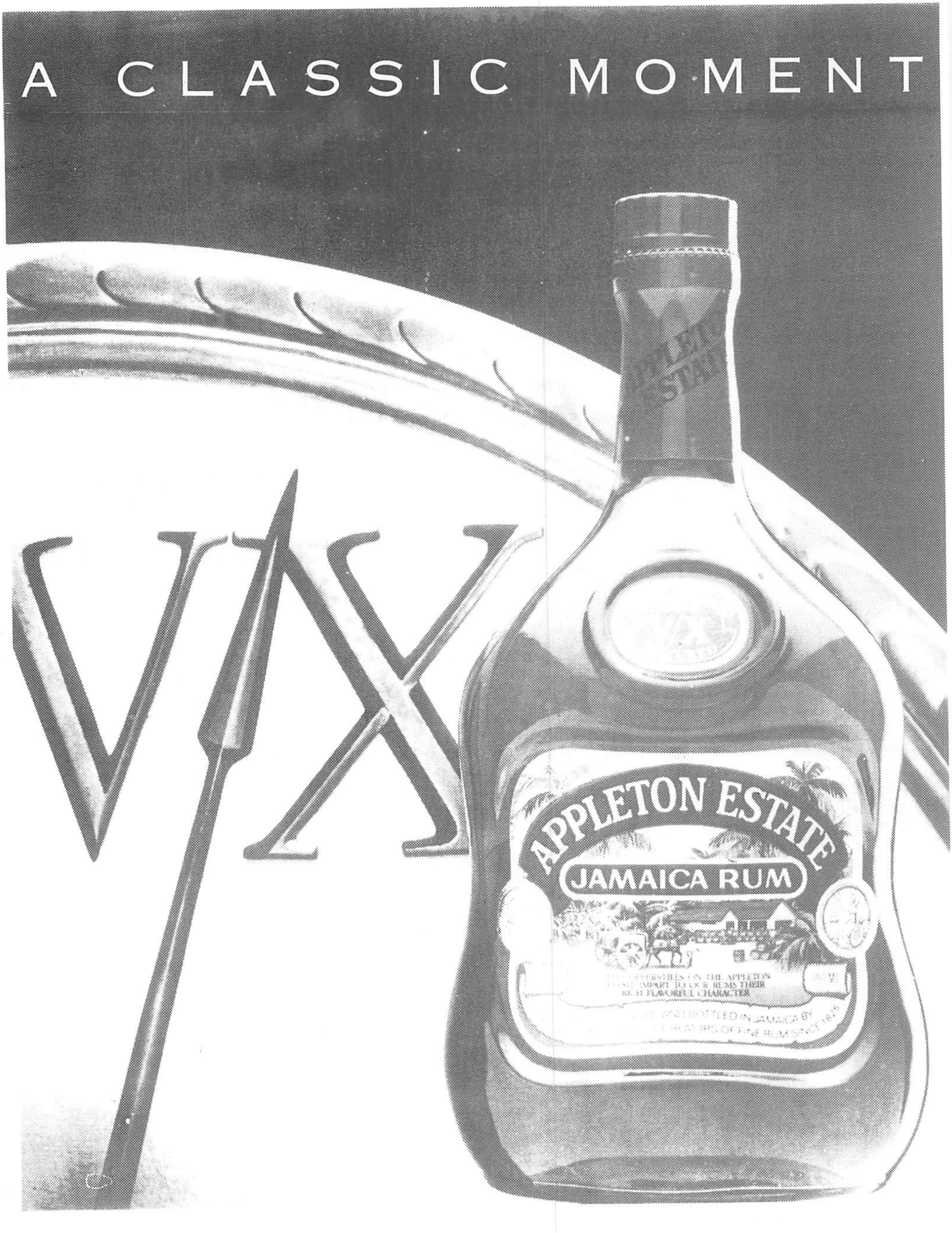
A major problem in this regard concerns its management of fiscal policy. Government's fiscal revenue flows are not distributed evenly throughout the financial year but tend to be skewed towards the ends of the quarters with a substantial part of government revenue being received in the final quarter of the financial year.

This results in substantial deficits being incurred at various times during the financial year and these deficits contribute directly to the growth in the base money of the financial system. These increases in base money are translated through a multiplier effect into even greater increases in money supply. The growth in the money supply fuels inflation and this, in turn, forces down the value of the Jamaican dollar.

Government has sought to mitigate the effects of this process by using the BOJ'S Certificates of Deposit (CDs), to absorb massive amounts of excess liquidity. However, this action ultimately exacerbates the problem because the interest cost on these instruments must ultimately be covered by government revenue.

Economic stability will therefore only be achieved when government succeeds in balancing its expenditure with its inflows of revenue on a continuous basis throughout the financial year.

CHARLES ROSS
EXECUTIVE DIRECTOR PSOJ .


A CLASSIC MOMENT
VX
APPLETON ESTATE
JAMAICA RUM

GROSS DOMESTIC PRODUCT

The Gross Domestic Product in current prices is estimated at $42,367 million for calendar year 1991 reflecting an increase of 42.1 percent over the $29,822.7 million recorded in 1990. Adjusting to eliminate the effect of price changes, the movement was from $6,916.1 million to $16,954.5 million, an increase in real terms of 0. 2 percent. This outcome is posited on the contiriuation of a tight demand management strategy and fiscal restraint with a view to enhancing the balance of payments. Indeed, economic performance in 1991 was influenced at the macro-economic level by:

1. A high rate of inflation

2. High interest rates

3. Significant growth in money supply

4. A substantial deterioration in the value of the Jamaican dollar relative to its US counterpart.

5. Open market operations of the Central Bank

6. The intensification of the process of economic liberalisation

7. The global recession.

8.The Imposition of a General Consumption Tax.

Growth and development over the medium term are expected to reflect the twin effects of deepening the process of economic liberalisation and the revitilization of the social infrastructure and human resource development. Assum-

GROSS DOMESTIC PRODUCT BY INDUSTRIAL SECTORS AT CURRENT PRICES, 1986 - 1991

INDUSTRIAL SECTORS	1986	1987	1988	1989	1990	1991
AGRICULTURE, FORESTRY & FISHING	849.4	992.1	1086.8	1229.3	1586.3	2412.2
MINING & QUARRYING	901.8	1146.7	1727.3	2096.5	2831.3	4816.6
MANUFACTURE	2946.7	3460.2	3780.6	4541.4	5866.9	7704.2
ELECTRICITY & WATER	569.1	612.1	600.8	682.3	959.6	1079.4
CONSTRUCTION & INSTALLATION	1086.1	1405.0	2021.1	2672.4	3586.8	5564.7
DISTRIBUTIVE TRADE	2794.2	3471.1	3967.0	4787.6	6201.4	8765.7
TRANSPORT, STORAGE & COMMUNICATION	1233.2	1475.6	1639.7	1837.7	2429.8	3649.6
FINANCING & INSURANCE SERVICES	931.7	1153.3	1484.0	1851.9	2438.6	3299.1
REAL ESTATE & BUSINESS SERVICES	1091.0	1216.1	1326.8	1472.1	1794.6	2173.1
PRODUCERS OF GOV. SERVICES	1280.0	1423.5	1660.7	1843.0	2420.8	2878.6
MISCELLANEOUS SERVICES	596.7	712.6	766.8	928.1	1215.1	1684.2
HOUSEHOLD & PRIVATE NON-PROFIT INSTITUTION	111.3	117.9	148.2	181.5	229.2	325.5
LESS IMPUTED SERVICE CHARGES	678.1	821.4	1072.1	1324.9	1737.7	1985.8
TOTAL GDP AT CURRENT PRICES	13713.0	16364.8	19137.5	22798.8	29822.7	42367.0

ing an adequacy of external funding, internal growth is expected to generate sufficient domestic resources to improve the social sectors. This, however, will depend on how effectively these external resources are utilized for instance whether they flow to expanding rather than declining sectors or worse are channelled into consumption expenditure.

SECTORAL PERFORMANCE

Agriculture, Forestry and Fishing is estimated to have grown in real terms by 0.4 percent relative to 1990. This was attributable to the increase in production and productivity experienced by the sector. There were also positive influences from the adjustments in the exchange rate given the fact that agricultural exports were made more competitive. However, the sector was constrained in its growth by substantial increases in interest rates as its preferential status was substantially eroded due to pressure from international lending agencies.

The Mining and Quarrying Sector in 1991 recorded growth of 5.8 percent. But the rate of growth declined by 12.3 percent. This decline was due mainly to a drop in the price of alumina on the World's Commodity Markets. There was however an 8.6 percent increase in crude bauxite production and a 4.7 percent increase in alumina production while bauxite exports grew by 6.2 percent.

The Construction Sector is estimated to have recorded marginal growth of 0.2 percent. The increased activity was concentrated in the expansion of hotel rooms for the tourism sector, the construction of office space for other service activities as well as an increase in housing starts. Nevertheless the sector was adversely affected by increases in the cost of interim financing, the deterioration in the exchange rate, which was the primary factor in the overall increase in the price of building materials, coupled with

RATE OF GROWTH OF GROSS DOMESTIC PRODUCT BY INDUSTRIAL SECTORS AT CURRENT PRICES, 1986 - 1991

INDUSTRIAL SECTORS	1986	1987	1988	1989	1990	1991
AGRICULTURE, FORESTRY & FISHING	24.6	16.8	9.5	13.1	29.0	52.1
MINING & QUARRYING	58.4	27.2	50.6	21.4	35.0	70.1
MANUFACTURE	29.7	17.4	9.3	20.1	29.2	31.3
ELECTRICITY & WATER	59.1	7.6	-1.8	13.6	40.6	12.5
CONSTRUCTION & INSTALLATION	7.1	29.4	43.8	32.2	34.2	55.1
DISTRIBUTIVE TRADE	14.5	24.2	14.3	20.7	29.5	41.4
TRANSPORT, STORAGE & COMMUNICATION	14.5	19.7	11.1	12.1	32.2	50.2
FINANCING & INSURANCE SERVICES	43.8	23.8	28.7	24.8	31.7	35.3
REAL ESTATE & BUSINESS SERVICES	9.9	11.5	9.1	11.0	21.9	21.1
PRODUCERS OF GOV. SERVICES	11.1	11.2	16.7	11.0	31.4	18.9
MISCELLANEOUS SERVICES	53.9	19.4	7.6	21.0	30.9	38.6
HOUSEHOLD & PRIVATE NON-PROFIT INSTITUTION	59.1	5.9	25.7	22.5	26.3	42.0
TOTAL GDP AT CURRENT PRICES	21.1	19.3	16.9	19.1	30.8	42.1

increases in the price of labour. It is worthy of note that housing prices in 1991 increased by over 100 percent. However the relative buoyancy in the Construction sector is expected to be constrained somewhat in 1992 given the expectations of further increases in the cost of interim financing coupled with further increases in building costs.

The Manufacturing Sector is estimated to have declined by 4.5 percent. This decline was influenced by a drop in production in nearly all sub-groups. Indeed this sector was traumatised by the tight demand management which were in place for much of 1991. The Manufacturing sector was also adversely affected by the substantial deterioration in the exchange rate. However the sector was positively influenced by the introduction of the General Consumption Tax which sought to shift the burden of taxation from production to consumption.

Growth in the Service Sector was due to significant improvement in the performance in Finance and Insurance Services and Miscellaneous Services. Tourism, which is still not defined as an Economic Sector, is largely responsible for the Miscellaneous Services. However while the Finance and Insurance sector recorded growth of 18.7 percent, Miscellaneous Services declined by 1.1 percent. The sub-sectors recording growth in the Services category were real estate, businesss services and electricity and water among others.

OUTLOOK

It is apparent that the economy has now entered a period of growth provided that the pace of economic liberalisation and divestment is sustained. But the ability for this growth to be sustained presumes that the requsite social and political consensus that must underpin any economic agenda has been attained. On this premise it is assumed that the economy will record growth of at least 1 percent over the medium term.

GROSS DOMESTIC PRODUCT BY INDUSTRIAL SECTORS AT CONSTANT PRICES, 1986 - 1991

INDUSTRIAL SECTORS	1986	1987	1988	1989	1990	1991
AGRICULTURE, FORESTRY & FISHING	849.4	888.7	848.0	784.2	878.9	882.3
MINING & QUARRYING	901.8	955.6	912.9	1238.0	1462.4	1546.9
MANUFACTURE	2946.7	3085.2	3243.0	3434.9	3607.9	3446.7
ELECTRICITY & WATER	569.1	615.1	617.2	685.4	732.6	745.5
CONSTRUCTION & INSTALLATION	1086.1	1240.6	1424.6	1680.5	1707.2	1710.1
DISTRIBUTIVE TRADE	2794.2	3100.9	3131.1	3239.9	3272.5	3105.3
TRANSPORT, STORAGE & COMMUNICATION	1233.2	1371.0	1417.2	1453.9	1492.9	1518.4
FINANCING & INSURANCE SERVICES	931.7	1006.6	1199.3	1394.7	1547.2	1837.0
REAL ESTATE & BUSINESS SERVICES	1091.0	1137.0	1169.6	1192.2	1274.7	1331.5
PRODUCERS OF GOV. SERVICES	1280.0	1285.0	1329.9	1282.8	1265.3	1266.0
MISCELLANEOUS SERVICES	596.7	645.4	631.1	665.5	716.0	708.2
HOUSEHOLD & PRIVATE NON-PROFIT INSTITUTION	111.3	115.6	120.3	113.8	119.2	117.1
LESS IMPUTED SERVICE CHARGES	678.1	716.6	883.9	1024.2	1160.6	1260.6
TOTAL GDP AT CONSTANT PRICES	13713.0	14730.0	15160.3	16141.7	16916.1	16954.5

The achievement of these medium term projections is dependent on a number of factors including petroleum price levels. Much will also depend on the pace of growth of the economies of Jamaica's main trading partners as well as the success of efforts to maintain or improve Jamaica's competitiveness. In this regard, a stabilized exchange rate is critical as well as a review of the current interest rate structure.

RATE OF GROWTH OF GROSS DOMESTIC PRODUCT BY INDUSTRIAL SECTORS AT CONSTANT PRICES, 1986 - 1991

INDUSTRIAL SECTORS	1986	1987	1988	1989	1990	1991
AGRICULTURE, FORESTRY & FISHING	1.9	4.6	-4.6	-7.5	12.1	0.4
MINING & QUARRYING	7.7	6.0	-4.5	35.6	18.1	5.8
MANUFACTURE	0.9	4.7	5.1	5.9	5.0	-4.5
ELECTRICITY & WATER	5.3	8.1	0.3	11.1	6.9	1.8
CONSTRUCTION & INSTALLATION	2.6	14.2	14.8	18.0	1.6	0.2
DISTRIBUTIVE TRADE	5.8	11.0	1.0	3.5	1.0	-5.1
TRANSPORT, STORAGE & COMMUNICATION	2.7	11.2	3.4	2.6	2.7	1.7
FINANCING & INSURANCE SERVICES	18.5	8.0	19.1	16.3	10.9	18.7
REAL ESTATE & BUSINESS SERVICES	3.0	4.2	2.9	1.9	6.9	4.5
PRODUCERS OF GOV. SERVICES	-4.5	0.4	3.5	-3.5	-1.4	0.1
MISCELLANEOUS SERVICES	4.3	8.2	-2.2	5.5	7.6	-1.1
HOUSEHOLD & PRIVATE NON-PROFIT INSTITUTION	7.2	3.8	4.1	-5.4	4.7	-1.8
TOTAL GDP AT CONSTANT PRICES	1.6	7.4	2.9	6.5	4.8	0.2

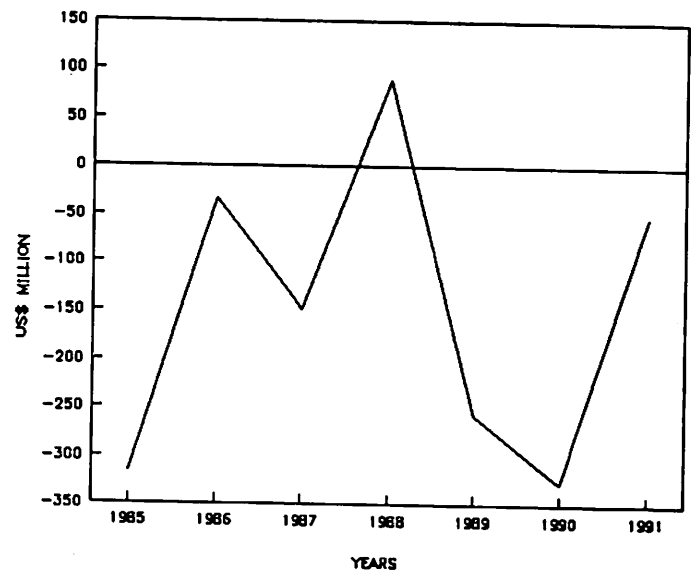
BALANCE OF PAYMENTS

In 1991, the external sector continued to be the focus of demand management policies. These were aimed at moderating inflationary pressures, containing aggregate demand and fostering Balance of Payments viability. As such the stabilization and adjustment processes in the economy continued through shifts in relative prices, high interest rates and the maintenance of a fiscal environment conducive to the expansion of the productive base of the economy. But the most significant factor influencing the Balance of Payments in 1991 was the full liberalization of the foreign exchange regime.

In theory the subsequent devaluations of the Jamaican dollar which followed liberalisation in September 1991 created a more competitive exchange rate which provided the necessary fillip that the export community required to increase production and earnings while discouraging imports. However the success of this was dependent on the import dependency of the economy (measured by the marginal propensity to import) and with the responsiveness of imports and exports to devaluations (i.e elasticity of demand).

To the extent that the demand for imports and Jamaican exports are relatively inelastic the impact of devaluations

CURRENT ACCOUNT BALANCE (1985-1991)



BALANCE OF PAYMENTS (1985-1991)

CATEGORIES	1985	1986	1987	1988	1989	1990	1991	% Change 1991/1990
Export (f.o.b)	568.6	589.7	708.8	843.4	999.7	1156.8	1160.3	0.3
Imports (c.i.f)	1143.6	969.2	1234.3	1449.4	1820.8	1877.1	1762.3	-6.1
Balance of Trade	-575.0	-379.5	-525.5	-606.0	-821.1	-720.3	-602.0	-16.4
Services (Net)	38.3	198.1	205.5	424.1	240.9	180.2	277.2	53.8
Foreign Travel	375.3	481.0	551.2	470.6	538.7	685.8	737.6	7.6
Investment Income	-305.7	-321.7	-401.8	-407.5	-441.3	-517.6	-489.5	-5.4
Other Services	-31.3	38.8	56.1	361.0	143.5	12.0	29.1	142.5
Balance on Goods and Services	-536.7	-181.4	-320.0	-181.9	-580.2	-540.1	-324.8	-39.9
Transfers (Net)	221.2	148.1	171.6	271.2	322.9	264.6	272.7	3.1
Private	153.2	111.6	117.2	146.6	135.2	151.3	167.7	10.8
Official	68.0	36.5	54.4	124.6	187.7	113.3	105.0	-7.3
Current Account Balance	-315.5	-33.3	-148.4	89.3	-257.3	-275.5	-52.1	-81.1
Net Capital Movements	388.1	9.3	356.6	53.9	86.9	368.2	-1.9	-100.5
Changes in Reserves (minus = increase)	-72.6	24.0	-208.2	-143.2	170.4	-92.7	54.0	-158.3

SOURCE: BANK OF JAMAICA

are minimal. This was reflected in the performance of the merchandise account. Other factors influencing the performance of the Balance of Payments throughout 1991 included an ill-timed reduction in interest rates and subsequently an extraordinary increase in interest rates. The BOP was also influenced somewhat by the introduction of the General Consumption Tax.

It was against this background that the Current Account showed an improvement although there was a substantial deterioration in the Capital Account.

THE CURRENT ACCOUNT

The Current Account deficit for 1991 was US$52.1 million, reflecting an improvement of US$327.6 million over 1990. For the last quarter of 1991, the data revealed a substantial improvement in the Current Account Balance over the corresponding period in 1990. Indeed, there was an improvement from a deficit of US$191 million in October to December 1990 to a deficit of US$19 million in 1991.

The trade balance improved by 16.4 percent and net services by 53.8 percent over 1990. Net Transfers increased from US$264.6 million in 1990 to US$272.7 million in 1991.

MERCHANDISE TRADE

Merchandise imports declined by 6.1 percent and was designated as the primary factor influencing the 16.4 percent decline in the balance of trade. Indeed, merchandise imports declined to US$1,762.3 million versus US$1,877.1 million in 1990. The visible trade deficit also narrowed because of the 0.3 percent growth in merchandise exports to US$1,160.3 million. However the 1991 data suggested a 15.4 percent decline in the rate of growth of exports and highlighted the underlying crisis in merchandise trade.

The performance of merchandise trade during the year under review was affected by the following factors:

1. Substantial devaluation of the Jamaican dollar;
2. Maintenance of a high interest rate policy;
3. The maintenance of high tariffs;
4. The imposition of a General Consumption Tax;
5. The reduction in the purchasing power of the Jamaican dollar, coupled with the fact that an increasing proportion of export earnings was used for debt repayment;
6. Bureaucratic constraints;
7. High shipping costs;
8. A paucity of foreign exchange and
9. The Global Recession.

Although the promotion and diversification of exports remained a priority of the Government, the external sector was hampered by a narrow export base and a high import dependency.

SERVICES

The Services account maintained a favourable balance reaching a level of US$277.2 million in 1991, an increase of 53.8 percent over 1990. This represented a 7.6 percent increase in net foreign travel, a 5.4 percent decrease in net investment income payments and a 142.5 percent increase in Other Services. Net income payments in 1991 declined to US$489.5 million from US$517.6 million in 1990. This category reflected interest payments on government direct, government-guaranteed and Bank of Jamaica debt as well as repatriated profits by the bauxite companies.

The 142.5 percent increase in Other Services (Net) reflected

CAPITAL ACCOUNT

	1990			1991		
	Jan-Sept	Oct-Dec	Jan-Dec	Jan-Sept	Oct-Dec	Jan-Dec
Net Capital Movement	139.9	228.3	368.2	-9.8	7.9	-1.9
Government Direct	92.7	3.3	96	33.9	32.8	66.7
Government Guaranteed	16.8	13.8	30.6	16.5	-7.1	9.4
Official Short-Term	15.1	9.1	24.2	-14.5	-24.2	-38.7
Private (incl. net errors)	-3.9	158.7	154.8	-60.8	6.4	-54.4
Divestment	19.2	43.4	62.6	15.1	0	15.1

SOURCE: BANK OF JAMAICA

an increase in commission fees and more specifically earnings from Free Zone activities.

Net foreign travel receipts increased by 7.6 percent to US$737.6 million and reflected the continued buoyancy of the tourism sector, albeit at a lower rate of growth.

TRANSFERS

Net transfers increased by 3.1 percent to US$272.7 million with official transfers declining by 7.3 percent to US$105.0 million. This decline in net transfers was due to reduced inflows of both government direct and government guaranteed loans. On the other hand private transfers increased by 10.8 percent to US$167.7 million.

THE CAPITAL ACCOUNT AND FOREIGN RESERVES

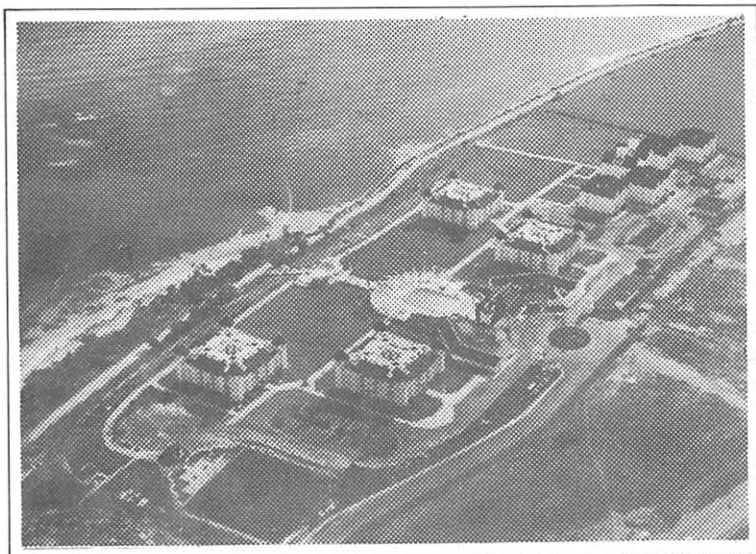
The balance on the Capital Account at December 1991 reflected a decline from a positive balance of US$398.4 million at December 1990 to a deficit of US$1.9 million at December 1991. This was partially attributable to an increase in outflows because of official short term debt and Bank of Jamaica non-residential liabilities as well as a decline in direct private foreign investment. It is interesting to note that for the last quarter of 1991 there were substantial declines in Private Capital Flows over the corresponding period in 1990. For October to December 1990, private flows amounted to US$158.7 million while for the same period in 1991, they amounted to only US$6.4 million.

Further the capital flows reveal that net Government Direct and Guaranteed Borrowing was substantially down from US$126.6 million in 1990 to US$76.1 million in 1991 reflecting a contraction in the rate of Government Borrowing. This pattern was also reflected in a movement in short-term official borrowing from US$24.2 million in 1990 to a net repayment of US$38.7 million in 1991. Total net borrowing by the Government (short and long term) in 1991 was US$37.4 million compared to US$150.8 million in 1990.

Resulting from the overall decline in the Capital account, foreign exchange reserves at December 1991 showed a deterioration of US$54.0 million in contrast to an improvement of US$70.8 million in 1990.

EARN FOREIGN EXCHANGE

and be one of the growing number of Jamaicans investing in our tourism industry.



SEACASTLES

Montego Bay's luxury resort apartments

UNITS	SIZE (SQ. FT.)	PRICE RANGE (J$)
1 bedrooms	425-548	1,650,000-1,700,000
2 bedrooms	682-872	2,200,000-2,500,000

POINT VILLAGE

Negril's Luxury resort apartments

UNITS	SIZE (SQ. FT.)	PRICE RANGE (J$)
2 bedroom	682-872	2,900,000-2,950,000
3 bedroom	1035	3,300,000-3,950,000

PAYMENT SCHEDULE

25% of purchase price on deposit, balance 3 months later, or on receipt of Title.

URBAN DEVELOPMENT CORPORATION

THE PROPERTY DEVELOPMENT UNIT

12 Ocean Boulevard, Kingston Mall
Kingston, Jamaica
Telephone: (809) 922-8310/9
Telex: UDECOR
Telefax: (809) 922-9326

Making development happen...

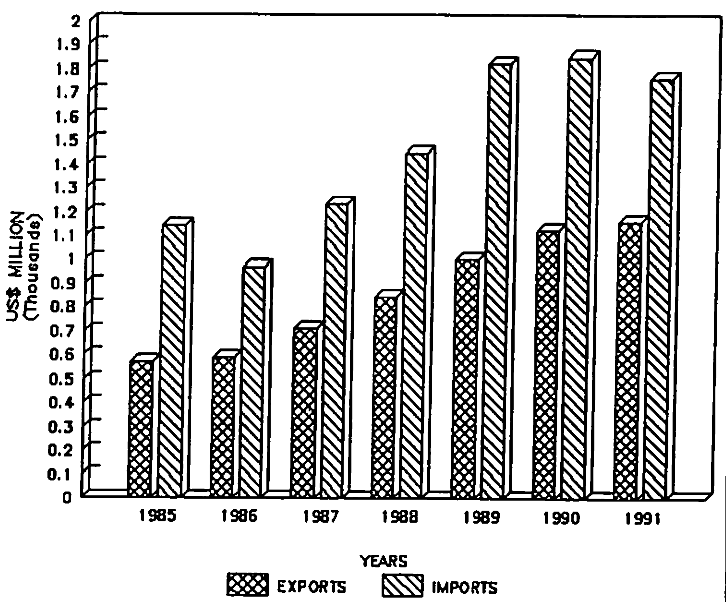
EXTERNAL TRADE

The deficit on the Merchandise Trade account for 1991 was US$602.0 million compared to US$720.2 million in 1990. This reflected expenditure of US$1,762.3 million on merchandise imports and earnings of US$1,160.3 million from merchandise exports. Imports decreased by US$114.9 million whereas exports increased by a mere US$3.4 million.

This performance is reflective of the stringent demand management policy imposed during 1991 which manifested itself in a 61.2 percent depreciation in the value of the Jamaican currency vis-a-vis the US dollar, substantial increases in interest rates along with credit restrictions and an overall shortage of foreign exchange. However, given the relative inelasticity of demand for imports and exports the impact of the deterioration of the exchange rate was minimal.

The value of total merchandise trade in 1991 was US$2,922.6 million. This reflected a 3.7 percent decline relative to the recorded US$3,034 million in 1990. This represented a 11.3 percent decline in the growth rate of trade. Exports accounted for 39.7 percent and imports 60.3 percent of merchandise trade for 1991. In 1990, imports represented 61.9 percent and exports 38.1 percent of total trade.

MERCHANDISE TRADE (1985-1991)



Traditional exports accounted for 72.7 percent of total merchandise exports in 1991 compared to 77.1 percent in 1990 and 71.2 percent in 1989. The data suggested a reduction in the reliance on traditional exports which benefit in the main from quotas and guaranteed markets.

Bauxite and Alumina remained Jamica's main export commodities during last year representing 79.5 percent of total traditional exports. Bauxite earnings increased by 9.6 percent to US$112.9 million whereas Alumina declined by 10.8 percent to US$557.6 million. Sugar and Banana earnings increased by 6.5 and 10.1 percent respectively.

Non-traditional exports recorded increased earnings in 1991 totalling US$316.6 million which represented an increase of 23.1 percent over the 1990 figure.

An analysis of export trends in the past year confirm that Jamaican exporters in the main have not yet capitalised on the opportunities created by a more competitive exchange rate.

IMPORTS

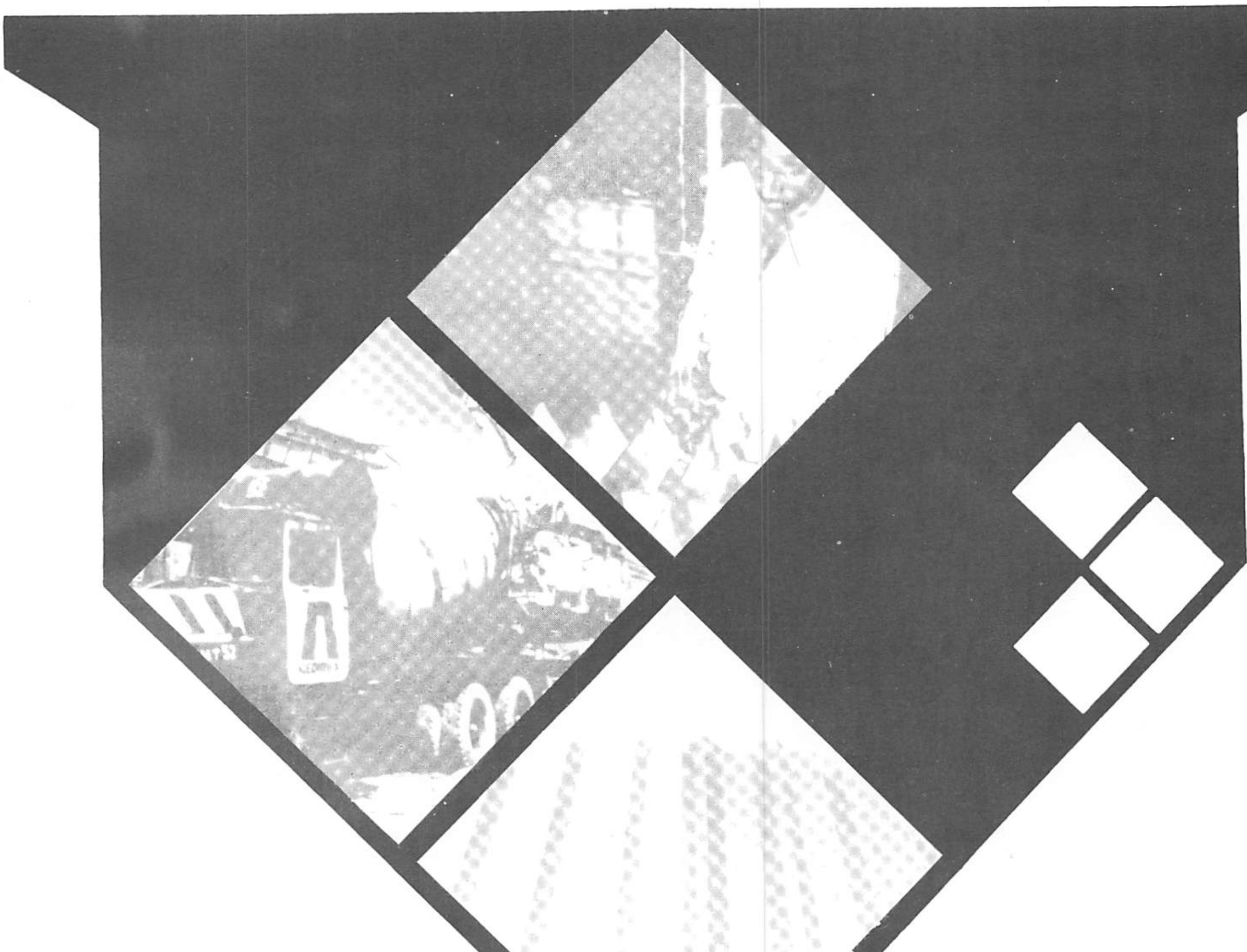
Merchandise imports decreased by US$114.9 million or 6.1 percent to US$1,762.3 million. Consumer goods accounted for 14.2 percent of total imports, whereas Raw Materials and Capital Goods accounted for 63.7 and 22.1 percent respectively. It must be noted that because of the harmonized commodity description and classification system now being used, the enduse classification of imports has been revised. As a result, the 1991 data is not strictly comparable to that of 1990.

During 1991, there was a 27.4 percent decline in Consumer Goods. This was attributable to the tight demand management policies in place during the year. Notable among the declining sub-categories were Durable Goods (Motor Cars)

MERCHANDISE TRADE (1985-1991)

	1985	1986	1987	1988	1989	1990	1991
MERCHANDISE IMPORTS	1143.6	969.2	1234.3	1449.4	1820.1	1877.1	1762.3
MERCHANDISE EXPORTS	568.6	589.7	708.8	843.4	999.7	1156.9	1160.3
TRADE BALANCE	-575.0	-379.5	-525.5	-606.0	-820.4	-720.2	-602.0

SOURCE: STATIN

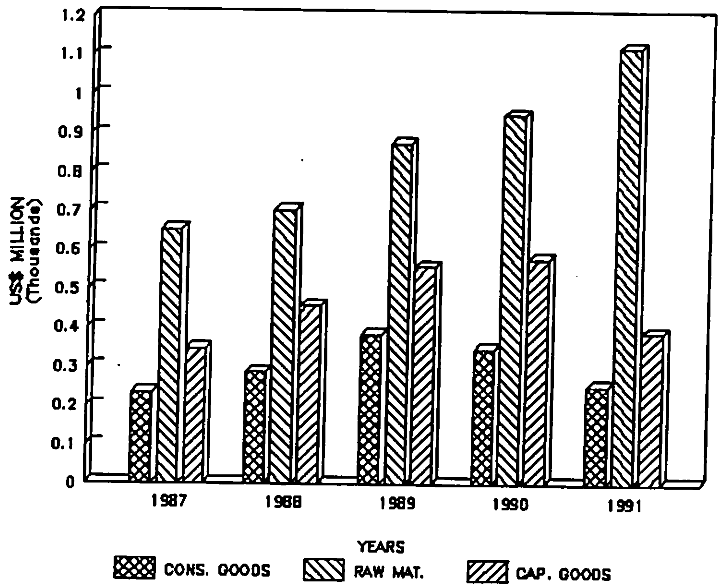


COMPOSITION OF MERCHANDISE IMPORTS 1987-1991

CATEGORIES	1987	1988	1989	1990	1991	% CHANGE 1991/90
All Categories	1234.3	1449.4	1820.1	1877.1	1762.3	-6.1
Consumer Goods	234.7	286.9	383.8	345.9	251.0	-27.4
Raw Materials	652.7	704.3	875.7	951.1	1122.0	18.0
Capital Goods	346.9	458.2	560.6	580.1	389.3	-32.9

SOURCE: STATIN

COMPOSITION OF IMPORTS (1987-1991)



which declined by 58.4 percent.

Raw Materials imports increased by 18.0 percent. Noteworthy among the sub-categories were Food which increased by 12.8 percent and Fuels and Lubricants which declined by approximately 18.1 percent.

Capital Goods imports declined by 32.9 percent to US$389.3 million. This was due primarily to a 75.8 percent decline in transport equipment and a 11.7 percent decline in Machinery and Equipment. It should be noted however that the 1990 statistics reflected the extraordinary item of the importation of two aircraft valued at US$57.0 million.

EXPORTS

Preliminary estimates of earnings from exports of US$1,160.3 million in 1991 revealed a marginal growth of 0.3 percent compared to the US$1,156.8 million recorded in 1990. Exports of food reflected a 7.6 percent increase compared to 1990. This was influenced primarily by the performance of sugar and bananas. There was however a decline in exports of Crude Materials by US$56.9 million which resulted from a fall in earnings from bauxite and alumina. There was also a significant increase in Re-exports, during the year, particularly in Machinery and Transport equipment.

CARICOM TRADE

The total value of Jamaica's trade with CARICOM in 1991 declined by 17.8 percent to US$130.4 million compared to the US$158.7 million recorded in 1990. As a percentage of total trade, CARICOM trade accounted for 4.5 percent, down from 5.2 percent in 1990. CARICOM imports declined by 23.0 percent in 1991 to US$67.5

TRADITIONAL EXPORTS 1988-1991

CATEGORIES	1988	1989	1990	1991	% CHANGE 1991/90
Bauxite	104.9	111.0	103.0	112.9	9.6
Alumina	312.3	475.3	625.4	557.6	-10.8
Gypsum	0.6	0.3	0.3	0.6	100.0
Sugar	91.9	67.1	85.8	91.4	6.5
Bananas	15.7	19.3	37.6	41.4	10.1
Citrus & Citrus Prod	8.6	4.2	8.9	4.9	-44.9
Coffee & Coffee Prod	10.7	10.1	9.5	12.1	27.4
Cocoa & Cocoa Prod	6.9	4.1	6.3	4.8	-23.8
Pimento	5.1	4.6	5.7	3.5	-38.6
Rum	13.7	16.1	17.2	14.5	-15.7
Total	570.4	712.1	899.7	843.7	-6.2

SOURCE : STATIN

million and exports declined by 11.4 percent to US$62.9 million. Food imports declined sharply by 45.7 percent and there was a 59.8 percent reduction in the exports of Mineral Fuels in 1991 when compared with 1990. As a result of Jamaica's trade activities with CARICOM, the trade deficit improved by US$12.1 million over 1990 to US$4.6 million.

OUTLOOK

With the liberalization of the foreign exchange regime and the imposition of the General Consumption Tax, the framework has been established for the expansion of export activities albeit under a high interest rate regime.

This process should be supported by further reductions of Customs tariffs, elimination of all tariff exemptions, reference prices and import monopolies as well as the streamlining of the operations of the Customs Department and strengthening of anti-dumping leglislation and procedures. To further facilitate the expansion of exports it is essential that existing bureaucratic and administrative obstacles to exports and export-oriented investment be removed expeditiously.

JAMAICA - CARICOM TRADE

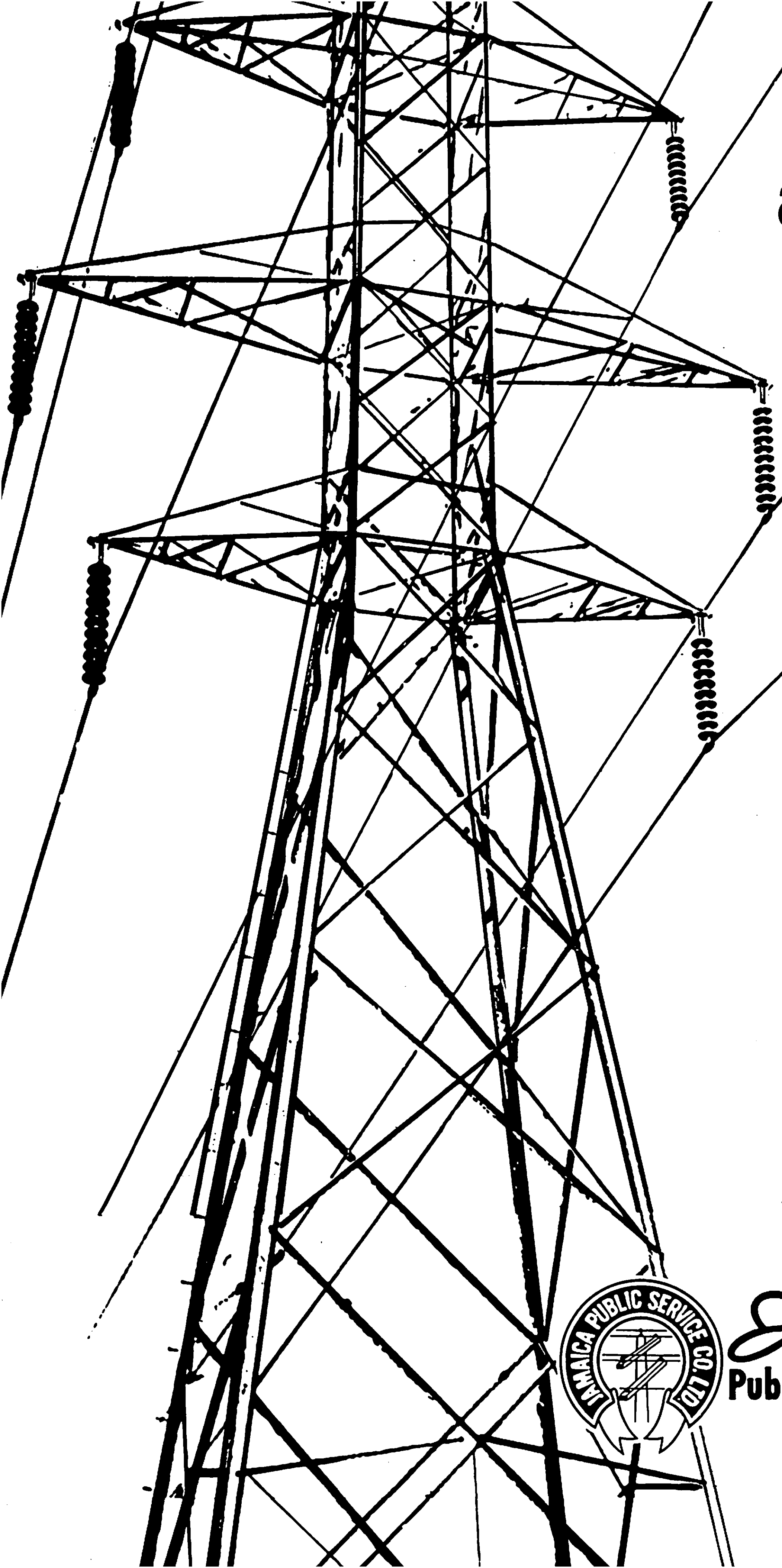
SITC SECTIONS	1990 EXPORTS	1990 IMPORTS	1991 EXPORTS	1991 IMPORTS	% CHANGE EXPORTS	% CHANGE IMPORTS
ALL SECTIONS	71.0	87.7	62.9	67.5	-11.4	-23.0
Food	12.7	22.3	15.5	12.1	22.0	-45.7
Beverages & Tobacco	4.8	10.3	4.6	5.1	-4.2	-50.5
Crude Materials	1.7	0.7	0.6	0.8	-64.7	14.3
Mineral Fuels	8.7	3.9	3.5	3.3	-59.8	-15.4
Anml,Veg Oils,Fats	0.0	4.4	0.0	4.2	0.0	-4.5
Chemicals	17.5	17.7	15.1	14.7	-13.7	-16.9
Manufactured Goods	12.3	21.4	11.5	20.9	-6.5	-2.3
Mach,Transp Equip	3.7	4.4	3.8	4.4	2.7	0.0
Misc. Man Goods	9.6	2.6	8.3	2.0	-13.5	-23.1

SOURCE: STATIN

COMPOSITION OF MERCHANDISE IMPORTS

CATEGORIES	1990	1991
ALL CATEGORIES	1877.1	1511.3
CONSUMER GOODS	345.9	251.0
Food (beverages)	-	91.0
Non-Durable Goods	-	83.5
Semi-Durable Goods	-	18.3
Durable Goods (m.v)	-	30.2
Other Consumer Durables	-	28.0
RAW MATERIALS	951.1	1122.0
Food (incl Bev)	-	122.0
Industrial supplies	-	522.7
Crude Oil	-	128.3
Other Fuels and lubricants	-	199.9
Parts & Access. of Cap Goods	-	149.1
CAPITAL GOODS	580.1	389.3
Transport Equip (M.V)	-	37.3
Other Ind.Transp Equip	-	124.1
Construction Materials	-	88.5
Machinery & Equip	-	136.7
Other Capital Goods	-	2.7

SOURCE: STATIN



MONEY AND BANKING

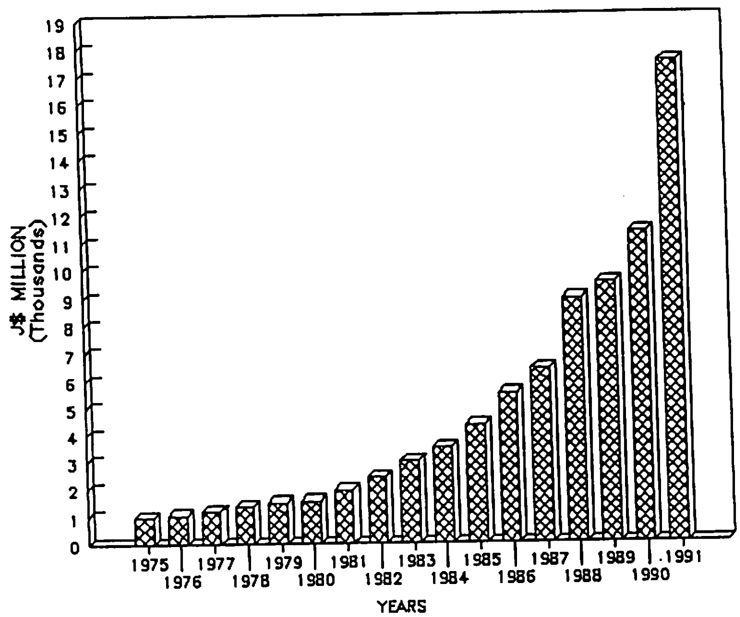
In 1991, the Central Bank used all policy instruments, including cash reserve and liquid assets ratios, open market operations (through the issuance of Certificates of Deposit and Treasury Bills etc.), an amended foreign exchange regime among others to facilitate consistency with overall economic objectives. Indeed in the first quarter of 1991, the liquidity requirements of the banking system were further increased resulting in an upward adjustment in bank interest rates. This, along with the ongoing open market operations of the Central Bank, reflected attempts to effectively control the growth in liquidity and restrain aggregate demand levels consistent with balance of payments targets.

However by the second quarter, there were indications that the Central Bank wanted nominal interest rates reduced. To this end, there were less aggressive open market operations which culminated in a reduction in the interest rates on Treasury Bills and Certificates of Deposit, and consequently deposit and loan rates. In addition, the liquid assets ratio of PDA institutions was reduced from 33.5 percent to 20 percent, which in reality reflected the removal of the non-cash portion of the liquidity ratio. As expected, credit accelerated and by the end of the quarter, the central bank responded by tightening monetary policies which were maintained throughout the rest of 1991.

The only other development of particular significance during 1991 was the liberalization of the foreign exchange regime in September. The move enabled persons to hold foreign exchange accounts freely both locally and overseas. This measure was aimed at stabilizing the value of the local currency and instilling confidence in the business community.

These policies however failed to stabilise the economy. Inflation grew to 80.2 percent and the exchange rate moved from J$8.17 per US$1 at December 1990 to J$20.53 per US$1 at December 1991 at the weighted interbank rate. This coupled with the curtailment of liquidity led not only to a decrease in aggregate demand but to a decline in real

MONEY SUPPLY (1975 - 1991)



MONEY SUPPLY 1975 - 1991

YEAR	M1	TIME DEPOSIT	SAVINGS DEPOSIT	TOTAL QUASI MONEY	M2 = M1 + TOTAL QUASI MONEY
1975	312.8	334.6	331.2	665.8	978.6
1976	343	363.2	349.6	712.8	1055.8
1977	510.2	236.5	451	687.9	1197.7
1978	494.7	345.2	519	864.2	1358.9
1979	541.1	357.8	595.2	953	1494.1
1980	647.4	210.6	687.7	898.3	1545.7
1981	687.1	417.3	814	1231.3	1918.4
1982	729.2	614	1016	1630	2359.2
1983	884.3	975	1122.2	2097.2	2981.5
1984	1012.4	1134.1	1304.7	2438.8	3451.2
1985	1210.4	1091.7	2007.5	3099.2	4309.6
1986	1667.6	1183.3	2646.8	3830.1	5497.7
1987	1874.8	1119.4	3378.1	4497.5	6372.3
1988	2908.8	1625.5	4365.8	5991.3	8900.1
1989	2739.4	1843.5	4882.7	6726.2	9465.6
1990	3516	2281.8	5499	7780.8	11296.8
1991	6867.1	2464.2	8135.2	10599.4	17466.5

BANK OF JAMAICA

output. This was compounded by a 4.09 percent increase in the average loan rate in 1991 to 40.12 percent over 1990. By January 1992, the average lending rate was raised to 48.78 percent.

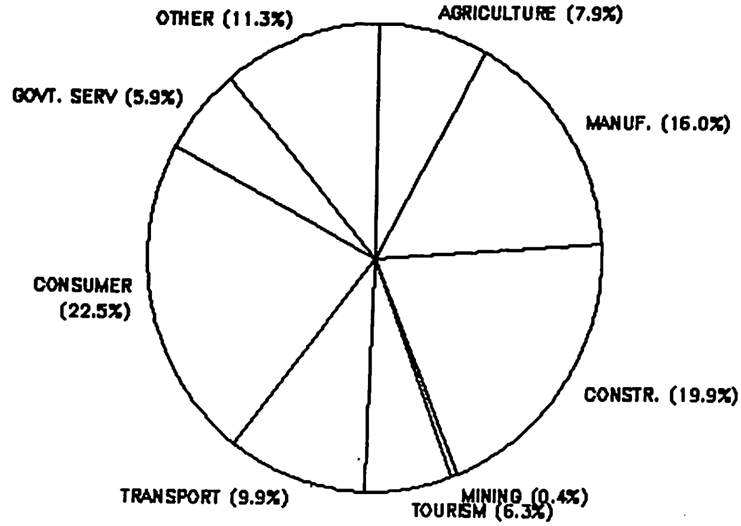
MONEY SUPPLY

Narrowly defined money, Ml, currency in the hands of the public plus demand deposits, increased by 95.3 percent compared with 1990. The increase in Ml in 1991 may be partly explained by the fact that transactors preferred to maintain large cash holdings for business transactions. This desire for liquidity was reflected in the increased holding of demand deposits as well as the reduction in the rate of growth of time deposits. Indeed the rate of growth in time deposits suggested that investors re-adjusted their portfolios to capitalize on investment opportunities on the stock market, real estate and other similar assets as a hedge against inflation.

Broadly defined money, M2, (Ml plus time deposits plus savings deposits) grew by 54.6 percent to J$ 17,466.5 million. This resulted primarily from a 47.9 percent increase in savings deposits. Indeed, the performance of both time and savings deposits during the period may have been influenced by investors' expectations that there would be a movement in interest rates. However in evaluating the reasons for the increase in M2 it is instructive to note that there were substantial increases in credit to the Private Sector coupled with increases in a category designated "Other Items (Net)" which in December 1991 alone increased by $3.1 billion.

While the components of this category are not clear it is safe to assume that it incorporated uncleared efffects from both the public and private sectors. It could also have included any foreign exchange arrears in the financial system and Bank of Jamaica losses. It is regrettable that a comprehensive breakdown of the category "Other Items (Net)" was

LOANS AND ADVANCES



not available to facilitate a more extensive analysis.

The extraordinary increases in money supply during 1991 impacted directly on the rate of inflation and on other programmed macro-economic targets. Indeed, given the rise in prices and the decline in the value of the Jamaican dollar against its US counterpart, transactors increased their holdings for business as well as speculative purposes. Regarding the latter, there was little doubt that transactors perceived the US dollar to be a far more prudent store of value vis-a-vis the Jamaican dollar and therefore sought to increase their holdings of US dollars as an hedge against inflation.

COMMERCIAL BANK LOANS AND ADVANCES

Outstanding loans due to commercial banks as at December

LOANS AND ADVANCES BY SECTOR (1984 - 1991)

J$MILLION	1984	1985	1986	1987	1988	1989	1990	1991
AGRICULTURE	401.0	496.9	416.1	479.6	668.6	702.1	879.7	940.2
MANUF.	681.1	726.1	822.3	978.8	1216.5	1462.7	1535.7	1897.1
CONSTR.	617.4	612.2	636.9	897.4	1319.8	1729.1	2060.6	2361.7
MINING	10.0	6.4	9.4	25.6	17.0	33.1	31.8	47.4
TOURISM	125.4	184.8	236.1	321.6	451.0	612.4	748.6	743.8
TRANSPORT	334.3	390.9	446.5	591.5	762.7	1117.4	1088.4	1175.9
CONSUMER	441.8	400.8	464.9	568.9	691.6	997.7	1529.6	2667.0
GOVT. SERV	44.0	141.9	677.9	890.6	436.8	577.7	778.1	705.4
OTHER	90.8	88.1	111.8	141.8	202.0	214.2	344.7	1340.6
TOTAL	2745.8	3048.1	3821.9	4895.8	5766.0	7446.4	8997.2	11879.1

SOURCE: BANK OF JAMAICA

1991 increased by 32.0 percent to J$11,879.1 million. Construction and Land Development secured 19.9 percent of total loans and advances in 1991. Consumer Oriented activities secured 22.5 percent, whereas Manufacturing recieved 16.0 percent.

The increase in loans and advances in 1991 reflected a continuation of strong private sector demand for credit relative to the public sector. It was also linked to the devaluation of the Jamaican dollar and the relatively high import dependency of the economy.

Furthermore given that there has been a decline in real terms of loans and advances, the data suggested a contraction in the capacity of the banking sector to extend credit in the face of higher liquidity ratios and other demand management strategies.

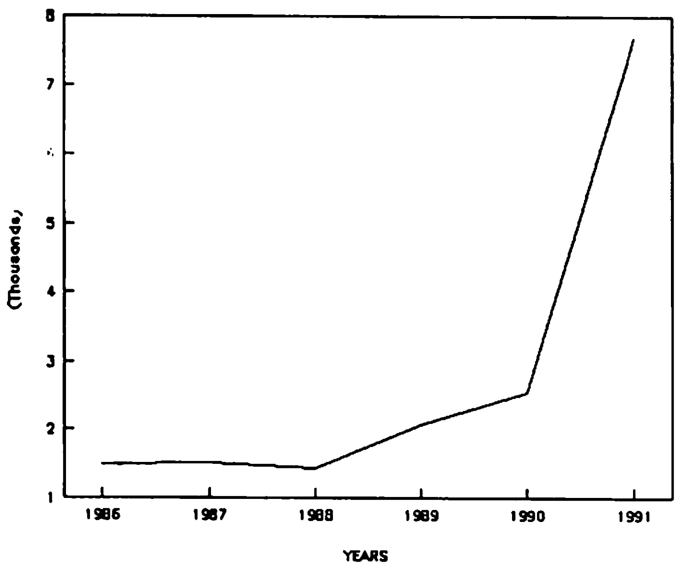
COMMERCIAL BANK LIQUIDITY

Despite attempts to mop up liquidity through Certificates of Deposit (CDs) and other government securities, the financial system remained highly liquid throughout 1991. Nevertheless at the end of December 1991, the average actual liquidity ratio of 21 commercial banks was 31.3 percent versus 35.0 percent at December 1990.

The relatively high liquidity in the Commercial Banking community was the result of a softening of loan demand because of a high interest rate regime.

Monetary policy in 1991 was designed to stem the switching from money market instruments to credit. In fact, Commercial Banks continued to hold the major portion of their liquid assets as deposits with the Central Bank.

STOCK MARKET INDEX (1986 - 1991)



STOCK EXCHANGE INDEX

YEAR	VOLUME	VALUE	INDEX
1986	59,252,596	374,616,701	1499.87
1987	71,878,234	399,971,277	1515.09
1988	43,521,904	136,739,278	1439.22
1989	95,202,452	516,456,318	2075.85
1990	57,960,234	230,781,846	2539.36
1991	144,259,019	1,156,608,055	7681.50

INTEREST RATES

Interest rates remained a significant policy measure in 1991 as the Central Bank sought to stabilize the exchange rate by curtailing liquidity in the system through an aggressive use of open market operations. Indeed during 1991 interest rates on treasury bills ranged between 18.36 percent and 35.06 percent. At December 1991, the average weighted rate on Certificates of Deposit was 46.94 percent compared to 30.73 percent at November 1990. It should be mentioned that a large volume of resources was channeled through non-bank financial intermediaries. This stemmed from the relatively high liquidity in the money market which these institutions were able to attract because of their competitive interest rate structure. Consequently, Commercial Bank loan rates remained high. At the end of the year under review, the overall average weighted loan rate was 40.12 percent.

Interest rates on time deposits for both 3 months and less than 6 months, and 6 months and less than 12 months maturity, ranged between 18 and 39 percent and 18 and 38.5 percent respectively. Adjusting for inflation, the real weighted deposit rate at the end of December 1991 was minus 52.7 percent.

STOCK MARKET DEVELOPMENT

At December 1991, the stock market index was 7,681.5 points, 202.5 percent above the index at December 1990. This growth in the stock market reflected investors' response to the liberalization of the foreign exchange regime and the purchase of stocks as a hedge against spiralling inflation. During 1991, 144,259,019 shares valued at J$1,156,608,055 traded. But there was also minimal cross-trading conducted on the Caribbean Stock Exchange by Jamaican companies and investors.

INFLATION

The rate of inflation for the 1991 calendar year was 80.2 percent as measured by the Consumer Price Index on a point-to point basis. The index moved to 299.3 at the end of December 1991 from 166.1 at December 1990. On the average, the inflation rate was 51 percent compared to 24.4 percent in 1990. (The point-to-point measure is used for comparison unless otherwise stipulated).

INTERNAL FACTORS

The inflation rate for 1991 was the highest in the history of independent Jamaica and is primarily attributable to the following:

1. A 61.2 percent depreciation in the value of the Jamaican currency vis-a-vis its United States counterpart;

2. A 54.6 percent increase in money supply (M2) coupled with lower levels of production.

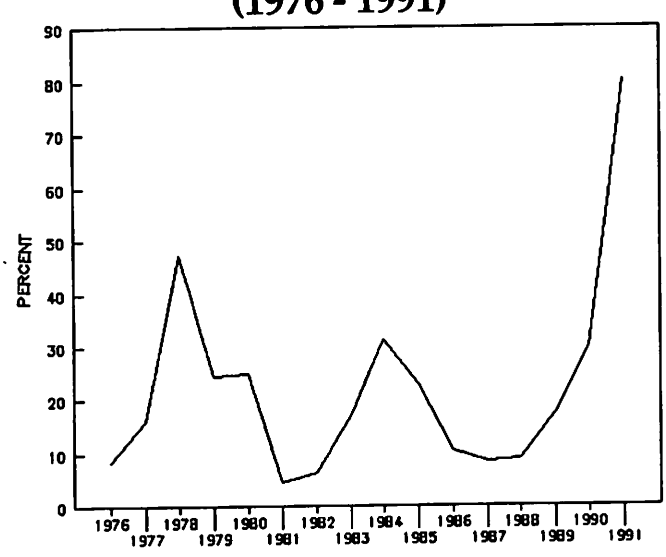
3. Further removal of subsidies and price controls;

4. Substantial increases in interest rates coupled with an extraordinarily tight demand management strategy;

5. The imposition of a General Consumption Tax.

During 1991, it was apparent that the Government failed in its attempts to reduce or at least stabilize the rate of inflation. Indeed, despite the extensive use of monetary instruments there was an increase of 54.6 percent in money supply (M2) which did not correspond to any real increases in production. In its pursuance of a tight monetary policy, the central monetary authorities continued their open market operations which manifested itself in the aggressive use of Certificates of Deposit ,Treasury Bills etc. In this regard, it can be said that the Central Bank facilitated the maintenance of the high interest rate regime. In fact at year end, the upper limit on commercial loans was 61 percent with expectations of further increases. This led to cost push inflation which was exacerbated by the fact that the Jamaican business community boasts a 70:30 debt/ equity ratio. Hence any increase in the cost of credit was translated into higher input costs and thus higher prices.

RATE OF INFLATION
(1976 - 1991)



Furthermore, given the monopolistic structure of the economy, the higher cost of credit not only led to a short run cost-push effect on prices, but also to a reduction in real output. Once again the goal of a market determined interest rate structure was compromised by the continued increases in liquidity ratios and the maintenance of a withholding tax on savings interest.

These strategies were geared towards a reduction in the demand for foreign exchange. However, given the magnitude and frequency of interest rate changes during the year, these initiatives compromised confidence in the marketplace as it was felt that policy makers had panicked and could provide no real solution to cope with the economic malaise. This led to a proliferation of black marketeers who openly traded in US dollars in most towns and villages. The dominance of the black market in US dollars which resulted in a free-fall of the Jamaican dollar led to the full liberalization of the foreign exchange regime on September 25,1991. While there is no doubt that this initiative led to a contraction in black market trading, the Jamaican dollar continued to slide from $13.97 per US dollar to $20.91 per US dollar at 31st December 1991. The devaluation fuelled inflation because of the relatively high propensity to import.
This was further compounded by the removal of wage guidelines and the removal of subsidies.

On the fiscal side, the policies enacted in 1991 were primarily geared at containing aggregate demand and hence, inflation, through a continued reduction in the budget deficit. However, it was apparent that the open market operations of the Central Bank, somewhat compromised this objective in so far as interest payments on Certificates of Deposit and Treasury Bills constituted a substantial portion of the losses incurred by the Central Bank which was directly linked to the budget deficit.

EXTERNAL FACTORS

The external factors which usually have the greatest impact on the level of inflation are the Producer Price Indices of Jamaica's major trading partners and the price of oil. In the case of the latter, there was an upward movement in prices during the period under review. The prices of gasoline and other sources of energy are indexed to the price of United States Gulf products. Local prices, therefore reflect fluctuations in the price of Gulf products. The maintenance of this parity makes it convenient for locally based international marketing companies to purchase refined products directly from national refining operations.

External movements in the producer price indices of Jamaica's major trading partners were favourable, which supported the view that imported inflation did not impact significantly on the rate of domestic inflation.

CONSUMER PRICE INDEX

The Consumer Price index (CPI) can be broken down into eight categories:
1. Food and Drink;
2. Fuels and other Household Supplies;

RATE OF INFLATION (1973-1991)

YEAR	% INCREASE CPI
1973	28.8
1974	22.1
1975	11.4
1976	8.3
1977	16.1
1978	47.1
1979	24.4
1980	25.0
1981	4.6
1982	6.5
1983	16.7
1984	31.2
1985	23.0
1986	10.4
1987	8.4
1988	8.8
1989	17.2
1990	29.8
1991	80.2

SOURCE: STATIN

CONSUMER PRICE INDEX - POINT-TO-POINT (1988 - 1991)

ITEM	1988	1989	1990	1991	% 1991/1990	weight
ALL GROUPS	109.2	128.0	166.1	299.3	80.2	100.00
FOOD AND DRINK	112.1	135.5	174.8	322.1	84.3	55.63
Meals away from home	109.7	132.4	169.6	281.4	65.9	
Meat, poultry and fish	102.7	125.6	173.8	334.0	92.2	
Dairy products, oils and fats	105.2	133.2	177.2	460.0	159.6	
Baked Products, cereals and breakfast drinks	102.6	129.7	167.5	329.4	96.7	
Starchy Food	174.4	203.0	219.9	329.4	49.8	
Vegetable and Fruits	119.4	130.1	175.5	246.7	40.6	
Other Food and Beverages	105.3	127.8	147.0	247.4	68.3	
FUELS AND OTHER HOUSEHOLD SUPPLIES	105.1	117.3	167.6	325.1	94.0	7.35
Household Supplies	102.8	117.4	154.1	348.4	126.1	
Fuels	109.3	117.2	192.8	280.9	45.7	
HOUSING & OTHER HOUSING EXPENSES	107.7	116.0	160.7	264.7	64.7	7.86
Rental	106.0	109.2	123.9	139.0	12.2	
Other Housing Expenses	108.3	118.6	172.8	306.0	77.1	
HOUSEHOLD FURNISHING & FURNITURE	107.4	118.1	141.2	241.3	70.9	2.83
Furniture	105.8	120.3	147.7	248.3	68.1	
Furnishings	108.1	117.5	139.0	240.8	73.2	
HEALTHCARE & PERSONAL EXPENDITURE	105.4	115.3	149.2	279.4	87.3	6.97
PERSONAL CLOTHING, FOOTWEAR & ACCESSSORIES	108.9	124.0	152.7	268.2	75.6	5.07
Clothing Materials*, Ready-made Clothing and Accessories	106.6	115.9	130.0	242.6	86.6	
Footwear	112.2	133.3	165.3	277.0	67.6	
Making-up and Repairs	114.0	134.9	162.7	219.4	34.8	
TRANSPORTATION	101.3	128.3	164.2	262.6	59.9	6.44
MISCELLANEOUS	105.7	117.5	149.8	261.3	74.4	7.85

SOURCE: STATIN

3. Housing and Other Housing Expenses;
4. Household Furnishings and Furniture;
5. Healthcare and Personal Expenditure;
6. Personal Clothing, Footwear and Accessories;
7. Transportation;
8. Miscellaneous Expenses.

Food and Drink increased by 84.3 percent in 1991 relative to 1990. The main contributors to this increase were Dairy Products, Oils and Fats (159.5 percent), Baked products, Cereals and Breakfast drinks (96.7 percent), Meat, Poultry and Fish (92.1 percent). These increases resulted from the lifting of subsidies and price controls and the depreciation of the Jamaican dollar.

The category, Fuels and other Household Suppplies increased by 94.0 percent. This was attributed primarily to Household Supplies which recorded an increase of 126.1 percent. The Household Supplies sub-category includes the following:

Washing Soap (bar);
Soap Powder;
Liquid Detergent;
Bleach;
Floor Polish;
Mosquito Destroyer;
Light bulbs;
Bottles (feeding);
Brooms; and
Mops.

The Housing and other Housing Expenses category reflected an increase of 64.7 percent. This resulted primarily from a 77.1 percent increase in the other Housing Expenses sub-category which essentially mirrored price increases in construction materials i.e lumber, cement, steel and paint. This subcategory also included higher insurance premiums as well as higher maintenance costs.

The Household Furnishing and Furniture category recorded price increases of 70.9 percent. The Furniture and Furnishings sub categories increased by 68.1 and 73.2 percent respectively. This was influenced by increases in the price of lumber resulting from the devaluation of the Jamaican dollar.

The category Healthcare and Personal Expenditure increased by 87.3 percent in 1991 relative to 29.4 percent in 1990. The increase in 1991 was reflective of increases in health insurance premiums as well as the impact of the General Consumption Tax on certain services eg hairdressing and other similar services.

The Personal Clothing, Footwear and accessories category grew by 75.0 percent. This was dominated by the Clothing materials and Ready-made clothing and accessories sub-categories which recorded increases of 86.6 and 85.2 percent respectively. This can be attributed to very low domestic production and hence an increasing reliance on imports. The 62 percent increase in Transportation reflected increased prices for bus fares, air fares, petroleum products and motor vehicle batteries.

OUTLOOK

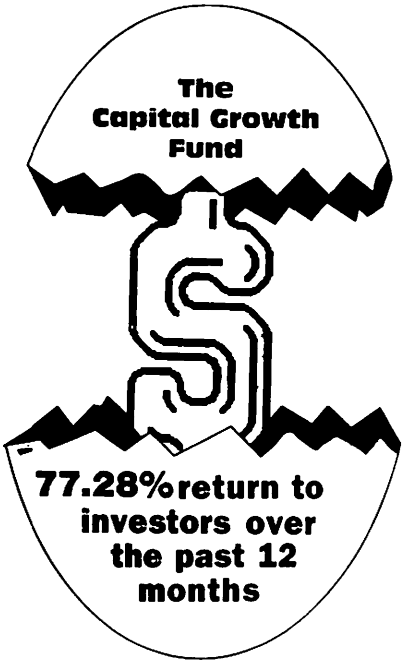
The inflation outlook for 1992 is dependent on the stability of the exchange rate, interest rates and world oil prices. In the event that current trends continue in terms of the declining exchange rate and higher interest rates, an inflation rate of 95 percent is not inconcievable while taking into account the full impact of the General Consumption Tax. In the event that stability of the exchange rate is maintained, then the rate of inflation is likely to decrease.

THE SEARCH FOR PROTECTION AGAINST INFLATION STOPS HERE!

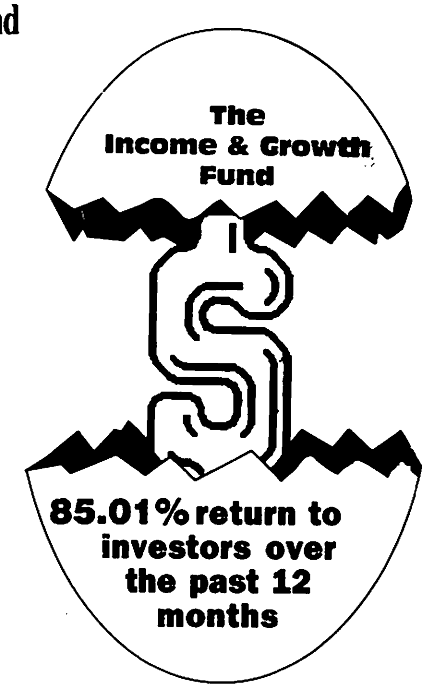
Interest on Treasury Bills, Certificates of Deposit & Fixed Deposits is on the rise, but so is inflation

In these times the best investment strategy is to go for TAX-FREE Growth or a combination of Income and TAX-FREE Growth.

Make your investment choice from either of these two Unit Trust Funds and enjoy the advantages of:



- Proven ability to produce medium and long term returns which protect your capital against inflation.
- Tax-Free Capital Gains.
- No withdrawal Penalty.
- High returns from a carefully diversified portfolio.
- Your money is entrusted to Managers with a record of successful money management and highest integrity.



Effective Date Apr. 14-20, 1992

JAMAICA UNIT TRUST SERVICES LTD.

11 Trinidad Terrace, Kingston 5, Tel. 92-98135-6, 92-66758

Trustees: Scotia Bank Jamaica Trust & Merchant Bank Ltd.

It should be appreciated that the value of units may go down as well as up

Fill out this Coupon and Mail to

JAMAICA UNIT TRUST SERVICES LTD.

11 Trinidad Terrace, Kgn. 5. Tel: 92-66758 98135 6

I am interested in the - Capital Growth Fund ☐ / Income & Growth Fund ☐

Name ....

Address ....

or call me at Tel. No ....

(Please do not send Money)

MANUFACTURING

During 1991, the Jamaican manufacturing sector was profoundly affected by the shortage of foreign exchange; the 61.2 percent depreciation in the value of the Jamaican currency against the US dollar during the year, coupled with the high cost of loans curtailed production in the sector which is highly import dependent. The paucity of foreign exchange restricted the level of capital goods imports which decreased by 32.9 percent although raw materials increased by 18.0 percent.

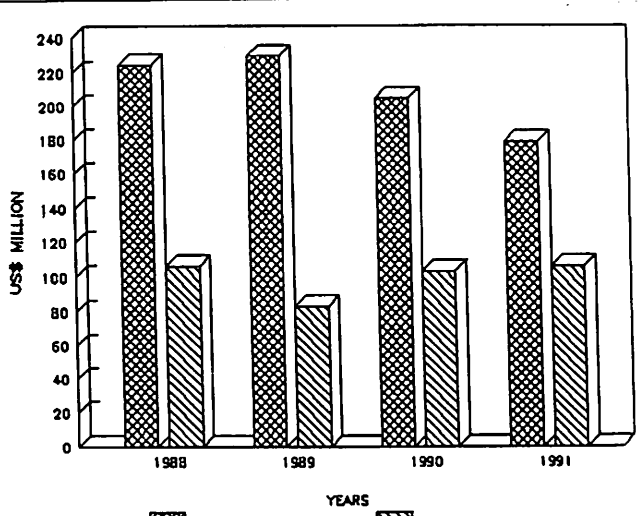
Other factors contributing to the poor performance of the manufacturing sector were (l) the inflation in foreign prices of intermediate goods and (2) extraordinarily high interst rates.

Given this scenario, it is clear that the viability of the sector will depend on an increase in the supply of foreign currency to the sector, lower interest rates as well as the expansion and diversification of the sector into activities that are less dependent on imported raw materials. The sector also has to raise its level of efficiency and to take advantage of a more competitive exchange rate by becoming more export-oriented.

MANUFACTURING EXPORTS

The value of total manufacturing exports (including sugar and rum) declined by 8.6 percent or US$426.4 million in 1991. Non-traditional exports which accounted for 63.6 percent of total manufactured exports in 1991, declined by 12.8 percent. Within this category, the sub-sectors of

MANUFACTURED EXPORTS (1988-1991)



Mineral Fuels, Beverages and Tobacco, Mineral and Vegetable Oils and Fats and Machinery and Transport Equipment decreased by 33.3, 16.0, 75.0 and 20.4 percent respectively. The downturn in Miscellaneous Manufactures is particularly worrying as this sub-sector accounts for 42.0 percent of Jamaica's total non-traditional exports and consists of approximately 90 percent of apparel exports. For 1991, only two of the non-traditional sub-sectors recorded growth. These were Processed Foods and Chemical and Chemical Products which recorded growth of 25.5 and 39.5 percent respectively.

Traditional exports recorded growth of 2.8 percent over the corresponding period of 1990 with a total value of US$105.9 million. Of this Sugar accounted for US$91.4 million representing an increase of 6.5 percent over 1990. On the other hand, rum exports declined by 16.9 percent to US$14.3 million.

NON-TRADITIONAL MANUFACTURED EXPORTS TO THIRD COUNTRIES AND CARICOM

Jamaica recorded a decline of 11.9 percent to US$121.2 with respect to non-traditional manufactured exports to third countries. Of this total, Miscellaneous Manufactures accounted for 55.2 percent or US$66.9 million. This was the fourth consecutive year of decline for this sub-sector. Only three sub-sectors recorded any growth. Crude Materials (71.9 percent), Mineral Fuels (7.1 percent) and Manufactured Goods (6.3 percent).

The picture remained largely unchanged for non-traditional manufactured exports to CARICOM. Indeed, non-traditional exports to CARICOM declined by 14.5 percent to US$57.4 million relative to an increase of 4.5 percent in 1990.

DOMESTIC PRODUCTION

The manufacturing sector during 1991 was perhaps the most affected sector in the process of economic liberalisation which occurred in 1991. Given the high import dependency of the sector it was adversely affected by the devaluation of the Jamaican dollar and perhaps moreso by the continuation of a high interest rate policy. At December 1991 loan rates in excess of 50 percent were not uncommon as a result of the most stringent demand management policy environment in Jamaica's economic history. Further, given the problems of avoidance of customs duties and other irregularities the sector was placed on a largely uncompetitive footing. It was against this background that the sector recorded an extremely poor performance in 1991. This is demonstrated by the decline in real GDP attributed to the Manufacturing sector of 4.5 percent relative to 1990.

FOOD PROCESSING

During 1991, production declined in nearly all categories of this sub-sector relative to the corresponding period of 1990. A recent production survey, revealed a contraction in output of poultry meat (8.8 percent), condensed milk (27.7 percent), edible oils (12.7 percent), edible fats (16 percent,) flour (4.1 percent) and cornmeal (15.9 percent).

The only products which showed increased production levels were Sugar (13.1 percent) and Molasses (18.0 percent) which was probably due to increased productivity in these areas .

BEVERAGES AND TOBACCO

For 1991 the Rum and Alcohol categories recorded marginal growth. Rum grew by 3.2 percent while Alcohol inclusive of gin increased by a mere 0.2 percent. On the other hand every other category of this sub-sector recorded a contraction in output. Beer and Stout declined by 8.8 percent, Aerated water by 8.5 percent, Cigarettes by 11.9 percent and Cigars by 18.7 percent. These declines were due mainly to substantial hikes in the prices of these products which resulted in a decline in domestic demand.

CHEMICAL AND CHEMICAL PRODUCTS

In this sub-sector Salt grew by 26.5 percent, Sulphuric acid by 33.4 percent and Aluminium Sulphate by 12.6 percent. There were substantial declines in Soap (34 percent), Tyres

NON -TRADITIONAL MANUFACTURED EXPORTS TO CARICOM ,1985 - 1991 US$ MILLIONS

CATEGORY	1985	1986	1987	1988	1989	1990	1991p	% Change 1991/90
Processed Foods	13.5	11.1	10.5	8.4	12.2	13.9	16.4	18.0
Beverages & Tobacco	15.0	14.4	17.7	17.1	15.1	16.7	13.7	-18.0
Crude Materials	-	-	-	-	-	3.2	5.5	71.9
Mineral Fuels	25.3	14.4	10.9	12.1	8.5	7.0	7.5	7.1
Mineral & Veg. Oils & Fats	-	-	-	-	-	1.2	0.3	-75.0
Chemicals & Chemical Prod.	5.0	4.1	8.0	5.6	6.7	4.0	5.6	40.0
Manufactured Goods	1.7	1.9	3.0	3.4	4.0	4.8	5.1	6.2
Machinery & Transp Equip.	1.4	0.9	1.3	1.9	1.2	1.4	0.2	-85.7
Miscellaneous Manufacturers	39.2	57.2	110.4	117.5	117.2	85.4	66.9	-21.7
TOTAL	101.1	104.0	161.8	166.0	164.9	137.6	121.2	-11.9

P - Preliminary

SOURCE: COMPILED FROM DATA RECEIVED FROM STATIN

NON -TRADITIONAL MANUFACTURING EXPORTS TO THIRD COUNTRIES, 1985-1991 US$ MILLIONS

CATEGORY	1985	1986	1987	1988	1989	1990	1991p	% Change 1991/90
Processed Foods	5.7	7.3	8.8	10.7	8.4	8.1	11.2	38.3
Beverages & Tobacco	4.6	4.8	5.1	5.9	4.8	4.5	4.1	-8.9
Crude Materials	-	-	-	-	-	1.1	0.5	-54.5
Mineral Fuels	2.6	3.3	2.7	6.7	7.9	9.5	3.5	-63.2
Chemicals & Chemical Prod.	11.9	11.8	13.1	14.5	16.4	18.7	15.0	-19.8
Manufactured Goods	6.0	5.3	6.2	9.7	14.5	12.1	11.2	-7.4
Machinery & Transp Equip.	1.4	1.4	1.7	2.8	3.1	3.5	3.7	5.7
Miscellaneous Manufactures	7.0	7.1	7.3	8.4	9.1	9.6	8.2	-14.6
TOTAL	39.2	41.0	44.9	58.7	64.2	67.1	57.4	-14.5

P - Preliminary

SOURCE: COMPILED FROM DATA RECEIVED FROM STATIN

VALUE OF EXPORTS FOR THE MANUFACTURING SECTOR

CATEGORY	1988	1989	1990	1991p	% CHANGE 1991/90
NON - TRADITIONAL	224.6	229.1	204.7	178.6	-12.8
Processed Foods	19.1	20.6	22.0	27.6	25.5
Beverages & Tobacco	23.0	19.9	21.2	17.8	-16.0
Mineral Fuels	18.8	16.4	16.5	11.0	-33.3
Chemicals & Chemical Prod.	20.1	23.1	22.7	20.6	-9.3
Crude Materials			4.3	6.0	39.5
Manufactured Goods	13.1	18.5	16.9	16.3	-3.6
Machinery & Transp Equip.	4.7	4.3	4.9	3.9	-20.4
Mineral & Veg. Oils & Fats			1.2	0.3	-75.0
Miscellaneous Manufactures	125.8	126.3	95.0	75.1	-20.9
TRADITIONAL	105.6	83.2	103.0	105.9	2.8
Sugar	91.9	67.1	85.8	91.4	6.5
Rum	13.7	16.1	17.2	14.5	-15.7

P - Preliminary

SOURCE: COMPILED FROM DATA RECEIVED FROM STATIN

and Tubes (17.2 percent), Detergent (12.5 percent), Paint (10.2 percent) and Fertilizer (10 percent). Once again the slowdown in domestic production resulted from a drop in local demand.

NON-METALLIC MINERALS AND METALS

During 1991, Steel production increased by 65.3 percent which is largely attributable to the continued buoyancy of the construction sector. However there were declines in the production of cement. There was also a 5.6 percent decline in the production of glass bottles which may be reflective of a switch to cheaper plastic products.

PETROLEUM AND PETROLEUM PRODUCTS

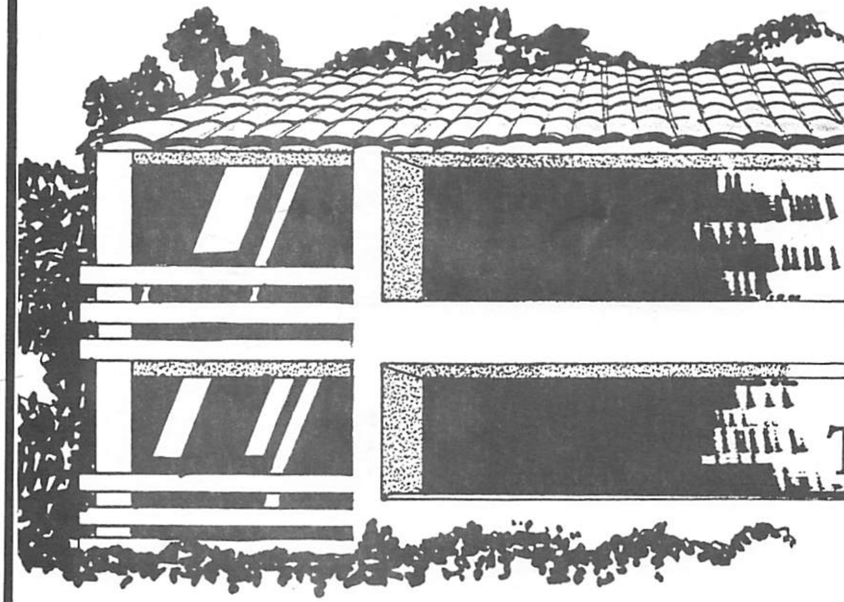
All categories of this sub-sector recorded declines in 1991. The nature of the declines are as follows:

Gasoline (18.2 percent)
LPG (51.9 percent) Fuel Oil (14.7 percent)
Turbo Fuel (8 percent) Automotive Diesel Oil (5.2 percent)
Other Petroleum Products (29.7 percent)

This performance reflected higher levels of imported finished products relative to the importation of crude oil for processing locally for example the importation of unleaded gasoline.

PROSPECTS

Future growth in manufacturing will depend on the sector's ability to capitalize on its export potential facilitated by the liberalization of the foreign exchange and the introduction of the General Consumption Tax. It is also critical that the manufacturing sector place emphasis on re-tooling to facilitate its long term development.



OWNERS OF APARTMENTS AND TOWNHOUSES ...

YOURS IS A STRATA PROPERTY;
with shared common services.

Protect your Investment

THESE ARE YOUR RESPONSIBILITIES:

- INSURANCE coverage for common areas
- WATER for common areas
- TAXES for common areas
- ELECTRICITY for common areas
- SECURITY for common areas or complex as a whole

Other costs which apply for some dwellings include SATELLITE FACILITIES, SWIMMING POOL AND GARDENS.

THESE COSTS MUST BE BORNE BY EVERY OWNER WHO SHOULD CONTRIBUTE PROPORTIONATELY TO THE COST.

Make **sure** you have a **MANAGER** to see to the collection of the fees and the organisation of proper maintenance for the property.

This will ENSURE:-

- The proper upkeep of your complex.
- The maintenance of its true market value, and
- Most importantly the securing of the BSAJ Seal of Approval, endorsed by other long-term financial lending Institutions, for a MORTGAGE by a purchaser should you wish to sell your property.

If bills for common services have not been paid, then the sale of your property **may** not go through.

SO, PROTECT YOUR INVESTMENT,

Ensure that your Strata property is properly managed and that shared services are paid up-to-date.

A message from the

Building Societies Association of Jamaica

17 Belmont Road, Tel: 968-3855-6

HANOVER BENEFIT BUILDING SOCIETY

JAMAICA CITIZENS BUILDING SOCIETY

EAGLE PERMANENT BUILDING SOCIETY

JamaicaNational BUILDING SOCIETY

JAMAICA SAVINGS & LOAN BUILDING SOCIETY

VICTORIA MUTUAL BUILDING SOCIETY

ENERGY

Provisional data for 1991 revealed that the aggregate supply of crude oil declined by 1.3 percent relative to 1990. Indeed in 1991, average world oil supply was 66.6 million barrel per day (mbd) down from 67.5 million barrel per day in 1990. It is instructive to note that production in OPEC countries increased by 1.3 percent to an average of 25.325 mbd up from an average of 25 mbd recorded in 1990. Output in OECD countries increased by approximately 2.5 percent to an average of 16.3 mbd in 1991. Regarding the Non-OECD group output decreased by approximately 6.3 percent to an average of 23.7 mbd. At this juncture it should be noted that the aggregate supply of crude oil at the macro level was influenced by the Gulf War as well as a substantial decline in output from the former USSR. The pattern of supply within the other groups was similar to that of their production.

World oil demand for 1991 was estimated at 66.3 mbd representing an increase of 1.2 percent relative to 1990. Higher crude demand, was met by higher OPEC and OECD crude production. One of the main reasons for this marginal increase in oil demand was the global recession coupled with global efforts at energy conservation.

On the domestic front, refinery imports increased by approximately 36.7 percent which when viewed in light of the decrease in the production of petroleum products lends credence to the view that it was comparatively cheaper to import relatively cheaper finished petroleum products. This points to the relative inefficiency of the state-owned refinery, Petrojam.

POWER

During 1991 a total of 2041.4 million kilowatt hours (KWH) of electricity was generated by the Jamaica Public Service Company (JPSCo). This reflected an increase of 2.0 percent relative to 1990. This marginal increase in electricity generation was reflective of the fact that during the year some of the primary generating units were taken out of service for maintenance.

A total of 11.7 million KWH of electricity was purchased by the JPSCo to augment their supplies. This represented a 53.9 percent increase over the corresponding period in the previous year.

During 1991 there was a total of 2,053.1 million KWH of electricity available for distribution. This reflected an increase of 2.2 percent over the comparable period in 1990. Sales of elctricity amounted to 1670.4 million KWH showing an increase of 1.2 percent over the corresponding period in 1990. Electricity sales in 1991 represented 81.4 percent of total availability versus 82.2 percent in 1990. For 1991, line losses totalled 382.5 million KWH reflecting an increase of 6.8 percent over the comparable period in 1990. Electricity sales to residential customers increased by approximately 2.1 percent over the corresponding period in 1990.

Consumption by the productive sectors increased by 4.3 percent relative to 1990. Indeed consumption by this group increased from 960.3 million KWH in 1990 to 1,001.7 million KWH in 1991. This category accounted for 48.8 percent of total availability versus 47.8 percent in 1990.

MINING

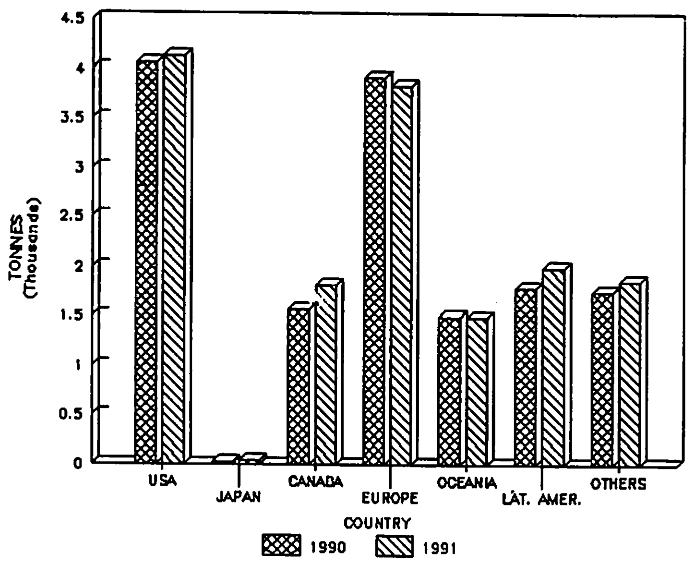
During 1991, the Western World's supply of primary aluminium exceeded consumption by 1.3 million tonnes according to the estimates of the Commodity Research Unit (CRU). Production of Primary aluminium was 15.17 million tonnes, 3.9 percent above 1990. Consumption recorded a marginal increase of 0.8 percent in 1991 relative to 1990. The average cash price of primary aluminium on the London Metal Exchange declined to US$0.59 per pound, 19.2 percent below the corresponding period in 1990.

The local Bauxite/Alumina industry continued to show improvement during the year. Total Bauxite production (crude plus the bauxite equivalent of alumina) rose to 11,565.33 thousand tonnes, 5.9 percent above 1990. Crude Bauxite production accounted for 4,248.79 thousand tonnes reflecting an increase of 8.6 percent over 199o. Alumina production was 3,003.55 thousand tonnes representing an increase of 4.7 percent over the corresponding period of 1990.

Total Bauxite exports were 11,617.59 thousand tonnes in 1991, 6.2 percent higher than the corresponding period last year. Crude Bauxite contributed 4,260.88 thousand tonnes representing an increase of 9.7 percent over 1990. Alumina exports totalled 3,031.99 thousand tonnes reflecting an increase of 5.0 percent.

Preliminary estimates indicate that gross foreign exchange earnings were US$661.96 million in 1991 reflecting a decline

WORLD PRODUCTION OF ALUMINIUM (1990 - 1991)



WESTERN WORLD PRIMARY ALUMINIUM CONSUMPTION, SUPPLY ,INVENTORIES AND PRICES BY QUARTERS, 1990 - 1991

	1990					1991					Percentage Change		
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec.	Jan-Dec 91 / Jan-Dec 90	Q4 1991 / Q3 1991	Q4 1991 / Q4 1990
CONSUMPTION (million tonnes)	3.63	3.74	3.73 r	3.65	14.75	3.66 r	3.72 r	3.76 r	3.73	14.87	0.8	-0.8	2.2
PRODUCTION (million tonnes)	3.58	3.60	3.63 r	3.74	14.60	3.72	3.81	3.86 e	3.78	15.17	3.9	-2.1	1.1
NET IMPORTS FROM SOCIALIST COUNTRIES (million tonnes)	0.07	0.06	0.11 r	0.06	0.30	0.22 r	0.21 r	0.23 r	0.18	0.84	180.0	-21.7	200.0
SUPPLY (million tonnes)	3.63	3.67	3.78 r	3.80	14.88	3.94 r	4.02 r	4.08 r	3.96	16.00	7.5	-2.9	4.2
PRIMARY PRODUCERS INVENTORIES (million tonnes)	1.56	1.49	1.41	1.54	1.54	1.69	1.75	1.72 r	1.70	1.70	10.4	-1.2	10.4
PRICES (US$/lb)													
LME	0.69	0.70	0.75	0.77	0.73 a	0.68	0.60	0.57	0.51	0.59 a	-18.9	-10.5	-33.8
COMEX	0.68	0.73	0.77	0.75	0.73 a	0.70	0.64	0.59	0.54	0.62 a	-15.7	-8.5	-28.0
ARP	0.75	0.75	0.76	0.79	0.76 a	0.74	0.70	0.68	n.a.	-	-	-	-

r - revised
e - estimate
n.a.- not available
a - 12 months average

SOURCE: Commodity Research Unit Metal Monitor; Jamaica Bauxite Institute of 9.1 percent. This was due mainly to lower prices on the international commodity markets.

WESTERN WORLD PRIMARY ALUMINIUM MARKET

Production

During 1991, the Western World's production of primary aluminium was 15.17 million tonnes, 3.9 percent higher than in 1990. Output in the United States was 4,126 thousand tonnes, 1.7 percent higher than 1991. Production in Canada and Latin America increased by 16.1 percent and 11.5 percent respectively. Europe's output was reduced to 3,825 thousand tonnes, a decline of 2.3 percent and Oceania reduced output to 1,495 thousand tonnes or by 0.2 percent.

For 1991, the supply of Primary Aluminium totalled 15.17 thousand tonnes representing an increase of 3.9 percent over 1990. Of this amount, net imports from the Eastern Bloc accounted for 840,000 tonnes.

Consumption

The Western World's consumption of Primary Aluminium was 14.87 million tonnes, an 0.8 percent increase over 1990. The United States reduced its consumption to 4,050 thousand tonnes or by 6.4 percent. Europe increased its consumption by 10.0 percent to 1,433 thousand tonnes while Japan increased its consumption by 6.9 percent to 2,539 thousand tonnes. All other countries recorded a decline in their consumption of Primary Aluminium.

PRIMARY ALUMINIUM PRODUCTION / CONSUMPTION '000 TONNES

	PRODUCTION			CONSUMPTION		
	1990	1991	% CHANGE	1990	1991	% CHANGE
USA	4059	4126	1.7	4325	4050	-6.4
JAPAN	34	36	5.9	2375	2539	6.9
CANADA	1568	1820	16.1	714	702	-1.7
EUROPE	3917	3825	-2.3	1303	1433	10.0
OCEANIA	1498	1495	-0.2	652	638	-2.1
LAT. AMER.	1790	1996	11.5	459	433	-5.7
OTHERS	1747	1863	6.6	4951	4936	-0.3

SOURCE: CRU MONITOR

BAUXITE / ALUMINA PRODUCTION AND EXPORT BY QUARTER, 1990 - 1991 '000 TONNES

	1990					1991					Percentage Change		
											Jan-Dec '91 / Jan-Dec '90	Q4 1991 / Q3 1991	Q4 '91 / Q4 '90
	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec			
CRUDE BAUXITE													
Production	893.08	1163.01	991.87	862.87	3,910.83	1,010.09	924.36	1,212.81	1,101.53	4,248.79	8.6	-9.2	27.7
Export	916.77	1137.15	959.46	872.32	3,885.70	1,024.43	933.24	1,207.11	1,096.10	4,260.88	9.7	-9.2	25.7
ALUMINA													
Production	685.34	713.30	718.18	752.02	2,868.84	758.61	734.06	731.34	779.54	3,003.55	4.7	6.6	3.7
Export	679.34	714.04	745.97	749.27	2,888.62	685.38	830.79	707.34	808.48	3,031.99	5.0	14.3	7.9
TOTAL BAUXITE													
Production	2531.06	2923.44	2,758.59	2,706.82	10,919.91	2,847.69	2,696.66	3,006.84	3,014.34	11,565.53	5.9	0.2	11.4
Export	2539.68	2899.40	2,794.55	2,709.54	10,943.17	2,684.15	2,934.76	2,918.87	3,079.81	11,617.59	6.2	5.5	13.7

p - preliminary

a - The average conversion factor for alumina is 2.45363

Source: Jamaica Bauxite Institute

Prices

The average cash price for Primary Aluminium on the London Metal Exchange for 1991 declined by 18.9 percent to US $0.59 per pound relative to 1990. Indeed, the recession in the United States continues to have an adverse effect on the demand for Primary Aluminium and hence its price.

DOMESTIC PERFORMANCE

Production

Total Bauxite production was 11,565.33 thousand tonnes, 5.9 percent above 1990. Of this amount, Crude Bauxite accounted for 4,248.79 thousand tonnes and Alumina accounted for 3,003.55 thousand tonnes. The production of Alumina seems to have reached its peak since all of the refineries are apparently operating at full capacity.

Exports

Total Bauxite exports for the period under review were 11,617.59 thousand tonnes up 6.2 percent over 1990. Alumina exports were 3,031.99 thousand tonnes up 5.0 percent. Crude bauxite exports increased by 9.7 percent up to 4,260.88 thousand tonnes. This was consistent with the Government's policy of raising Alumina exports in an effort to increase earnings from the Bauxite and Alumina industry.

Inventories

Closing inventories of Crude Bauxite were 400,328 tonnes reflecting a decline of 1.2 percent over 1990. This decline was as a result of the excess of exports over production. This must also be interpreted in light of the breakdown of the bauxite agreement with the former Soviet Union under which one million tonnes of bauxite a year was to be exported from Jamaica. However with the dissolution of the Soviet Union the agreement has been placed on hold.

FOREIGN EXCHANGE EARNINGS BY QUARTERS, 1990 - 1991

	1990					1991					% Change		
											JAN-DEC '91	Q4 1991	Q4 1991
GROSS	Q1	Q2	Q3	Q4	Jan-Dec	Q1	Q2	Q3	Q4	Jan-Dec	JAN-DEC '90	Q4 1990	Q3 1991
Bauxite	24.29	30.14	25.43	23.12	102.977	27.15	24.75 r	31.99	28.50 e	112.9	9.1	23.3	-10.9
Alumina	146.96	154.78	161.45	162.18	625.37	142.39 r	150.18 r	127.64 r	129.36 e	557.6	-12.1	-20.2	1.3
Total	171.25	184.92	186.88	185.297	728.347	169.54	174.93	159.63	157.86 e	670.5	7.9	14.8	-1.1
NET													
Levy (r)	21.79	16.16	15.69	20.25	73.89	15.17	17.59	21.95		54.71	-26.0	-	-
Royalty (r)	1.21	1.52	1.48	2.24	6.45	1.21	1.27	1.4		3.88	-39.8	-	-
Other Foreign/ Exchange Inflows (r)	33.21	41.83	39.38	35.86	150.28	39.23	35.49	32.46		107.18	-28.7	-	-
Tax	10.66	10.07	7.89	10.45	39.07	20.17	6.54	5.8		32.51	-16.8	-	-
Total	66.87	69.58	64.44	68.80	269.69	75.78	60.89	61.61	0.00	198.28	-26.5	-	-

p - provisional
r - revised
a - estimates

Source: Jamaica Bauxite Institute;
Statistical Institute PIOJ

BAUXITE / ALUMINA CLOSED INVENTORIES BY QUARTERS, 1990 - 1991

	1990				1991	1991	1991	1991	Q4 1991	Q4 1991
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4 1990	Q3 1991
Bauxite	68,054	93,916	126,325	116,878	102,535	93,657	99,356	104,780	-10.35	5.46
Alumina	171,666	171,048	144,225	148,235	225,182	134,140	172,703	163,839	10.53	-5.13

Source: Jamaica Bauxite Institute

Inventories of Alumina at December 1991 were 695,864 thousand tonnes, a rise of 9.6 percent.

FOREIGN EXCHANGE EARNINGS

During 1991, gross earnings totalled US$670.5 million reflecting a decline of 7.9 percent over 1990. Earnings from Crude Bauxite sales were US$112.9 million up 9.6 percent and Alumina earnings were US$557.6 million, a decline of 10.8 percent.

TOURISM

Total visitor arrivals to the island during 1991 were 1,340,518 a 8.5 percent increase over 1990. Stop-over visitors accounted for 63 percent of the total followed by cruise-ship passengers which accounted for 36.6 percent. Characteristically, the armed forces category accounted for 0.4 percent. The Stop-over category grew by a mere 0.4 percent, while the cruise-ship category grew by 27.3 percent. Armed forces on the other hand declined by 46.2 percent.

In 1991, visitor arrivals from the United States of America declined by 3.7 percent relative to 1990, while visitor arrivals from Canada declined by 17.3 percent. Inspite of the global recession, visitors from Europe increased by 32.1 percent and visitor arrivals from other European countries, Japan and Latin America increased by 14.2 percent. The North American market accounted for 47.6 percent of total arrivals. This represents a 7.4 percent decline in the share of visitor arrivals from the North American market compared to 1990.

Nevertheless, the overall increase in visitor arrivals is attributed to the tourism marketing done over the years as well as the diversified nature of Jamaica's source of stop-over visitors compared with other competing Caribbean territories.

EXPENDITURE

Gross visitor expenditure was estimated at US$791.2 million, an increase of 6.9 percent which is 4.4 percent below the average rate of growth of expenditure between 1985 and 1990. The increase in visitor expenditure is attributable to a combination of factors, namely increased stop-over arrivals and increased average daily expenditure relative to 1991.

It is estimated that average expenditure per person per night varied between US$70 and US$80. Expenditure per person can still grow further based on the high per capita income levels that characterize the countries from which stop over visitors originate.

HOTEL ROOM OCCUPANCY

For 1991 average occupancy declined 4.3 percentage points to 57.90 percent. This reflected the impact of the global recession coupled with the travel advisory issued by the United States government during the course of the year. To

VISITOR ARRIVALS 1986 - 1991

CATEGORY	1986	1987	1988	1989	1990	1991	% of Total	% change 1991/90
Stop-Over Visitors	663593	738827	648873	714771	840777	844607	63.0	0.5
Cruise Ship Passenger	278507	292156	367732	444054	385205	490485	36.6	27.3
Armed Forces	12521	6651	3688	4411	10087	5426	0.4	-46.2
Total	954621	1037634	1020293	1163236	1236069	1340518	100.0	8.5

RESIDENCE OF LANDED VISITORS

Country	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	% Chang
U.S	239662	272392	322980	425066	467876	433136	494238	545482	460869	481395	565504	544467	-3.7
Canada	70713	65975	80168	76348	78918	82294	100588	109945	92946	106250	113917	94247	-17.3
Europe	63742	41273	37398	36700	32455	31913	38782	58119	69984	96550	121049	159849	32.1
Other	21223	26715	27217	28037	24187	24370	29985	25281	25074	30576	40307	46044	14.2
Total	395340	406355	467763	566151	603436	571713	663593	738827	648873	714771	840777	844607	0.5

ESTIMATED VISITOR EXPENDITURE (1980 - 1991)

YEAR	US$M	% CHANGE
1980	240.6	
1981	285.3	18.6
1982	336.2	17.8
1983	399.4	18.8
1984	406.6	1.8
1985	404.8	-0.4
1986	514.9	27.2
1987	594.9	15.5
1988	527.1	-11.4
1989	598.9	13.6
1990	739.9	23.5
1991	791.2	6.9

some extent the decline in occupancy was also the result of the Gulf War which began in January 1991. This not only led to a decline in tourist arrivals in the period January to February 1991 (within the Winter Tourist season) but also to a decline in tourism earnings for that period. By March 1991 there was growth in all categories of visitors vis-a-vis the corresponding period in 1990. However, for calendar year 1991 there was an **overall** decline in occupancy levels which implies that average expenditure per tourist increased.

Another possible explanation for the overall decline in occupancy levels was an increase in the number of hotel rooms which meant average occupancy per institution declined.

OUTLOOK

The local tourism sector is anticipating an encouraging year in 1992. With our major tourist markets emerging from recession, the island is expecting a substantial improvement in visitor arrivals and earnings in 1992. This is however dependent on the ability of the Government to maintain social and economic stability and the ability of the industry to maintain and improve the package it offers the tourist, marketing strategy and the physical environment.

HOTEL ROOM OCCUPANCY (1980 - 1991)

YEAR	OCCUPANCY RATE
1980	44.2
1981	40.7
1982	53.5
1983	60.2
1984	60.2
1985	51.8
1986	57.1
1987	61.7
1988	55.3
1989	58.5
1990	62.2
1991	57.9

VISITORS ARRIVALS (1986 - 1991)