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Annual Report
on the Jamaican Economy

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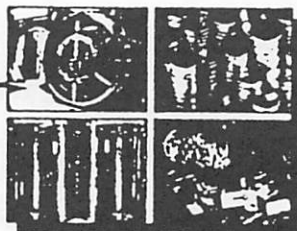
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Overview

The performance of the Jamaican economy during 1992, somehow mirrored that of the global economy, which was sluggishly emerging from economic recession and showed a marginal 1% overall growth, while the Jamaican economy grew by a mere 1.2%, thereby maintaining a trend of slow growth for the sixth consecutive year.

This outcome has to be viewed as one relating to and resulting from the structural adjustment process, which is continuing and has over the past twelve years effected reforms in areas such as taxation, finance, tariff, price determination, external trade, public sector management as well as in the overall deregulation and liberalization of the economy, coupled with a positive commitment and cooperation from sectors in the economy to the success of the measures and policies implemented.

The year 1992, consolidated the changes and reduced to some extent the instability experienced during 1991. In fact, the economy experienced for the second time in twenty years, a surplus on the current account of its balance of payments.

Contributing to this out turn were mixed outcomes for the real and services sectors. Agriculture, forestry and fishing registered a 12.9% growth during the year. Greatly contributing to this was a significant 19.2% increase in domestic foods production and a 5.7% rise in the production of export crops. While the mining and quarrying sector showed a 2.3% decline due mainly to depressed international market conditions and prices, the construction and installation sector continued to experience modest growth. The Services Sector comprising the distributive trade, financial services and hospitality sub-sector dominated the growth in GDP as its output contributed 67.2% of GDP for 1992.

This fueled inflation and price instability through the latter part of 1991 and early 1992. So, by March 1992, the twelve month point to point inflation reached 105.7%. Monetary and fiscal policies instituted to lower inflation and stabilize

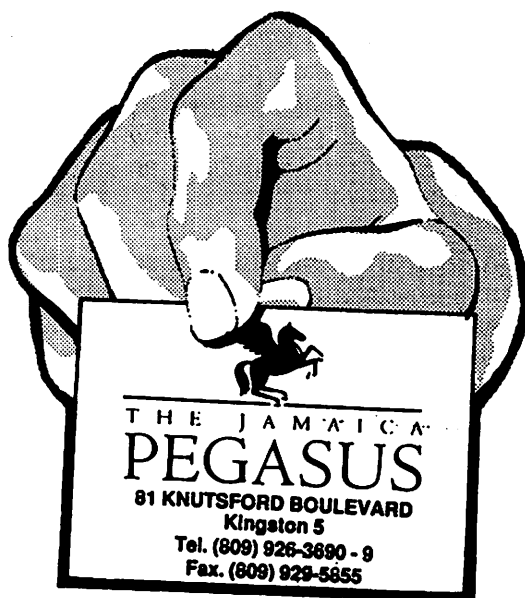
the Jamaican dollar, included increases in the liquid assets ratio, increases in interest rates via intense Central Bank open market operations, a reduction in public sector borrowing and improvement in its revenue collections. While these policies did have positive effects, the stability experienced in the exchange rate, beginning mid 1992 was largely influenced by a broad based show of confidence led by a major foreign exchange earner in what came to be known as the "people's initiative". By year end the inflation rate had lowered to an annualized 40.2% for 1992.

At year end, there was a surplus of US\$46.6 million on the balance of payment current account, private and official net inflows stood at US\$290.6 million and the Net International Reserves with the Bank of Jamaica improved by US\$337.2 million. Private foreign exchange account balances stood at about US\$400 million.

Although the year ended on a more positive note than it had begun, the volatility of the year's activities points to the need for the right mix of monetary and fiscal policies which will inspire confidence in the country and establish macro-economic stability. This is necessary to attract the level of savings and investment required to generate meaningful economic growth, improve the standard of living of the populace and generate the foreign exchange earnings which will adequately finance the country's external obligations.

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Gross Domestic Product

The Jamaican economy although showing some improvement over its 1991 performance recorded another year of relatively weak growth in 1992. Preliminary estimates are that Gross Domestic Product improved marginally, growing by 1.2% compared with a mere 0.3% in 1991. The performance of the economy was adversely affected by the recessionary conditions in the global economy which had a particular negative effect on the local bauxite and alumina industry. At the same time, a combination of exchange rate instability, high interest rate and high inflation inhibited economic growth during the first six months of the year. However, the achievement of a stable exchange rate, significant reduction in inflation and some downward movement in

interest rates during the second half of the year resulted in an improvement in economic performance over that period. In fact, the Planning Institute of Jamaica (PIOJ) estimates that industrial production grew by 2.8% for the last half of the year after declining by 1.0% during the January to June period.

Gross Domestic Product in current prices was \$72,982.8 million as against \$44,127.8 million in 1991. However, measured in 1986 prices, GDP was \$17,458.1 million in 1991, an increase of 1.2%. The large increase in nominal value of GDP over the 1991 figure reflected the effect of high inflation and the sharp devaluation of the Jamaican dollar viz-a-viz its US counterpart.

TABLE 1
GROSS DOMESTIC PRODUCTS BY INDUSTRIAL SECTOR
AT CONSTANT PRICES, 1987-1992 (J\$'000)

INDUSTRIAL SECTORS	1987	1988	1989	1990	1991	1992p
Agriculture, Forestry & Fishing	888.7	1065.3	968.5	1080.2	1078.3	1217.0
Mining & Quarrying	955.6	913.00	1238.1	1520.5	1606.7	1566.0
Manufacturing/Electricity	3085.2	3308.3	3559.4	3706.4	3422.6	3455.0
Water	615.1	617.2	685.4	732.6	745.5	778.2
Construction & Installation	1240.6	1424.6	1680.5	1707.2	1718.2	1725.5
Distributive Trade	3100.9	3131.1	3239.9	3400.5	3467.6	3870.0
Transport, Storage and Communication	1371.0	1532.2	1592.5	1647.2	1718.7	1802.9
Financial Services	1006.6	1204.8	1457.1	1618.7	1906.3	1985.5
Real Estate Services	1137.0	1169.6	1192.2	1274.7	1331.5	1399.2
Producer of Government Services	1285.0	1286.6	1270.4	1243.7	1222.3	1227.0
Miscellaneous Services	645.4	627.4	675.8	721.5	701.2	709.1
Household & Non-Profit Institutions	115.6	119.2	113.6	121.5	114.3	102.8
Less: Imputed Service Charges	716.6	989.5	1195.3	1365.2	1575.0	2171.2
GDP at Current Prices	14730.0	15409.7	16478.1	17409.5	17458.1	17667.3

r - revised

p - preliminary

SOURCE: Economic and Social Survey of Jamaica 1992

TABLE 2
RATE OF GROSS DOMESTIC PRODUCT BY INDUSTRIAL
SECTORS AT CONSTANT PRICES 1987-1992

INDUSTRIAL SECTORS	1987	1988	1989	1990	1991	1992p
Agriculture, Forestry & Fishing	5.2	-3.4	-9.1	11.5	-0.2	12.9
Mining & Quarrying	6.0	-4.5	-5.6	22.8	5.7	-2.5
Manufacturing	5.8	5.5	7.6	4.1	-7.7	1.0
Electricity & Water	8.1	0.3	11.1	6.9	1.8	4.4
Construction & Installation	14.2	14.8	18.0	1.6	0.6	0.4
Distributive Trade	11.0	1.0	3.5	5.0	2.0	11.6
Transport, Storage and Communication	11.9	4.6	3.9	3.4	4.3	4.9
Financial Services	9.3	18.4	21.0	11.1	17.8	4.2
Real Estate Services	4.2	2.9	1.9	6.9	4.5	5.1
Producer of Government Services	0.4	3.5	-1.3	-2.1	-1.7	0.4
Miscellaneous Services	8.9	-3.4	7.7	6.8	-2.8	1.1
Household & Non-Profit Industries	3.3	3.7	-4.7	6.9	-5.9	-10.1
TOTAL GDP	7.7	2.9	6.9	5.7	0.3	1.2

p - preliminary

SOURCE: Economic and Social Survey of Jamaica 1992

TABLE 3
RATE OF GROSS DOMESTIC PRODUCT BY INDUSTRIAL
SECTORS AT CURRENT PRICES 1987-1992

INDUSTRIAL SECTORS	1987	1988	1989	1990	% Change 1991r	1992p
Agriculture, Forestry & Fishing	21.7	9.1	16.5	21.6	55.7	88.0
Mining & Quarrying	27.1	50.6	27.3	28.7	70.1	42.1
Manufacturing	17.3	9.5	20.2	29.4	92.3	70.7
Electricity & Water	7.6	-1.8	-11.6	52.3	1.7	123.2
Construction & Installation	29.4	43.8	32.2	34.2	55.1	68.6
Distributive Trade	24.2	15.6	20.7	34.6	44.3	95.7
Transport, Storage and Communication	18.6	12.1	19.2	27.2	33.9	57.8
Financial Services	23.6	28.4	29.6	30.0	36.3	68.8
Real Estate Services	11.5	9.1	11.0	21.9	21.1	36.4
Producer of Government Services	13.6	17.0	15.9	34.6	34.1	27.9
Miscellaneous Services	19.4	7.6	21.7	30.8	40.4	67.5
Household & Non-Profit Institutions	5.9	25.7	22.5	26.3	19.5	56.1
TOTAL GDP at Current Prices	19.6	16.9	20.2	30.7	44.6	65.4

r - revised

p - preliminary

SOURCE: Economic and Social Survey of Jamaica 1992

Sectoral Performance

With the exception of mining and quarrying which recorded a 2.5% decline compared with an increase of 5.7% in 1991, all the other major sectors recorded improvement during the year.

Agriculture, forestry and fishing, after recording 0.2% decline in 1991, rebounded to register growth of 12.9% during the year. This was largely the result of a 19.5% increase in domestic agricultural production and a 5.7% increase in exports crop. The sector continued to benefit from the devaluation of the Jamaican dollar which has given a boost to agricultural exports and the consumption of domestic produce. As indicated earlier, mining and quarrying was the only sector that registered negative growth during the year as a 12.1% increase in the production of industrial minerals was not enough to counter the fall out in the bauxite alumina sector.

Despite problems of comparatively high interest rates high cost of imported inputs occasioned by the depreciation of the Jamaican dollar, continued shortage of foreign exchange and increased competition resulting from liberalization of the economy, the manufacturing sector recorded a 1% growth in 1992 following on a 7.7% decline in 1991. Growth in the apparel sub-sector accounted for the major share of this increase with export earnings of approximately US\$152.4 million rising by some 130% over the 1991 figure.

The Construction and Installation sector continue to experience modest growth. The sector is estimated to have grown by a marginal 0.4% in 1992.

Outlook

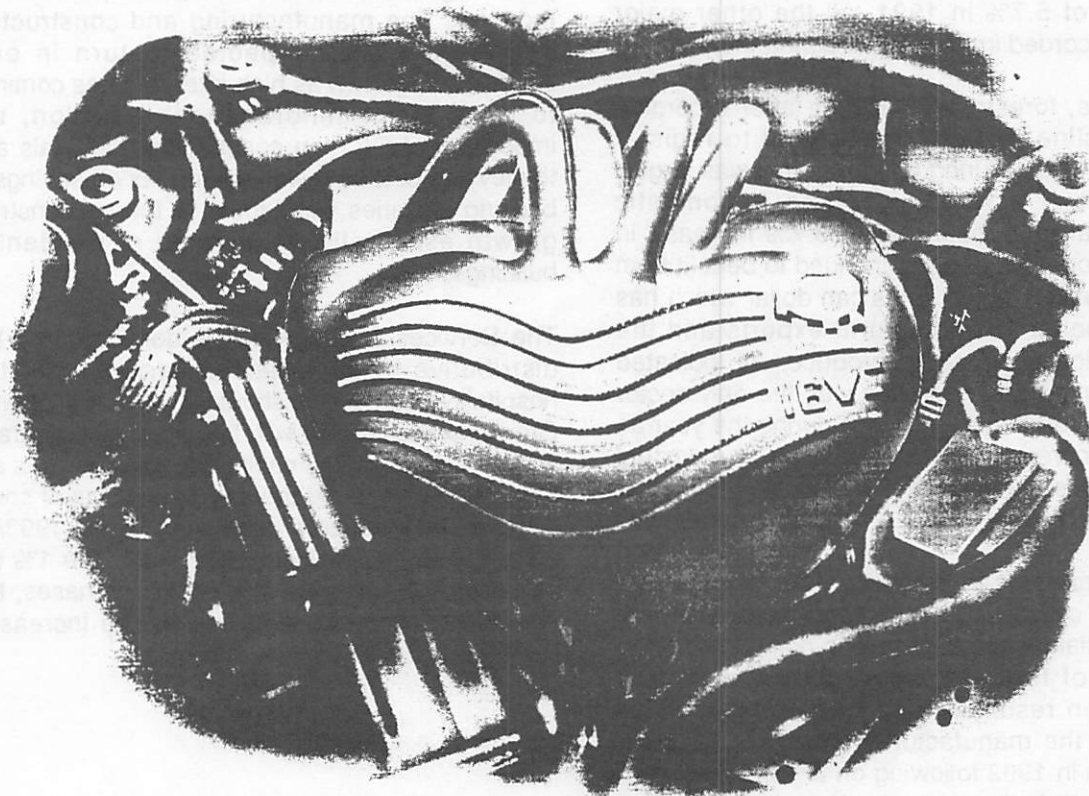
After the adjustments of 1991 following in 1992, it was expected that 1993 would show significant growth. However, all indications are that this will not materialize. In fact, the government has already revised downward its earlier projection of 3% growth in GDP to 2.5% and even this is highly optimistic.

The agricultural sector took a severe beating from flood rains during the first half of this year which means that it will not repeat its spectacular 1992 performance. In fact, early indications are that domestic agriculture could decline by 7–10% this

year. At the same time, Mining and Quarrying should show some recovery but this will be constrained by the continued weak conditions prevailing in the international primary aluminium industry. The manufacturing and construction sectors are also expected to turn in only incremental growth as high interest rates continue to be a major hindrance. In addition, the imposition of GCT on construction materials and the levying of a 25% withholding tax on savings in building societies will expect to further constrain growth especially in the area of residential buildings.

The Services Sector which is dominated by the distributive trade, financial services and the hospitality sub-sectors should continue to do well. Growth in these area will, however, be constrained by the high cost of capital (as interest rates are again set to rise) and the adverse effects of some of the fiscal measures announced in the 1993/94 budget notably, the increase in GCT, the 1% tax on savings in unit trust and stock purchases, the tax on insurance companies and the increased head tax on cruise ship passengers.

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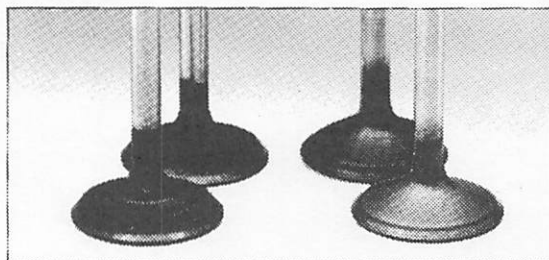


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Balance of Payments

During 1992, the Jamaican economy, saw the continued implementation of restrictive monetary and fiscal policies begun in 1991. While these policies overall aimed at stabilizing the economy as well as improving the performance of the external sector, they specifically focused on – absorbing excess liquidity, restricting credit mainly to decrease demand for imports and to discourage foreign currency speculation. A competitive exchange rate would stabilise prices, control inflation and consequently improve the performance of exports with positive effects on the Balance of Payments (BOP). The year in review completed 16 months of operation of the full liberalization of the foreign exchange regime.

Some measure of prudent fiscal policies accompanied monetary measures. The general consumption tax was successfully implemented, targeted levels of public sector expenditure were achieved, and some public sector divestment was undertaken.

At year end, there were some positive results evolving from these macro-economic measures. Jamaica's Net International Reserves (NIR) improved by US\$337.2M, a direct reversal of its deterioration by US\$105.2M at the end of 1991. This improvement reflects a culmination of positive outcomes in other accounts of the BOP.

BALANCE OF PAYMENTS 1988-1992 (US\$M)

	1988	1989	1990	1991	1992	% Change 92/91
Exports (fob)	883.0	1000.4	1157.5	1150.7	1052.8	-85
Imports (cif)	1240.3	1606.4	1679.6	1595.0	1456.7	-75
Balance of Trade	-357.3	-606	-522.1	-424.3	-403.9	4.8
Services (Net)	183.8	-14	-79.3	-51.2	172.5	436.9
Foreign Travel	468.5	538.7	686.3	710.4	827.7	165
Investment Income	-407.4	-435.5	-517.1	-476.9	-394.3	173
Other	122.7	-117.6	-246.5	-284.7	-260.9	84
Goods and Services (Net)	-173.5	-620.4	-599.4	-475.5	-231.4	51.3
Transfers (Net)	205.6	322.9	271.4	263.8	278.0	5.4
Private	135.6	135.2	155.4	160.7	171.6	6.8
Official	70.0	187.7	116.0	103.1	106.4	3.2
Current Account Balance	32.1	-297.5	328.0	-211.7	46.6	122.0
Capital Movements (Net)	180.6	137.8	387.6	106.5	290.6	172.9
Private	63.2	-92.2	291.7	7.3	299.6	404.1
Official	117.4	230.0	95.9	99.2	-9.0	-109.1
Change in Reserve (minus = increase)	-212.7	159.7	-59.6	-105.2	-337.2	220.5

p – Provisional

SOURCE: Economic and Social Survey of Jamaica 1992

The Current Account

Jamaica recorded in 1992, a current account surplus for the second time in twenty (20) years. A surplus of US\$46.6M resulted from improvements in the merchandise, services and transfer accounts. The merchandise account showed a deficit balance of US\$403.9M which improved by 4.8% over that of 1991, and the services and transfer accounts showed positive balances large enough to offset the trade deficit with a surplus of US\$46.6M remaining. This compares with a net outflow position of US\$51.2M in 1991.

Merchandise Trade

Merchandise exports declined by 8.5% from US\$1150.7M in 1991 to US\$1052.8 in 1992. Although merchandise imports also declined by 7.5% from US\$1575.0M in 1991 to US\$1456.7M in 1992 it was largely responsible for the narrowing of the trade deficit by 4.8%.

The fall in the value of exports reflects largely the declines in the export earnings of some major traditional export commodities such as bauxite 21.4%, alumina 13.2%, sugar 5.6% and banana 12.3%. The fall in imports was most marked in the category of raw materials, intermediate and capital goods and is further reflected in the decline in output of the manufacturing sector.

Services

The services account registered a net surplus of US\$172.5M, a significant improvement over the deficit of US\$51.2M recorded in 1991. This outcome reflects a 16.5% increase to US\$827.7M in foreign travel inflows – mainly tourism. These earnings were enough to offset outflows of investment income (US\$394.3M) and other services (US\$260.9M) and maintain a favourable balance. This position was also supported by declines of 17.3% and 8.4% in investment income (outflow) and other services respectively. The continued high-earning performance of the tourism sector reinforces its dominance as a foreign exchange earner.

Transfers

The 5.4% increase in net transfers to reach

US\$278.0M in comparison to US\$263.8M for 1991, resulted from increases of 6.8% and 3.2% in net private and official inflows respectively.

Capital Account and Foreign Reserves

Net balances on the capital account at the end of 1992 stood at US\$290.6M, an increase of US\$172.6M. This ensued from a significant rise in net private capital inflows which moved from US\$7.3M in 1991 to US\$299.6M in 1992. The improvement in the inflows of private capital is the outcome of a positive impact of liberalization on the foreign exchange market, as well as increased inflow to the bauxite sector to fund capacity expansion.

Net official outflows stood at US\$9.0M in 1992 compared with inflows of US\$99.2M in 1991, implying a significant decrease in inflows from multilateral, bilateral and other donor institutions to the extent that these could not offset outflows for interest and amortization payments on Governments direct and guaranteed debts.

Although the current account recorded a surplus of US\$46.6M, it was the significant inflow of US\$299.6M into the capital account which impacted most positively on the out turn of the Net International Reserves (NIR) position, which at the end of 1992 improved by US\$337.2M.

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 - b) Sum insured
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 - d) Last date on which cover was in-

creased

- e) Renewal date of policy

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Part of a large international organisation, Shell was able to introduce to Jamaica this world-wide improvement in gasoline technology. It also meant that for the first time in nearly fifty years,

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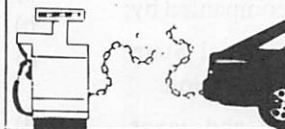
CHANGING THE INDUSTRY

Shell's action challenged aspects of the oil industry at that time, catapulting the company into controversy. Months later, Government saw it fit to lift some of those restrictions – a move welcomed by the entire industry.

Innovation has characterised Shell's 70 years of service to Jamaica.

In the 1920's, when the first sea plane landed in Jamaica, Shell was there to refuel the aircraft. In the 1950's, we introduced the hydrant refuelling system so that planes could be serviced in a fraction of the time. In the 1960's, we introduced Gard Filters to guarantee cleaner gas from the pumps. In the 1980's, we computerised those pumps to speed up service and ensure greater accuracy.

BREAK FREE



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As we continue to bring to Jamaica the best in worldwide technology, corporate integrity will constantly be our guide

**We're not just in Jamaica.
We're for Jamaica.**



70th

1993

External Trade

Overview

For the year ending December 1992 Jamaica's net external trade deficit (US\$640.0 million) improved by 5.6% compared with the 1991 figure of US\$677.9 million. This improvement was achieved at the expense of sharp declines on both sides of the merchandise account. The country's trade performance must be analyzed against the background of certain economic and trade related developments in the domestic and international economy during the year. Those of an internal nature include:

- (i) intensification of government's tight demand management policy aimed at helping to stabilize the exchange rate;
- (ii) lower alumina exports resulting from expansion work at Alpart, the island's largest refinery and technical difficulties at one of the three other refineries; and
- (iii) a 78.7% devaluation in the annual average exchange rate of the local currency viz-a-viz the US dollar.

On the international scene, some of the forces at play were:

- (i) recessionary tendencies in some leading OECD member countries, namely: USA, Canada, United Germany, Japan and Britain;
- (ii) continued high level of primary alumina

shipment from the Commonwealth of Independent States (CIS) to "western" markets;

- (iii) depreciation of the pound sterling in relation to the US dollar;
- (iv) reduction in banana prices occasioned by increased exports from Latin America;
- (v) slightly lower oil prices caused by increased output by some members of the Organization of Petroleum Exporting Countries.

Imports

All categories of merchandise imports with the exception of "consumer goods" declined from their 1991 totals. In fact, "consumer goods" imports rose by 14.6% when compared to 1991. At the same time, "raw materials" imports declined by 4.8% while imports of capital goods fell by a sharp 29.3%.

A more in depth examination of the "raw materials" category show fuel which absorbed roughly 27% of merchandise exports and accounted for 17% of merchandise imports contracting by more than 10%. This is attributed to both a reduction in total consumption, lower prices for crude oil and bunker 'c', the main fuel used by the local bauxite industry.

TABLE 1
JAMAICA'S EXTERNAL TRADE BALANCE 1986-1992
(US\$m)

	1986	1987	1988	1989	1990	1991r	1992p
Merchandise Exports	591.1	709.3	883.0	1004.4	1157.5	1150.7	1052.8
Merchandise Imports (cif)	969.1	1234.3	1449.4	1873.3	1942.1	1828.6	1692.8
Balance of Trade	-378.0	-525.50	-566.4	-868.9	-784.9	-677.9	-640.0

p - preliminary

r - revised

SOURCE: Economic and Social Survey of Jamaica 1992

The fall in imports of "capital goods" was consistent with the contractions in some sub-sectors of the manufacturing sector and also reflects a sharp fall in the import of transport equipment and machinery.

TABLE 2
VALUE OF MERCHANDISE IMPORTS BY ECONOMIC USE
1991/1992 (US\$Mn)

	1991	1992	% Change 1992/1991
CONSUMER GOODS	251.9	288.7	14.6
Food	90.9	103.9	14.3
Other non-durables	82.8	104.9	26.7
Durables	78.2	79.9	2.2
RAW MATERIALS	1178.8	1122.7	-4.8
Fuel	325.3	289.6	-11.0
Other Raw Materials	853.5	833.1	-2.4
CAPITAL GOODS	397.9	281.4	-29.3
Transport & Equipment	161.7	80.0	-50.5
Construction Materials	92.9	68.7	-26.0
Other Machinery	140.5	128.7	-8.4
Other Capital	2.8	4.0	42.9
Total	1828.6	1692.8	-7.4

SOURCE: Economic and Social Survey of Jamaica 1992

TABLE 3
VALUE OF MERCHANDISE EXPORTS BY CATEGORY 1989-1992
(US\$Mn)

	1989	1990	1991r	1992p	% Change 1992/1991
Bauxite	111.0	103.0	112.9	88.8	-21.3
Alumina	474.9	625.3	543.0	471.0	-13.3
Sugar	67.7	85.8	87.4	82.5	-5.6
Bananas	19.4	37.6	45.1	39.6	-12.2
Citrus & Citrus Products	4.1	9.0	4.5	8.1	80.1
Coffee & Coffee Products	10.2	9.5	12.2	16.9	38.5
Cocoa & Cocoa Products	4.5	6.3	5.5	5.9	7.3
Pimento	4.6	5.5	3.5	3.7	5.7
Rum	16.0	17.2	15.4	18.0	16.9
Total Traditional Exports	712.4	899.2	829.5	734.5	-11.5
Non-Traditional Exports	252.6	223.1	226.5	296.1	30.7
Total Domestic Exports	965.0	1122.3	1056.0	1030.6	-2.4
Re-Exports	35.2	34.8	94.0	21.8	-76.8
Total Merchandise Exports	999.8	1157.1	1150.0	1052.4	-8.5

p - preliminary

r - revised

SOURCE: Economic and Social Survey of Jamaica 1992

Exports

The combined earnings of bauxite, alumina, sugar and bananas amounted to US\$681.9 million, US\$106.5 million less than the 1991 figure. Gross export value of bauxite and alumina dropped by 21.3% and 13.3% respectively. These declines were the results of contraction in both local bauxite and alumina production as well as lower prices. The 5.6% decline in sugar earnings reflected the cutback in US sugar quota while the decline in earnings from bananas is attributed to the depreciation in the pound sterling and the depressing effect on prices of increased Latin American banana shipments to the EEC market.

On a positive side, non-traditional exports rose substantially over their 1991 levels. Exports for this category in 1992 was US\$296.1 million, up 30.8% on the 1991 figure of US\$226.5 million. This was largely due to a 61.2% increase in exports of apparel from US\$94.5 million in 1991 to US\$152.4 million in 1992. Other non-traditionals recording increases were exports of food (fruits, vegetables, ground provisions, etc.) up 14.2% and chemicals up 12.3%. It is noteworthy that but for the increase in apparels, exports of non-traditional products would have declined by some US\$5 million on their 1991 total.

Caricom Trade

Trade between Jamaica and other CARICOM member states totalled US\$126.1 million, down 3.5% from US\$130.7 million registered in 1991. During the review period exports from Jamaica reached US\$60 million, an increase of 4.8% on the 1991 value. Of this amount, Trinidad and Tobago's share amounted to US\$26.3 million while for Barbados it was US\$12.6 million. Exports to Guyana totalled US\$4.9 million, to Belize US\$3.9 million and to St. Lucia US\$3.4 million.

Imports of food accounted for US\$22.1 million or about a third of Jamaica's total CARICOM import bill, mirroring the country's overall dependence on food imports. Manufactured goods and chemicals also represented significant portions of the import bill accounting for US\$2.6 million and US\$15.4 million respectively in 1992. Major exports to CARICOM comprised similar categories: Food (US\$15.2 million), Chemicals (US\$14.4 million) and Manufactured Goods (US\$10.8 million). Jamaica imported goods valued at US\$66.1 million from its CARICOM partners, 2.4% more than 1991. Hence, for the review period Jamaica's CARICOM trade deficit widened by US\$1.4 million from US\$4.5 million in 1991 to US\$5.9 million in 1992. The trade statistics for 1992 reflect a trend of continuing decline in trade between Jamaica and its CARICOM neighbours.

TABLE 4
VOLUME OF MAJOR DOMESTIC MERCHANDISE EXPORTS 1991/92
(Tonnes)

	1991r	1992p	% Change 1992/1991
Bauxite	4,260,881	4,128,330	-2.8
Alumina	3,031,988	2,941,441	-3.1
Sugar	157,181	139,362	-11.3
Bananas	75,290	76,723	1.9
Citrus	9,985	12,628	26.5
Pimento	1,752	1,773	1.2
Cocoa	1,490	1,750	17.4
Coffee	912	1,091	19.6

p - preliminary

r - revised

SOURCE: JBI Economics Division, Economic & Social Survey of Jamaica, 1992

TABLE 5
JAMAICA - CARICOM TRADE (US\$Mn)

	Exports	1991 Imports	Balance	Exports	1992 Imports	Balance
Food	15.4	12	3.4	15.2	22.1	-6.9
Beverages & Tobacco	4.6	5.1	-0.5	4.3	2.0	2.3
Crude Materials	0.5	0.8	-0.3	0.8	0.4	0.4
Mineral Fuels	4.0	3.4	0.6	4.2	0.7	3.5
Animal Vegetable Oils, Fats	0.0	4.2	-4.2	0.0	1.6	-1.6
Chemicals	14.7	14.8	-0.1	14.4	15.4	-1.0
Manufactured Goods	11.7	20.9	-9.2	10.8	17.1	-6.3
Machinery/Transp. Equipment	3.8	4.4	-0.6	3.7	4.1	-0.4
Miscellaneous Man. Goods	8.4	2.0	6.4	6.7	2.6	4.1
All Categories	63.1	67.6	-4.5	60.1	66.0	-5.9

SOURCE: Economic & Social Survey of Jamaica, 1992

Money and Banking

Throughout the year in review, monetary policy focused on stabilizing the exchange rate in order to achieve balance of payment and inflation objectives. In this regard, policies implemented were aimed at reducing liquidity and containing credit expansion. The Central Bank, in an effort to achieve and maintain these objectives, utilized all its monetary tools to effect the desired results. Liquid Assets and Cash Reserve ratios were increased to restrain credit expansion of commercial banks and Protection of Depositors Act (PDA) institutions, while vigorous open market operations helped to draw off excess liquidity from the system. The yields on these securities tended to push rates on commercial loans and deposits upwards which fostered increased deposits and higher lending rates.

The restrictions imposed on the banking sector led to a contraction in net domestic credit by 9.2% in 1992, however, this was offset by a 90.9% improvement in their net foreign assets position. With Government's efforts to reduce its role in investment activity and contain its expenditure within targeted levels, public sector credit declined by 21.2% while credit to the private sector grew by 24.4%.

At the end of 1992, revised financial legislation

was implemented. This involved amendments to the Bank of Jamaica Act as well as to the Banking Act.

Money Supply

At December 1992, there was a 49% growth in money supply (M1 or narrow money) that is, currency with the public plus demand deposits. This is a significant decline in the growth rate of money supply compared with a 95.2% growth experienced at the end of 1991.

Throughout 1992, Currency with the Public increased marginally between January and October, but experienced its usual spurt in November and December, while Demand Deposits grew steadily throughout the year as the public sought to grapple with inflation or to grasp investment opportunities.

During 1992, a 65.4% growth in M2 was experienced, the result of a sustained rise in both time and saving deposit throughout the year. This growth could have been in response to interest rate movements during the year. Since time and deposit rates usually move in tandem with yields on Government security their increasing yields could have led to increasing deposit rates and deposit levels.

MONEY SUPPLY 1976-1992					
Year	M1	Time Deposit	Savings Deposit	Total Quasi Money (M ₂)	M ₁ + Total Quasi Money
1976	343.0	363.2	349.6	712.8	1055.8
1977	510.2	236.5	451.0	687.9	1197.7
1978	494.7	345.2	519.0	864.2	1358.9
1979	541.1	357.8	595.2	953.0	1494.1
1980	647.4	210.6	687.7	898.3	1545.7
1981	687.1	417.3	814.0	1231.3	1918.4
1982	729.2	614.0	1016.0	1630.0	2359.2
1983	884.3	975.0	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	5591.3	8900.1
1989	2739.4	1843.5	4882.7	6726.2	9465.6
1990	3516.0	2281.8	5499.0	7780.8	11296.8
1991	6867.1	2464.2	8135.2	10599.4	17466.5
1992	10283.6	4409.8	13124.0	17533.8	27817.4

SOURCE: Bank of Jamaica

Commercial Banks Loans and Advances

Total loans and advances outstanding to commercial banks at the end of 1992 amounted to J\$14,095.1M, a 32% increase over 1991. This data suggests that credit levels are expanding at a declining rate so that in real terms, credit expansion is not significant.

An analysis of the loan portfolio of commercial banks shows increased disbursements to consumers, mining, tourism and other services sectors, with other services getting the largest loan increases and consumers allocated the largest share of the loan portfolio. Although loans allocated to other sectors showed declines, the spread of the loan portfolio indicates that the private sector utilizes most of the credit available through commercial banks.

LOANS AND ADVANCES BY SECTOR (1985-1992)								
J\$MILLION								
	1985	1986	1987	1988	1989	1990	1991	1992
Agriculture	496.9	416.1	479.6	668.6	702.1	879.7	940.2	1117.1
Manufacturing	726.1	822.3	978.8	1216.5	1462.7	1535.7	1897.1	2119.9
Construction	612.2	636.9	897.4	1319.8	1729.1	2060.6	2361.7	2473.9
Mining	6.4	9.4	25.6	17.0	33.1	31.8	47.4	73.4
Tourism	184.8	236.1	321.6	451.0	612.4	748.6	743.8	1027.8
Transport	390.9	446.5	591.5	762.7	1117.4	1088.4	1175.9	1137.7
Consumer	400.8	464.9	568.9	691.6	997.7	1529.6	2667.0	3202.9
Government Services	141.9	677.9	890.6	436.8	577.7	778.1	705.4	813.2
Other	88.1	111.8	141.8	202.0	214.2	344.7	1340.6	2129.2
Total	3048.1	3821.9	4895.8	5766.0	7446.4	8997.2	11879.1	14095.1

Commercial Bank Liquidity

Throughout 1992, movement in the liquid assets and cash reserve ratios of commercial banks and PDA institutions were used in conjunction with open market operations to mop up liquidity in the system. So, during the year, commercial banks liquid assets ratio moved from 34.9% in January to 50% in July through to December. In tandem, the cash reserve ratio moved from 19% to 25% during the year. In addition, the penalty rates imposed to enforce adherence to these requirements were increased from 1/6 of 1% to 1/4 of 1% per day.

The liquid assets and cash reserve ratios of PDA institutions also rose from 11% to 13% during the year.

Despite the increase in liquidity requirements by year end, average liquidity in commercial banks stood at 61.8% or 11.8% above the required minimum.

Interest Rates

The Central Bank continued to rely on increasing interest rates as it sought to stabilize the exchange rate, curb speculation and dry up liquidity from the system through its open market operations. Interest rates on all government paper rose for the first part of the year, peaked in May-June and declined towards year end. Yields on treasury bills moved from 39% in January

1992 to 43.3% in June to 23.3% in December and on Certificates of Deposits (CDs) from 50% to 51.7% to 31.4% in December. The fall in these rates in the latter part of the year came about in response to the increase in the liquid assets ratio of the commercial banks and PDA institutions. The high liquidity ratios kept lending rates high even though deposit rates fell substantially in the latter part of the year.

The weighted average rates on loans and deposits rose during the first half of 1992, in response to rising rates on Government securities. However, by year end the weighted rates on deposits softened while loan rates remained high.

The Stock Market

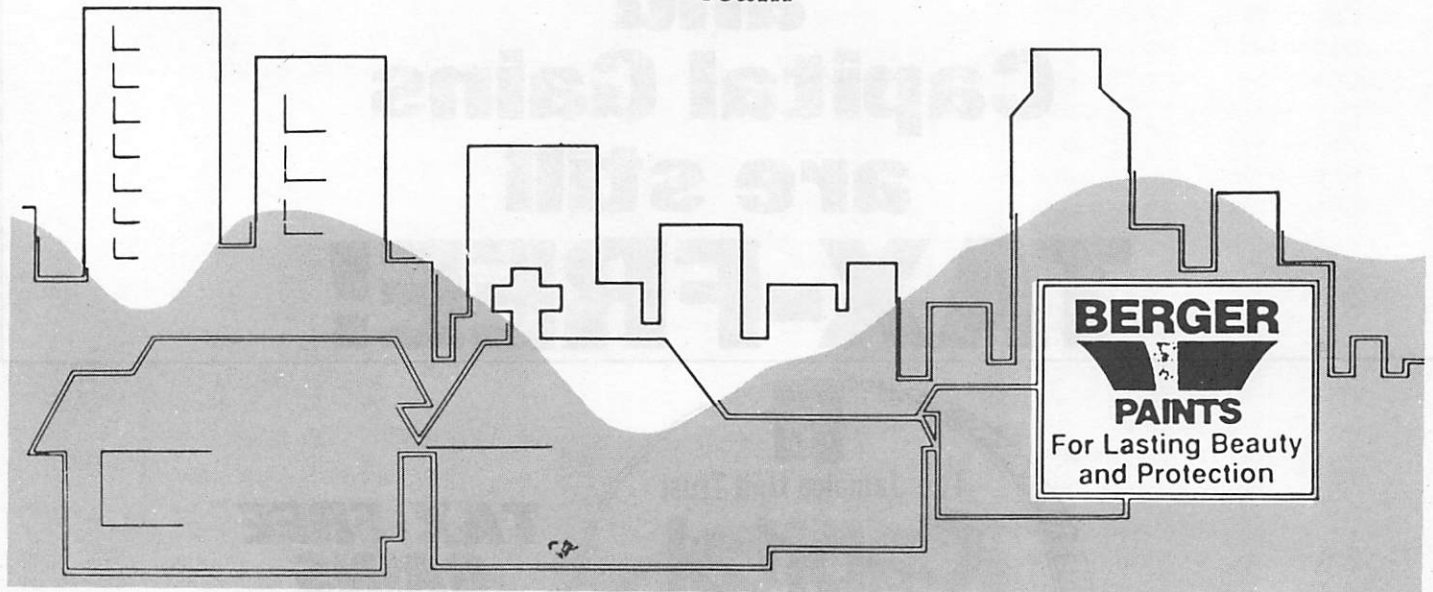
The Jamaican Stock Market rose to dominance in the financial sector during 1992, with all indicators of activity at record levels. The increasing use of the stock exchange as an alternate source of investment and financing and as a hedge against spiraling inflation was evidenced.

At the end of the year, 395 million shares valued at J\$4,688.4 million were traded compared with 144.3 million shares for J\$1,156.6M in 1991. The index rose to 25,745 points from 7,681.5 points in 1991. Of the J\$1,198.3 million in financing raised on the stock market during 1992, nine companies utilized J\$1,049.8M with the remainder accruing to Government from its divestment of shares in Caribbean Steel Company.

STOCK EXCHANGE INDEX			
Year	Volume	Value	Index
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
1992	395,900,000	4,688,400,000	25475.90

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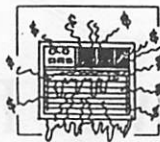
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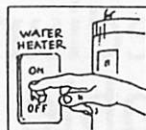
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*As at July 6, 1993

Inflation

In the calendar year 1992, inflation as measured by the Consumer Price Index reached 40.2 percent on a point-to-point basis. This level of inflation represents a significant reduction when compared to the 1991 record of 80.2 percent.

In terms of trend analysis the movement in inflation during 1992, showed that the rate of growth declined gradually. In the first quarter, inflation moved from a high of 18.8 percent to 2.3 percent in the last quarter, reflecting some economic management.

Internal Factors Influencing Inflation

The noticeable deceleration in inflation in 1992 was primarily influenced by the following two factors:

1. The maintenance of tight monetary and fiscal policies by government.
2. The stabilization of the Jamaican dollar.

RATE OF INFLATION	
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
1992	40.2

Source: Statistical Institute of Jamaica

In response to the significantly high level of inflation in 1991, Government constructed its fiscal year budget for 1992/93 around the achievement of a sharp reduction in the rate of inflation with the initial target for March 1993 set at 15 percent. This target was subsequently revised to 25 percent.

Efforts to tighten monetary policy related to increasing the banking sector's reserve requirements which should then restrict bank credit expansion through high interest rates. The monetary authorities also attempted to absorb excess liquidity in the economy through the use of Government securities. As a result, there was some slowdown in private sector credit expansion.

Additionally, government proposed inflation containment programme was contingent on the establishment of a Social Contract, involving wage restraint on the part of the labour force and lean, efficient management in the public sector. Government, itself did not adhere to this guide in many of its wage settlements with workers in the public sector. The proposed tax concessions, particularly the reduction in income tax to 25 percent from 33 1/3 percent in January 1993, were advanced as an inducement for the private sector to offer moderate wage increases.

As a consequence, narrowly defined money M1, increased at a reduced rate of growth, thereby producing a restraining effect on transactions demand and hence on the general price level. Specifically, M1, grew by 49.8 percent in 1992 compared with 95.3 percent in 1991.

Further, these attempts at excess liquidity management assisted in reducing the pressure on the Jamaican dollar. This outcome was also supported by the fiscal policy objective aimed at the elimination of the overall public sector deficit for 1992/93, as well as, the private sector initiative to stabilize the value of the dollar. These factors led to the stabilization of the exchange rate at approximately J\$22.20 = US\$1.00.

External Factors

Domestic prices are influenced externally, primarily by the level of inflation experienced by Jamaica's main trading partners and the price of fuel on the international market.

During 1992, the average rate of inflation (CPI) in Jamaica's main trading partners (USA, UK, Canada and Japan) was almost 2.0 percent compared to 3.5 percent in 1991. This overall decline in the rate of inflation had a positive effect on controlling domestic prices. Also, slight reduction in the price of fuel on the international market had a similar effect.

On average, international fuel price (spot crude) declined by 4.9 percent, from US\$18.30 per barrel in 1991 to US\$18.21 in 1992.

Consumer Price Index

The Consumer Price Index (CPI) is comprised of the following eight categories:

1. Food and Drink
2. Fuels and other household supplies
3. Housing and other housing expenses
4. Household furnishings and furniture
5. Health care and personal expenditure
6. Personal clothing, footwear and accessories
7. Transportation
8. Miscellaneous expenses

Given the foregoing, all major eight components of the CPI increased at a slower rate in 1992 compared with 1991. The "Food and Drink" group which has a 55.63 percent weighting contributed 60.1 percent to the change in the overall index in 1992. This significant increase resulted mainly from the depreciation in the value of the Jamaican dollar.

"Housing", the group with the second highest weighting in the index increased by 27.7 percent compared to 64.7 percent increase in 1991. This increase was largely influenced by a 32.0 percent movement in its sub-group - "Other Housing Expenses". This slower rate of growth in the "Housing" group was influenced by the reduction in the price of electricity in the last quarter of 1992. Movement in the other CPI groups and sub-groups is shown by Table (4.4).

Outlook

Price stabilization continues to be a priority macro-economic objective of Government. Its achievement will be dependent upon the Government's success in significantly reducing the value of the Jamaican dollar and in significantly reducing the public sector deficit. There may be the need for greater reliance on fiscal policy in future efforts at price stability as well as, the forging of a wage contract between workers (represented by the trade unions) and the private sector.

TABLE 4.4
CONSUMER PRICE INDEX POINT-TO-POINT 1989-1992

Category of Items	Weights	Point-to-Point			
		1989	1990	1991	1992
ALL GROUP	100.00	17.2	29.8	80.2	40.2
FOOD AND DRINK	55.63	20.9	29.0	84.3	40.4
Meals away from home		20.7	28.1	65.9	51.1
Meat, Poultry and Fish		22.3	38.4	92.2	38.4
Dairy Products, Oils & Fats		26.6	33.0	159.6	38.1
Baked Products, Cereal, Blast, Drink		26.4	29.1	96.7	48.1
Starchy Foods		16.4	8.3	49.8	39.4
Vegetables, Fruits		9.0	34.9	40.6	35.9
Other Food and Beverages		21.4	15.0	68.3	22.8
FUELS AND OTHER HOUSEHOLD SUPPLIES	7.35	11.6	42.9	94.0	30.8
Fuels		14.2	64.5	45.7	33.3
Other Husehold Supplies		7.2	31.3	126.1	25.3
HOUSING	7.86	7.7	38.5	64.7	27.7
Rent		3.0	13.5	12.2	20.6
Other Housing Expenses		9.5	45.7	77.1	32.0
HOUSEHOLD FURNISHINGS AND FURNITURE	2.38	10.0	19.6	70.9	34.8
Furniture		13.7	22.8	68.1	38.1
Furnishings		8.7	18.3	73.2	32.6
HEALTH CARE & PERSONAL EXPENSES	6.97	9.4	29.4	87.3	41.9
PERSONAL CLOTHING AND ACCESSORIES	5.07	13.9	23.1	75.6	73.1
Clothing Material		9.3	12.2	86.6	57.2
Make-up, Clothing & Accessories		11.0	26.4	85.2	77.2
Footwear		18.8	24.0	67.6	71.5
Making, Repairs		18.3	20.6	34.8	67.8
TRANSPORTATION	6.44	26.7	28.0	59.9	20.6
MISCELLANEOUS EXPENSES	7.85	11.2	27.5	74.4	50.1
Recreation Expenses		n.a	n.a	n.a	n.a
Other Miscellaneous Exp.		n.a	n.a	n.a	n.a

n.a. – not applicable

SOURCE Statistical Institute of Jamaica

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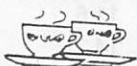


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Manufacturing

Introduction

Developments within the manufacturing sector came against the background of a liberalized foreign exchange system. This served to increase the supply of foreign exchange and reduced the serious foreign exchange shortage which has been plaguing the sector in recent years.

Compared with 1991 when there was a downturn in the sector, there were mixed performances in 1992. The export of manufactured goods, in general, showed significant increases and resulted in increased earnings from the sector. While the export of non-traditional goods to Third World Countries reflected an increase during 1992, the same was not true for exports to CARICOM which experienced a decline relative to 1992.

Domestic Production

Although the sector did not face as a severe a problem with the shortage of foreign exchange as in previous years, other problems impacted negatively on domestic production. Chief among these was tight credit and high interest rates which prevailed during the first part of the year.

Food Processing

The poor performance of this sub-sector experienced in 1991 continued in 1992. In fact, the items for which data was available, all showed declines. The large reduction in output associated with edible oils (down 44.2 percent), Cornmeal (down 13.5 percent) and edible fats (down 10.50 percent) were primarily associated with reduced demand in response to high prices for these commodities. Poultry meat, a major commodity in this sub-sector declined by 4.0 percent due to a combination of factors including a fall in the importation of hatching eggs and the "dumping" of cheaper broiler meat from the USA.

Beverage and Tobacco

The performance of this sub-sector in 1992 was mixed. While increased production was experienced for beer and stout (12.5%), aerated water (8.9%) and cigarettes (8.6%), declines were recorded for alcohol of (22.0%) and rum (19.7%). The production of cigars declined by 0.2%.

Chemical and Chemical Products

A significant increase of 546.7% was recorded for 1991 in the production of printing inks. This unprecedented growth was largely the result of increased demand for flexographic inks, an important input for the package industry. Increases of 25.4% and 22.3% were also recorded for soap and salt production respectively.

Among the number of products declining were fertilizer (by 21.6%) and tyres (by 11.1%).

Non-Metallic Minerals and Metals

The growth experienced in this sub-sector during 1991, continued throughout 1992. The production of cement increased by 23.7% in response to increased local and export demand. There was a 26.5% increase in the output of glass bottles due to a resurgence of demand for this product.

Non-Traditional Exports to Third Countries and CARICOM

The export of non-traditional manufactured goods to Third Country markets showed an increase of 80.9% in 1992. This was attributable to the significant 135.4% growth in "Miscellaneous Manufactures" which represented 76.4% of overall exports to Third Countries during 1992. This development represented a turn-around

following consistent declines over the last few years. Other sub-sectors which recorded growths were "Chemicals" 98.2%, "Processed Foods" 27.4% and "Manufactured Goods" 31.4%. All the other sub-sectors experienced decline relative to 1991.

The export of manufactured goods to CARICOM maintained the declining trend evidenced since 1989. The value of exports to this region was approximately US\$53.1 million and represented a 7.5% decline compared with 1991. The sub-sectors which showed an increase were "Crude Materials" (40%) and "Mineral Fuels" (20.0%). However, these two categories accounted for only 9.2% of total exports to CARICOM.

Developments within the Sector

To assist with the further growth in the sector, a number of initiatives were taken by the government during 1992. These include:

- i. Compulsory Standard Compliance Programme – This stipulates that all products being sold in the Jamaican market must comply with the relevant compulsory standards;
- ii. Anti-dumping Board – This board which was first established in 1988 was reactivated

during 1992. The Board's functions include that of advising the relevant authorities on the dumping and subsidization of goods imported into the Jamaican market which cause unfair trading competition to domestic output.

- iii. Modernization Programme – This involves the provision of technical assistance for industries in order to facilitate and improve their global competitiveness.
- iv. The Common External Tariff (CET) – This underwent considerable review during 1992. One of the chief objectives agreed on by the CARICOM member states was the reduction of the tariff band so that a common rate structure of 5% to 20% should be arrived at by January 1, 1997.

Outlook

The performance of the manufacturing sector in 1993 will be determined by the macro-economic policies pursued by the government. If the policy of high interest rates continues, the sector will certainly have to look for alternative sources of financing while seeking to increase foreign exchange earnings. The latter will largely be determined by the ability of the sector to adopt new technologies in order to improve efficiency.

**VALUE OF EXPORTS FOR THE MANUFACTURING SECTOR
1989-1992 (US\$M)**

	1989	1990	1991	1992	% Change 1992/91
NON-TRADITIONAL	226.1	240.7	178.7	272.0	52.2
Processed Foods	20.6	22.0	27.6	31.1	12.7
Beverages & Tobacco	19.9	21.2	17.8	17.2	-3.4
Crude Materials	-	4.3	6.1	3.7	-39.3
Mineral Fuels	16.4	16.5	11.0	10.2	-7.3
Animal & Veg. Oils & Fats	-	1.2	0.3	0.1	-66.7
Chemical & Chemical Production	23.1	22.7	20.5	25.3	23.4
Manufactured Goods	18.5	16.9	16.4	16.5	0.6
Machinery & Transp. Equipment	4.3	4.9	3.9	3.7	-5.1
Miscellaneous Manufacturers	123.3	95.0	75.1	164.2	118.6
TRADITIONAL	83.2	103.0	102.8	100.5	-2.3
Sugar	67.1	85.8	87.4	82.5	-5.6
Rum	16.1	17.2	15.4	18.0	16.9

NON-TRADITIONAL MANUFACTURED EXPORTS TO CARICOM 1988-1992 (US\$M)						
	1988	1989	1990	1991	1992	% Change 1992/91
Processed Foods	10.7	8.4	8.1	11.2	10.2	-8.9
Beverages & Tobacco	5.9	4.8	4.5	4.1	3.9	-4.9
Crude Materials	-	-	1.1	0.5	0.7	40.0
Mineral Fuels	6.7	7.9	9.5	3.5	4.2	20.0
Chemical & Chemical Production	14.5	16.4	18.7	15.0	14.3	-4.7
Manufactured Goods	9.7	14.5	12.1	11.2	9.8	-12.5
Machinery & Transp. Equipment	2.8	3.1	3.5	3.7	3.3	-10.8
Miscellaneous Manufacturers	8.4	9.1	9.6	8.2	6.7	-18.3
TOTAL	58.7	64.2	67.1	57.4	53.1	-7.5

NON-TRADITIONAL MANUFACTURED EXPORTS TO THIRD COUNTRIES 1988-1992 (US\$M)						
	1988	1989	1990	1991	1992	% Change 1992/91
Processed Foods	8.4	12.2	13.9	16.4	20.9	27.4
Beverages & Tobacco	17.1	15.1	16.7	13.7	13.4	-2.2
Crude Materials	-	-	3.2	5.5	3.0	-45.5
Mineral Fuels	12.1	8.5	7.0	7.5	6.0	-20.0
Minerals & Vegetable Oils & Fats	-	-	1.2	0.3	0.1	-66.7
Chemical & Chemical Production	5.6	6.7	4.0	5.6	11.1	98.2
Manufactured Goods	3.4	4.0	4.8	5.1	6.7	31.4
Machinery & Transp. Equipment	1.9	1.2	1.4	0.2	0.5	150.0
Miscellaneous Manufacturers	117.5	117.2	85.4	66.9	167.5	150.4
TOTAL	160.0	164.9	137.6	121.2	229.2	89.1



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Energy

Introduction

Following the decline recorded in 1991, the aggregate supply of crude oil increased by 0.2% to reach 67.0 million barrels per day. This was attributable to increased production from both the Organization of Petroleum Exporting Countries (OPEC) and the oil producing countries of the Organization for Economic Co-operation and development (OECD). Output in OPEC countries increased by 4.4% to reach 26.2 mbd while that of the OECD countries increased by 0.6% to reach 16.5 mbd. On the converse, the output of non-OECD countries fell to 22.9 mbd, or by representing a 4.9% reduction from the 1991 figure. The continued low production in the Commonwealth of Independent States was largely responsible for this decline in output.

During 1992, the JPSCo generated 2,140.0 million kilowatt hours of electricity, reflecting an increase of 4.8% over 1991. Meanwhile, Jamaica's imports of crude and refined products increased to 19.0 mbd and imports of coal declined by 0.2%.

International Oil Market

The demand for oil on the world market stood at 67.0 mbd during 1992, an increase of 0.2 mbd per day. Of this amount, the OECD countries accounted for 38.5 mbd or 55.5% of total demand. Based on available data, all the major consumers showed increased demand for oil; the USA led the way with 17.2 mbd, an increase of 1.5%.

Petroleum Imports

The overall amount spent by Jamaica on imported fuel during 1992 was US\$319.8 million, an increase of 30.4% over 1991. Total import of crude and refined products amounted to approximately 19 million barrels (mb), an increase

of 2.7% over 1991. On the other hand, the imports of coal fell by 0.2% to reach 40,244 tonnes.

Electricity Power Generation

The JPSCo generated a total of 2,140.0 million kilowatt hours of electricity during 1992. This represented an increase of 4.8% over 1991 and was associated with the 8.0% increase in output by the steam and diesel units. During the year, the JPSCo increased its capacity by 8.7% to 550 megawatt. This came with the addition of two new gas turbines which contributed an additional 44 megawatt to its generating capacity.

A total of 2,151.0 million kilowatt hours of electricity was available for distribution during 1992, an increase of 4.8% over 1991. Of this amount only 1690.7 mega kilowatt hours or 78.6% was sold as the remainder was consumed in line losses and other unaccountable sources. Overall, the number of bonafide customers on the JPSCo grid in 1992 increased by 4.2% to reach 333,885. However, this increase was not contributed to by all categories of customers. While the categories "Residential", "Industrial and Commercial" – small – rose by 4.9% and "Industrial and Commercial" – large – by 19.0, the category "Other" reflected a 0.6% decline.

The average rate charged for all customers, increased to 320.4 cents per kilowatt hour compared with 125.7 cents per kilowatt hour in 1991. These increases reflect the effects of depreciation in the value of the Jamaican dollar against its US counterpart.

Developments in the Sector

- i. Privatization – A study has been commissioned to undertake an analysis of issues related to the privatization of electric power generation. This is in keeping with GOJ policy of divesting public enterprises.

- ii. **Privatization Fund** – This fund has been created to facilitate investors by providing capital for commercial energy projects. The fund is financed by the World Bank, the Inter-American Development Bank and the European Investment Bank.
- iii. **Demand Management** – As part of its efforts to promote energy conservation at the consumer level, the JPSCo is planning a pilot programme in demand management. The pilot project, which is expected to be implemented over the next two to three years, will receive funding under the World Bank's Global Environmental Facility.

Outlook

The increased demand for oil on the international market is expected to continue especially since the US economy has been showing signs of recovery. Locally, the pattern of consumption is also expected to continue despite initiatives to improve energy efficiency throughout the year and if the value of the Jamaican dollar remains stable against the US dollar.

Mining

Overview

The local Mining Sector registered a setback in 1992 as the adverse situation in the World Primary Aluminium industry impacted negatively on its major sub-sector – bauxite and alumina. Production and shipments of bauxite and alumina fell relative to 1991. Both gross and net earnings fell sharply in the face of lower prices for bauxite and alumina and the consequent reductions in earnings from both levy and taxes.

Nevertheless there was some positives as the sector registered an increase in its alumina refining capacity. Capital expenditure for the year remained high and the industrial minerals sub-sector (Limestone, Gypsum, Silica Sand and Marble) registered improved performance.

The World Primary Aluminium Industry

1992 proved to be a relatively negative year for the international primary aluminium industry. A combination of weak demand in the industrialized countries, continued high exports of metal from the Commonwealth of Independent States (CIS) and inadequate net production and capacity cutbacks contributed to prevent prices from rebounding.

Production

"Western" smelters produced an estimated 14.90 million tonnes of aluminium in 1992, a decrease of 1.5% on the 15.13 million tonnes produced in 1991. Significant increase in production was achieved in Canada where the new Alouette and Deschanbault smelters (430 thousand tonnes) were brought on stream during the year. At the same time, the US and Western Europe saw reductions in production of 1.9% and 8.9% respectively resulting from both temporary cutbacks and permanent closures of some

smelting facilities. With export of metal from the CIS totalling some 810 thousand tonnes, the total supply of metal available to the "Western" market was 15.7 million tonnes, down 1.9% from 16.0 million tonnes in 1991. However, at the end of the year, inventories of aluminium in producer and London Metal Exchange (LME) Warehouse stood at 3.19 million tonnes as against 2.74 million tonnes at the end of 1991, an increase of some 16.4%.

Consumption

Consumption of primary aluminium by Western countries during 1992 grew by a marginal 0.2%, that is from 15.27 million tonnes in 1991 to 15.31 million tonnes. The US (7.1%) and Germany (0.8%) were the major countries recording increases while packaging and container as well as building and construction were the only end-use sectors which showed relative strength.

Prices

The average cash price of primary aluminium on the London Metal Exchange (LME) fell by 3.4% to US\$0.57 per pound in 1992.

Linked with the depreciation of the Jamaican dollar viz-a-viz the US dollar, the local bauxite/alumina companies recorded lower levels of exports and earnings.

Domestic Performance

Total bauxite production for the year was 11,302,485 tonnes declining by 2.2% on the 11,552,000 tonnes produced in 1991. Crude bauxite export reflected the loss of the Soviet contract with a 3.1% fall in exports from 4,206,881 tonnes in 1991 to 4,128,330 tonnes for 1992.

TABLE 1
PRIMARY ALUMINIUM PRODUCTION/CONSUMPTION)
(000 TONNES)

	PRODUCTION			CONSUMPTION		
	1991	1992	% Change 1992/1991	1991	1992	% Change 1992/1991
USA	4121	4042	-1.9	4281	45833	7.1
JAPAN	38	19	-40.6	2486	2316	-7.1
CANADA	1826	1972	8.0	734	720	-1.9
EUROPE	3789	3455	-9.1	1441	1452	0.8
OCEANIA	1494	1483	-0.8	670	654	-2.4
LATIN AMERICA	1996	1949	-2.4	435	430	-1.1
OTHERS	1871	1977	5.7	5228	5162	-1.3
TOTAL	15130	14897	-1.5	15275	15311	0.2

TABLE 2
WESTERN WORLD PRIMARY ALUMINIUM CONSUMPTION,
SUPPLY, INVENTORIES AND PRICES BY QUARTERS 1991-1992

											Percentage Change		
	Q1	Q2	1991 Q3	Q4	Jan- Dec.	Q1(p)	Q2(p)	1992 Q3(p)	Q4(p)	Jan- Dec (p)	1992 1991	Q4 '92 Q4 '91	Q4 '92 Q3 '92
Prouction (MT)	3.66	3.79	3.82	3.77	15.11	3.63	3.65	3.74	3.87	14.90	-1.4	2.65	3.47
Consumption (MT)	3.88	3.79	3.82	3.78	15.27	3.81	3.93	3.84	3.73	15.30	0.20	-1.32	-2.86
Net Import From CIS	0.22	0.22	0.24	0.19	0.87	0.16	0.20	0.24	0.20	0.81	-6.90	5.30	-16.67
Supply (MT)	3.94	4.01	4.06	3.96	15.99	3.80	3.93	3.84	3.73	15.31	-4.25	-5.80	-2.86
Producers and LME Inventories (MT) (a)		2.01	2.20	2.42	2.74	2.74	2.80	2.99	3.06	3.18	16.0	26.4	2.34
Prices (US\$/lb) LME		0.68	0.61	0.57	0.51	0.59	0.56	0.59	0.59	0.53	3.92	3.51	-
US Midwest	0.67	0.61	0.58	0.52	0.60	0.58	0.60	0.60	0.54	0.58	-3.33	3.8	-10.0
ARP		0.73	0.70	0.67	0.69	0.70	0.65	0.62	0.65	0.63	-8.69	-4.48	3.22

(a) At end of period

(p) Preliminary ARP

Average Realized Price

SOURCE: CRU Metal Monitor & Jamaica Bauxite Institute

With respect to alumina both production and export fell by over 3% as the modernization and expansion work at Alpart disrupted production during the year.

factors, suffered from the effect of devaluations of the Jamaican dollar on local cost inflows.

Foreign Exchange Earnings and Capital Expenditure

Gross earnings of US\$587.3 million from bauxite and alumina for the year was 12.1% lower than the 1991 figure. For the same period, net earnings from the sub-sector dropped by 24.5% to US\$187.4 million, from US\$248.1 million in 1991. Gross earnings were adversely affected by lower alumina and bauxite prices, while net earnings, in addition to being affected by these

Industrial Minerals

The industrial mineral sub-sector constitute an important and growing area of economic activity for Jamaica. All the minerals constituting this sector recorded increases in 1992. Limestone and gypsum showed increases in the order of 9% and 6.7% respectively. Limestone production benefitted from increase demand in 1992.

It should be noted that limestone and marble are seen as having good potential for earning increments of foreign exchange but development of these sub-sectors is being inhibited by inter alia the absence of suitable port facilities.

TABLE 3 PRODUCTION AND SHIPMENTS OF JAMAICA'S BAUXITE AND ALUMINA AND FOREIGN EXCHANGE EARNING FOR 1990-1992					
	1990	1991	% CHANGE 1991/1990	1992	% CHANGE 1992/1990
BAUXITE					
PRODUCTION	3,910,834	4,248,784	8.6	4,131,752	-2.8
SHIPMENTS	3,885,698	4,260,881	9.7	4,128,330	-3.1
ALUMINA					
PRODUCTION	2,868,844	3,014,585	5.1	2,917,162	-3.2
SHIPMENTS	2,888,630	3,031,988	5.0	2,941,441	-3.0
TOTAL					
BAUXITE					
DISPOSED OF	10,936,725	11,608,619	6.1	11,359,486	-2.1
EARNINGS (US\$Mn)					
GROSS					
EARNINGS	730	668.25	- 8.5	587.29	12.1
Levy/Taxes	122.76	108.70	-11.4	70.44	-35.2
Royalty	6.45	5.80	-10.1	5.22	-10.1
Local Cost					
Inflows	150.28	136.13	-9.3	113.23	-16.8
NET					
EARNINGS	279.49	250.63	-10.3	188.89	-24.6

SOURCE: JBI Economics Division

TABLE 4
PRODUCTION OF INDUSTRIAL MINERALS 1990-1992

MINERAL	UNITS	1990	1991	% CHANGE 1991/1990	1992	% CHANGE 1992/1991
Silica Sand	'000mt	16.62	15.62	-6.0	20.42	30.7
Limestone	'000cm	2600.00	2900.00	11.5	3161.00	9.0
Gypsum	'000mt	82.21	135.84	65.2	144.97	6.7
Marble	'000mt	4.00	4.20	5.0	4.62	10.0
Sand and Gravel	'000cm	950.00	1214.00	27.8	1337.00	10.1
Marl and Fill	'000cm	2900.00	2950.00	1.7	3457.00	17.0

SOURCE: Economic & Social Survey of Jamaica, 1992

Outlook

The world economy is expected to show marginal improvement in 1993 and this should give a further boost to consumption of aluminium products. However, relatively low prices for aluminium are likely to persist into the beginning of 1994 as exports of CIS metal are expected to continue to keep the market in surplus. Primary aluminium prices could see some upward movement however, if the current conditions force high cost smelters to effect production cuts.

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Tourism

All the major indicators of activity within the Tourism industry reflected growth during 1992 when compared with 1991. This occurred against the background of an increase in the rate of growth of the world economy in 1992 following the economic slow down of 1990 and 1991.

Total visitor arrivals to the island during 1992 was 1,563,097, an increase of 16.6% over 1991. The increase was attributable primarily to the 32.4% growth in cruise passenger arrivals which accounted for 41.6% of the total. Stop-over visitor arrivals totalled 909,010, registering a 7.6% increase. For the second consecutive year there has been a decline in the category "Armed Forces", which accounts for 0.3% of all visitor arrivals. During 1992, the number of Armed Forces arrivals declined by 15.8%, a slower rate of decrease than the 46.2% registered in 1991.

Stop-over visitor arrivals from all the major sources reflected increases during 1992. Arrivals from the major source, the USA, increased by 3.4% in 1991 to 563,009 while arrivals from Canada totalled 100,700 up 6.9%. Although the total visitors from North America grew by 3.9% to 663,779 in 1992, the share of this category to the total number of visitors declined by 2.7 percentage points to 73.0%. It is important to note that this has been the trend since 1985 and reflects some diversification of the market.

Stop-over visitor arrivals from Europe increased by 8.5% to 96,784 during 1992. The category "Other" totalled 57,357, up 24.6% and continues to account for an increasing share of total arrivals.

Expenditure

The gross visitor expenditure was estimated at US\$850 million, an increase of 11.3% compared with 1991. The increase in visitor expenditure reflects a combination of factors which include increases in both major categories of visitors, their average daily expenditure and the average length of stay for stop-over visitors.

Hotel Room Occupancy

During 1992 the average hotel room occupancy rate increased by 2.2 percentage points to 60.1%. This resulted from the increase in stop-over visitor arrivals and the increase in the average length of stay from 10.9 nights to 11.2 nights. Both of these factors served to offset the effect of a 7.1% increase in the average hotel room capacity available during the year.

Major Developments

In keeping with the Government's policy guidelines there was a phased restructuring exercise conducted by the Jamaica Tourist Board (JTB) during 1992. This was necessary to improve the level of effectiveness of the JTB and to ensure a greater level of cost effectiveness in the use of the JTB's limited resources.

The emphasis of the JTB will now be on marketing and the Board will no longer be responsible for product development and training within the industry. These functions have been taken over by the Tourism Product Development Company (TPDC), a public sector entity. Despite the restructuring, JTB will continue to issue licenses in keeping with the legal requirements, but the evaluations and recommendations will be handled by Tourism Action Plan Ltd./ (TAP).

Outlook

The tourism sector is expected to continue on its growth path during 1993. The rate of growth of the sector is, however, expected to be marginal, given the modest economic growth projected for the major tourist generating countries. As a consequence, stop-over arrivals are expected to register only marginal increases. It is anticipated that there will be an increase in cruise passenger visitor arrivals given the continued appeal of the island as a destination.

VISITOR ARRIVAL 1987-1992								
CATEGORY	1987	1988	1989	1990	1991	1992	% Total	% Change 1992/91
Stop-Over Visitors	738827	648873	714771	840777	844607	909010	58.2	7.6
Cruise Ship Passengers	292156	367732	444054	385205	490483	649517	41.6	32.4
Armed Forces	6651	3688	4411	10093	5426	4570	0.3	-15.8
Total	1037634	1020293	1163236	1236075	1340516	1563097	100.0	16.6

SOURCE: Based on Data supplied by the Ministry of Tourism.

RESIDENCE OF LANDED VISITORS													
COUNTRY	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	% Change
U.S.A.	272392	322980	425066	457876	433136	494238	545482	460869	481395	565504	544467	563009	3.4
Canada	65975	80168	76348	78918	82294	100588	109945	92846	106250	113917	94247	100770	6.9
Europe	41273	37396	36700	32455	31913	38782	58119	69984	96550	121049	159849	187874	17.5
Other	26715	27217	28037	24187	24370	29985	25281	25074	30576	40307	46044	57359	24.6
Total	406355	467763	566151	603436	571713	663593	738827	648873	714771	840777	844607	909010	7.6

SOURCE: Based on Data supplied by the Ministry of Tourism.

ESTIMATED VISITOR EXPENDITURES (1980-1992)		
YEAR	US\$M	% CHANGE
1980	241.7	24.4
1981	284.3	17.6
1982	337.8	18.8
1983	399.2	18.2
1984	406.6	1.9
1985	406.8	0.1
1986	516.0	26.8
1987	595.0	15.8
1988	525.0	-11.8
1989	593.0	13.0
1990	740.0	24.8
1991	764.0	3.2
1992	850.0	11.3

SOURCE: Based on Data supplied by the Ministry of Tourism.

HOTEL ROOM OCCUPANCY (1981-1992)	
YEAR	OCCUPANCY RATE
1981	41.5
1982	53.3
1983	58.6
1984	60.4
1985	51.6
1986	57.0
1987	61.7
1988	56.5
1989	59.1
1990	62.0
1991	57.9
1992	60.1

SOURCE: Based on Data supplied by the Ministry of Tourism.

CORSAIR

THE PREMIUM PERFORMANCE RADIAL



GOODYEAR
#1 IN TYRES