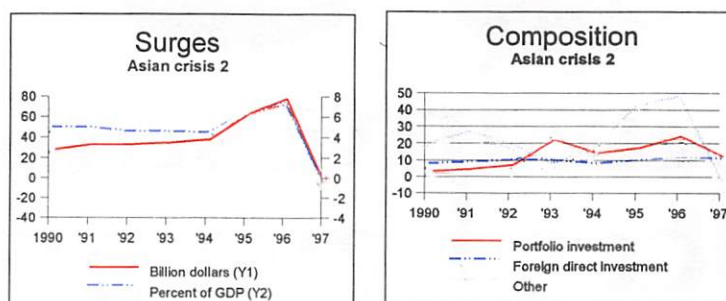




## FINANCIAL CRISES IN EMERGING MARKETS

- Adolph Palmer, Research Economist, PSOJ

### Surges and Composition of Private Capital Flows before Asian Crisis (Diagram 1)



Since the Thai baht first came under attack in July 1997, currencies and asset prices have plunged throughout Asia, as capital has fled from countries once favoured by investors. The Asian crisis, like the Latin American debt crisis of the 1980s and the Mexican crisis of 1994-95, has had a broad and devastating impact, not only on the economies of the affected countries but also on other developing countries believed to be in similar situations. An exami-

nation of the similarities between the crises, as well as their differences, sheds light on the Asian countries' sudden fall from favour and suggests actions that may enable them to weather such storms in the future.

#### Similarities

In the months or years leading up to each of the crises, capital inflows to emerging markets surged (see diagrams 1 and 2). Being able to get financing in the international markets on increasingly favourable terms, a number of developing countries built up massive sovereign and private debt, denominated in foreign currencies - much of it unhedged.

Between the first oil crisis of 1973 and the outbreak of the debt crisis in 1982, net private capital flows to emerging markets amounted to US\$165 billion, or about 1 percent of emerging markets' GDP over that period. For most of the 1970s, borrowers in emerging markets were able to get syndicated international loans at low - and even negative - real interest rates; these loans were denominated in U.S. dollars and priced at spreads over LIBOR (the London Interbank Offered Rate). Although the debts were hedged to some degree by holdings of U.S. denominated reserves, fewer hedging instruments were available in the 1970s than

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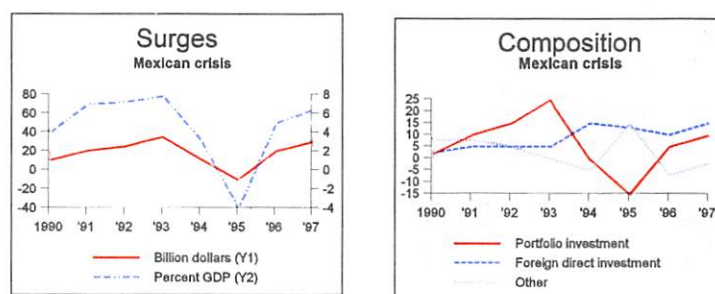
today, leaving borrowers with large exposures to interest rate and exchange rate movements.

Despite the explosive growth of global derivative products in the 1990s, unhedged currency and interest rate exposures also played a central role in the Mexican and Asian crises. Indeed, in some instances, governments and private

entities increased their exchange rate exposures just before the crises. In 1994, the Mexican government shifted from issuing peso-denominated debt (mainly cetes) to issuing short-term debt securities (Tesobonos) with debt-service payments indexed to the U.S. dollar. The foreign exchange exposure of non financial corporations also played a key role

in the Asian crisis. Domestic interest rates in countries with a fixed or pegged exchange rate were higher than foreign interest rates; as a result, many firms financed their operations through security issues and loans in foreign currency.

### Surges and Composition of Private Capital Flows before Mexican Crisis (Diagram 2)



Another common feature in all three crises was the weak state of the financial systems and regulating regimes of the affected countries. Both the controlled financial systems of the 1970s and the liberalized ones of the 1990s had serious structural weaknesses. In the 1970s, many emerging markets maintained tight constraints on external financial transactions, directed credit allocation by domestic institutions, and set ceilings on loan and deposit interest rates. Because bank operations tended to be limited to approved or priority activities, there was little opportunity for

diversification, and a large share of banks' loan portfolios consisted of non-performing loans. Moreover, banking controls stifled the development of prudential supervisory systems.

In 1994-95, concerns about the health of Mexico's banking system undermined the defense of the Mexican peso. From mid-1990 to mid-1992, 18 Mexican banks which had been nationalized in 1982 were privatised. As interest rates were freed, credit controls and lending restrictions removed, and compulsory liquidity ratios abolished, bank credit expanded

rapidly. By 1993, however, credit expansion had slowed considerably because of concerns about the quality of banks' loan portfolios. After the peso was allowed to float, its value dropped sharply and interest rates rose, contributing to a further deterioration of bank portfolios.

Spill-over effects were extensive in all three crises. In 1982, Mexico's debt servicing difficulties soon spread to other countries in Latin America as

*cont'd overleaf*



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well as to countries in Asia and Africa, as international bankers withdrew credits even from countries that had not demanded a rescheduling. Many countries encountered liquidity problems, some decided to suspend payments and renegotiate their credits. The subsequent Mexican crisis of 1994-95 triggered turbulence in the foreign exchange and equity markets of the larger Latin American countries, and Asian currencies and securities markets plummeted in January 1995, amid uncertainty about Mexico's ability to provide a support package. Similarly, the floating of the Thai baht in July 1997 led to a reassessment of prospects for other Asian countries.

It is difficult to argue, strictly on the basis of macro-economic factors, that the Asian economies in 1996 were poised for the kind of turmoil they have experienced. Although there were signs (rapidly growing domestic credit, real exchange rate over-valuation, declining stock markets, and a growing volume of bank claims on the private sector) that policy corrections might be needed, they did not presage the depth of the crisis that would eventually engulf the region. Moreover, the macro-economic situation of the Asian countries in 1996 was, by and large, better than Mexico's in 1994 and economic fundamentals were stronger in Mexico in 1994 than they had been in the highly indebted Latin American countries in 1981.

The global economic environment in which the crises unfolded was also different. On the eve of the debt crisis of the 1980s, the industrial countries were headed for a recession. GDP growth had slowed dramatically, from an average rate of 4 percent in 1978 to about 1 percent in 1981, dampening world

trade. Developing countries that were not oil exporters experienced a decline in export growth and a deterioration of their terms of trade. At the same time, their debt-service payments rose sharply when the industrial countries raised interest rates in the late 1970s in an effort to check inflationary pressures.

Another difference between the crises has been their effect on development strategies before the debt crisis of the 1980s. Many countries had pursued an import-substitution strategy behind high tariff walls supporting the strategy with policies that set low (relative to inflation) interest rate ceilings on bank loans and deposits and directed bank loans to priority sectors. Extensive capital controls were in place. External borrowing was typically undertaken by the public sector to help finance budget deficits. Such repressive systems discouraged exports both directly (through taxes or limits on credit availability) and indirectly (to the extent that exporters had to use expensive domestically produced goods). The 1980s provided ample evidence of the shortcomings of the closed-economy, import-substitution model and, by the beginning of the 1990s, many emerging market economies had embraced a more outward orientation that included liberalization of external trade and financial transactions, fiscal conservatism, structural reforms designed to increase the flexibility of domestic goods and factor markets, and an expanded role for the private sector.

### Conclusion

The Asian crisis has made it clear that a weak banking system combined with an open capital account is an accident waiting to happen. Reliance on cross border interbank funding, which can be

quickly withdrawn, is the Achilles' heel of the international financial system. It may be possible to prevent excessive reliance on such funding by basing capital requirements for banks on their liabilities as well as on their assets, or by imposing reserve requirements on interbank liabilities. Changing the weights given to different types of risk may also be a way to raise capital requirements.

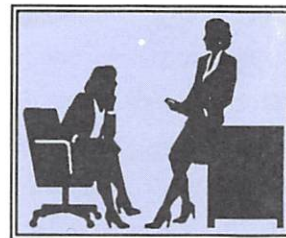
The Asian crisis has highlighted some new issues:

- There may be a need to co-ordinate financial regulation and exchange rate policy so that countries attempting to peg their exchange rates also strengthen prudential and reporting requirements for financial institutions and corporations;
- Because it will take time to improve the supervisory and regulatory capacity of many emerging markets, non traditional supervisory measures may warrant consideration - for example, limiting the safety net to a narrower group of deposit-taking institutions, allowing greater international involvement in the banking system, and restricting foreign borrowing by banks and non-banks;
- As some borrowers will inevitably fail, it is necessary to have efficient bankruptcy procedures to ensure rapid resolution of situations that otherwise could trigger a crisis.

(Source: This article is based on Chapter 3 of *International Monetary Fund, 1998, International Capital Markets: Developments, Prospects and Key Policy Issues (Washington).* □



# CONFERENCES EXHIBITIONS & TRADE SHOWS



## ● AGRO EXPO '99

The XII International Fair of Agriculture and Livestock and Related Industries, also known as AGRO EXPO '99, will be held July 16-25, 1999 in Bogota, Colombia. This event will showcase a variety of technology and equipment relevant to the agricultural industry. Areas to be focussed on include agriculture and cattle-raising, the environment, fruits and vegetable growing, poultry farming, pig farming and fishing. Details are available from the PSOJ Secretariat.

## ● EXPO 2000

June 1 - October 31, 2000 are the dates for EXPO 2000 to be held in Hannover, Germany. Focusing on the theme "Man-Nature-Technology", the exhibition will explore issues critical to human survival as well as possible solutions. More than 170 countries and organisations will be represented at this international event. Details on EXPO 2000 are available from the Embassy of the Federal Republic of Germany (Kingston) as well as

*EXPO 2000 Hannover GmbH  
Turnitistraße 2  
D-30519 Hannover  
Tel: +49/511/84 04-0  
Fax: +49/511/84 04 400  
Internet address: <http://www.expo2000.de.com>*

## ● TRADE FAIRS IN THE U.K.

The Trade Promotion Services Limited organizes a number of trade fairs/exhibitions each year in the United Kingdom. Persons interested in finding out more about these events should contact:

*Mr. Jonathan Thompson  
International Marketing Executive  
Trade Promotion Services Limited  
Exhibition House, Warren Lane  
London, SE18 6BW  
United Kingdom  
Tel: 181 855 9201  
Fax: 181 316 5719  
E-mail: [tps@tps.emap.co.uk](mailto:tps@tps.emap.co.uk)  
Internet: [www.gift-gardenmart.com](http://www.gift-gardenmart.com)*

## THE PSOJ - HOW YOU CAN HELP!

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As a member of the PSOJ, are you proud to be associated with this organisation? Is it working for you or in your interest? How can you help to make the PSOJ more effective and more vibrant? We welcome your suggestions and ideas.

In the meantime, perhaps you can consider making your contribution in the following ways:

- by supporting the various PSOJ events e.g. seminars, luncheons, get-togethers, dinners;
- by suggesting possible speakers/topics for the above events;
- by volunteering to serve on one of the PSOJ's sub-committees;
- by participating (as a sponsor, panelist) in the PSOJ's newest channel of communication - THE PEOPLE'S BUSINESS aired weekly on KLAS FM;

- by providing advertising support for the Organisation's publications;
- by sharing your ideas/opinions on important issues with fellow PSOJ members as well as the wider Jamaican society, through articles to be published in the Organisation's weekly Private Sector Focus column in the Sunday Gleaner.

The PSOJ Secretariat is indeed grateful to those of you who have been very supportive of the Organisation. We now encourage more of you to get involved and to be more active. The strength and vibrancy of this umbrella organisation of the Jamaican private sector can only increase with your help! Please contact the Secretariat - we eagerly await your response. □



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## MEET THE 1998-1999 PSOJ COUNCIL...

The following PSOJ members will form the governing body of the Organisation, i.e. the Council, for the 1998-99 Administrative year:

### ASSOCIATIONS:

Association of Licenced Financial Institutions  
Building Societies Association of Jamaica  
Hardware Merchants' Association  
Importers and Distributors Association of Jamaica  
Institute of Chartered Accountants of Jamaica  
Jamaica Association of General Insurance Cos.  
Jamaica Bankers' Association  
Jamaica Conservation and Development Trust  
Jamaica Developers' Association

Jamaica Employers' Federation  
Jamaica Exporters' Association  
Jamaica Hotel and Tourist Association  
Jamaica Livestock Association  
Jamaica U-Drive Association  
Life Insurance Companies Association of Jamaica  
Shipping Association of Jamaica  
Small Businesses' Association of Jamaica  
Spirits Pool Association  
Sugar Manufacturing Corporation of Jamaica

### COMPANIES:

Alcan Jamaica Company  
Bank of Nova Scotia Jamaica Limited  
Caribbean Cement Company Limited  
Carreras Group Limited  
Citibank, N.A.  
Courts Jamaica Limited  
Dehring Bunting and Golding  
Desnoes and Geddes Limited  
The Gleaner Company Limited  
Grace, Kennedy & Company Limited  
ICWI Group Limited  
Jamaica Broilers Limited  
Jamaica Producers Group Limited  
KPMG Peat Marwick  
Mechala Group Jamaica Limited  
Musson (Jamaica) Limited  
Pan Jamaican Investment Trust Limited  
Price Waterhouse  
Swift Group/Manufacturers Merchant Bank  
Wray & Nephew Limited

### INDIVIDUALS:

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Miss Megan Deane	Miss Maureen Webber
Mr. Neville G. James	

### Representatives

- Mr. Michael McMorris
- Mr. Joseph Bailey
- Mr. Garth Scott
- Mr. Paul Bourke
- Mr. Raphael Gordon
- Mr. Errol Zaidie
- Mr. William Clarke
- Mr. Oswald Lee
- Ms. Joyce Bolton for Mr. J. A. Matalon
- Dr. Neville Ying
- Mr. Patrick Smith
- Mr. James Samuels
- Mr. Henry Rainford
- Mr. Michael Campbell
- Ms. Rosemarie Heaven
- Mr. Grantley Stephenson
- Mr. Robert Wynter
- Mr. Evon Brown
- Mr. Robert Henriques

### Representatives

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- Mr. William Clarke
- Mr. Pat Martin
- Mr. John Ruland
- Mr. Peter Moses
- Mr. Richard Coe
- Mr. Mark Golding
- Mr. Tony Ray
- Ms. Karin Daley
- Senator Douglas Orane
- Dr. Hon. Dennis Lalor, O.J.
- Mr. Robert Levy
- Dr. Marshall Hall
- Mrs. Betty-Ann Jones-Kerr
- Mr. Joseph A. Matalon
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- Hon. Maurice Facey, O.J.
- Mr. Eric Crawford
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- Mr. William McConnell C.D.



## .... And the EXECUTIVE COMMITTEE

President	-	Mr. Peter Moses Citibank, N.A.
Vice Presidents	-	Mr. Anthony Barnes Maritime Division, Grace, Kennedy & Co. Ltd.
	-	Mr. Richard Coe Courts Jamaica Ltd.
	-	Mr. William McConnell, C.D. Wray & Nephew Group Ltd.
Honorary Secretary	-	Mr. Richard Byles Pan Jamaican Investment Trust Ltd.
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Other Members	-	Mr. William Clarke Jamaica Bankers Association
	-	Mr. James Samuels Jamaica Hotel & Tourist Association
	-	Mr. Patrick Smith Jamaica Exporters Association
	-	Mr. Robert Wynter Small Businesses Association of Jamaica
	-	Dr. Neville Ying Jamaica Employers Federation
	-	Mr. Charles Ross The Private Sector Organisation of Jamaica

## CONGRATULATIONS

At the PSOJ's Council meeting on December 17, 1998, Citibank, N.A.'s Country Corporate Officer Peter Moses was unanimously elected to serve as the Organisation's President for the 1998-99 Administrative Year. Prior to his election, Mr. Moses was the President of the Jamaica Bankers Association and represented the JBA on the PSOJ's Executive Committee.

In accepting his election, the new President identified two areas of focus:

- \* unity in the Jamaican private sector, a process which had been started by the previous President, and
- \* establishing partnerships between the private sector and the government.

Mr. Moses also stated that while he would do his best to live up to the high expectations of the Council, this would only be possible if he got the support of the entire PSOJ membership. □

## THE PSOJ - ACHIEVEMENT AND SERVICES

Since its formation in 1976, the Private Sector Organisation of Jamaica (PSOJ) has made significant strides as it works towards creating an environment conducive to economic growth and successful business ventures.

Over the years, the Organisation has not blown its own trumpet by publicly highlighting its achievements. This has both advantages and disadvantages and, perhaps, has formed the basis for the views of some of the PSOJ's critics. However, at this time, that is at the start of the new year, the Secretariat would like to highlight some of the areas in which we have been able to influence change. These include:

- the adoption of the market economy as the most appropriate framework for Jamaica's development;
- the process of liberalisation, deregulation and privatisation which began in the 1980s;
- the lifting of exchange controls;
- the tax reform programme of the late 80s to early 90s;
- the reform process in the Jamaica Constabulary Force beginning with the Hirst Report and later on, the appointment of Colonel Trevor MacMillan as Commissioner;
- the creation of an awareness of the connection between money supply, growth and inflation;
- the modification of the duties and responsibilities of Directors in the new Companies Act;

- the withdrawal and review of the Amendments to the Revenue Administration Act;
- a number of the electoral reforms which were in evidence during recent elections and which originated from the PSOJ's 1994 electoral reform report;
- the production of a half-hour environmental documentary;
- the management and disbursement of development funding for private health care providers;
- the founding and ongoing support of the Crime Stop programme.

With a complement of 13 members of staff, the PSOJ Secretariat is able to offer a wide range of services to the Organisation's members. These include:

- ♦ economic policy evaluation, analysis and forecasting;
- ♦ publication of several documents including an annual review of the economy and a monthly economic bulletin;
- ♦ review/analysis of new and existing legislation which could affect the nation and, in particular, the business community;
- ♦ liaising with foreign partners on issues relevant to international trade and cooperation;
- ♦ provision of a forum for the exchange of information on developments in the economy, politics and business;
- ♦ provision of an umbrella for the private sector which brings together the interests of all sectors and businesses, regardless of size, and aligns those interests with those of the wider society. □

# TRAINING OPPORTUNITIES

## ● INTERNATIONAL MANAGEMENT COURSE

The Swedish International Development Cooperation Agency (SIDA) invites applications from suitably qualified persons to participate in a course on **Applied International Management**. This will be held August 8 - September 17, 1999 in *Stockholm, Sweden*.

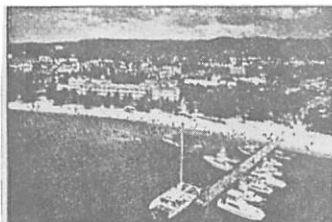
Among the objectives of the course are i) advancing participants' managerial efficiency by increasing their knowledge and experience of strategic business analysis and decision making, ii) broadening, developing and updating participants' knowledge about methods and tools for management or organization of the functional areas within companies and iii) stimulating personal development and leadership skills.

Participants should be General Managers or senior functional specialists or senior officers in their organizations.

SIDA offers fellowships which cover tuition, accommodation and meals. International travel costs as well as personal expenses are the responsibility of the participant or their sponsor.

Contact should be made with the PSOJ Secretariat for additional information and an application form. The latter should be completed and returned to the following office by April 1, 1999:

*Miss J. Lebert*  
**Management Development Division**  
*(Office of the Cabinet)*  
**Citibank Building, 8th Floor**  
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# ECONOMIC

## Update

### UPDATE ON SELECTED ECONOMIC INDICATORS

INTEREST RATES(%)	Dec 94	Dec 95	Dec 96	Dec 97	Mar. 98	Apr. 98	Jun. 98	Sep.98	Dec. 98
Fixed Deposits (J\$100,000 and over 3 to 6 months)	20-32	19-42	13-27	8-20	12-30	12-27	12 - 23.5	12 - 19.25	10.5 - 18.75
Loan Rates (Avg.)	56.14	55.27	55.22	44.17	44.17	44.44	43.67	40.33	38.8
Savings Rates (Avg.)	18.75	17.82	17.96	13.02	13.02	13.02	13.02	13.02	12.13
Jamaican Treasury Bill (6 months avg. Dis. Rate)	-	34.97	26.37	18.13	27.99	27.51	26.28	22.64	23.52

COMMERCIAL BANKS (J\$M)	Dec 95	Dec. 96	Dec. 97	Jan. 98	Mar. 98	Jun.98	Sep. 98	Dec. 98
Assets and Liabilities	121324.90	135986.00	148343.90	151590.40	150437.50	157509.80	162489.30	169788.00
Loans and Advances	45864.20	54721.00	59091.80	58673.10	50274.10	44448.80	45278.50	43083.85
Deposits	89135.40	94103.30	111330.60	110661.00	108797.30	112199.80	113474.70	114090.96
Liquidity Ratio (%)	47.00	47.00	47.00	47.00	47.00	47.00	45.00	43.00
Actual Liquidity (%)	44.78	50.36	50.74	47.48	48.49	53.50	51.72	50.17

OTHER FINANCIAL INSTITUTIONS (J\$M)	Dec 95	Dec. 96	Dec. 97	Jan. 98	Mar. 98	Jun. 98	Sep. 98
Assets and Liabilities	46712.20	56789.70	55200.00	56941.50	59084.50	60597.50	62412.29

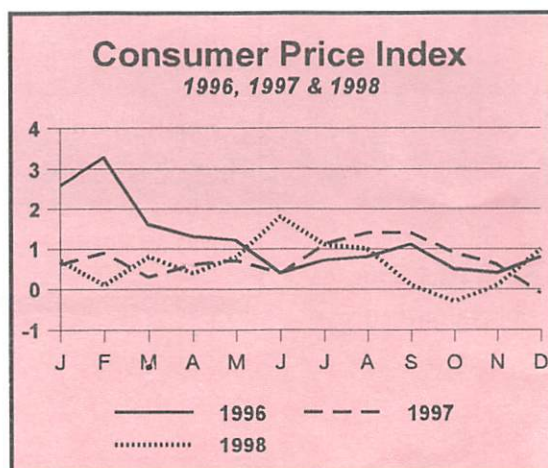
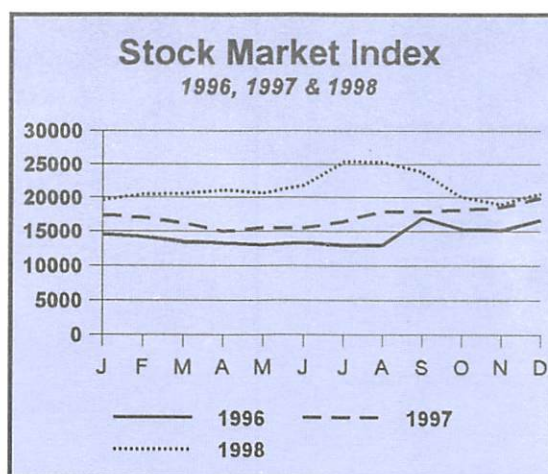
  

BALANCE OF PAYMENTS (US\$M)	Jan - Dec 1993	Jan - Dec 1994	Jan - Dec 1995	Jan - Dec 1996	Jan-Dec 1997	Jan-Mar 1998	Apr-Jun 1998	Apr-Dec 1998	Jan-Dec 1998	US\$Mn Change 97/98
Merchandise	-1113.80	-957.70	-1395.00	-1527.30	-1719.1	-357.00	-382.60	-1274.40	-1670.30	56.50
Exports (fob)	1075.40	1219.50	1436.80	1379.40	1387.6	346.70	361.20	972.00	1290.30	-95.90
Imports (cif)	2189.20	2177.20	2831.80	2906.70	3106.7	703.70	743.80	2246.40	2960.60	-152.40
Services (net)	529.70	500.70	617.00	746.60	747.40	198.00	164.10	524.40	738.30	37.70
Foreign Travel	886.90	854.00	939.60	979.70	961.70	258.80	220.80	674.90	932.90	-35.60
Investment Income	-240.20	-284.30	-296.90	-209.00	-196.20	-51.80	-36.70	-99.50	-127.10	72.80
Other	-117.00	-69.00	-25.70	24.10	-18.10	-9.00	-20.00	-51.00	-67.50	0.50
GOODS AND SERVICES	-584.10	-457.00	-778.00	-780.70	-971.70	-159.00	-218.50	-750.00	-932.00	94.20
Transfers (net)	371.90	457.30	563.30	542.30	641.70	161.60	157.60	468.20	620.70	-5.60
Private	306.40	447.20	505.60	481.60	606.30	156.40	150.30	447.60	596.10	-0.20
Official	65.60	28.10	57.70	60.70	-13.00	5.20	7.30	20.60	24.60	-5.40
Current A/C	-212.20	18.30	-214.70	-238.40	-212.20	2.60	-60.90	-281.80	-311.30	88.60
Net Capital Movements	310.30	367.10	238.10	509.70	310.30	52.00	71.70	268.70	352.80	105.00
Official	-4.10	-93.70	-106.60	-113.00	-4.10	-16.30	-4.60	-54.50	-57.70	-100.80
Private (including net errors and omission)	314.40	460.80	344.70	622.70	314.40	68.30	76.30	323.20	410.50	205.80
Change in reserves (BOJ) (Increase = minus)	-98.10	-385.40	-23.40	-271.30	-98.10	-54.60	-10.80	13.10	-41.50	n/a

EXCHANGE RATES	Dec 93	Dec 94	Dec 95	Dec 97	Jan. 98	Mar 98	Jun. 98	Sep. 98	Dec. 98
US\$ = J\$	32.70	33.37	39.80	35.59	36.57	36.51	36.42	36.74	37.16
BR. Pound = J\$	42.60	50.15	59.20	59.80	59.11	60.20	59.77	61.43	61.07
Can\$ = J\$	21.80	22.96	28.11	24.77	24.57	26.40	24.66	23.84	23.91

<b>FOREIGN CURRENCY A/C (US\$M)</b>	Dec 93	Dec 94	Dec 95	Dec 96	Dec 97	Mar. 98	Jun. 98	Sep. 98	Dec. 98
Commercial Banks	428.40	649.76	737.30	722.68	927.21	939.43	920.73	888.00	764.03
<b>INTER BANK TRADING (US\$)</b>	Dec 93	Dec 94	Dec 95	Dec 96	Dec. 97	Mar. 98	Jun. 98	Sep. 98	Dec. 98
Purchases	78.70	128.00	108.90	225.13	167.66	207.71	205.88	165.86	223.33
Sales	79.60	126.20	110.06	217.68	180.90	228.70	202.05	162.64	217.33
<b>FISCAL ACCOUNTS (J\$M)</b>									
	Apr - Mar 1996/97	Apr - Mar 1997/98	April - Jan Budget 1998/99	April - Jan Out-turn 1998/99			Out-turn Budget Difference 1998/99		
Revenue	63085.6	66425.8	69565.3	60627.8			-8937.5		
Expenditure	78050.8	86388.2	81897.6	79112.4			-2785.2		
Deficit/Surplus	-14965.2	-19962.4	-12332.3	-18484.6			-6152.3		
<b>NATIONAL DEBT</b>	Dec 93	Dec 94	Dec 95	Dec 96	Dec. 97	Mar 98	Jun. 98	Sep. 98	Dec. 98
Internal Debt (J\$M)	23554.80	41248.50	59470.00	7703.83	101351.16	101540.24	108176.27	113133.74	121014.64
External (US\$M)	3647.20	3651.80	3446.00	3231.90	3277.60	3223.10	3325.70	3303.00	2927.00
<b>SELECTED MONETARY INDICATORS (J\$M)</b>	Dec 93	Dec 94	Dec 95	Dec 96	Dec. 97	Mar. 98	Jun. 98	Sep. 98	Dec. 98
Money Supply (M1)	14523.30	17896.70	23227.70	28491.40	28623.80	25780.70	25780.80	30092.10	30273.50
(M1 and Quasi-Money) M2	39492.30	54783.50	73617.60	84272.40	95604.60	92947.30	92947.40	100126.60	102628.90
Net International Reserves (US\$Mn; BOJ)	51.10	398.60	418.60	694.90	540.50	594.10	605.87	616.94	581.96
Credit to Public Sector	-2408.10	-8506.30	-4995.90	9179.60	33154.50	34464.80	42874.10	72410.60	85263.70
Credit to Private Sector	21148.00	26282.80	39927.50	50036.90	53628.50	58937.10	65590.20	35668.60	34793.80





## ENVIRONMENT NEWS

### "Packaging Facts"

#### 1) Why are countries establishing environmental packaging programs?

Many countries are adopting environmental packaging legislation as a waste prevention response to landfill capacity shortfalls and public opposition to incineration. In 1994, the European Union adopted the EU Directive on Packaging and Packaging Waste. The goal of this Directive is to prevent or reduce the environmental impact of packaging waste and to harmonize national measures concerning the management of packaging and packaging waste. The Directive requires that all European Member States introduce systems for the collection and recovery of packaging and recover between 50 and 65% of their packaging waste by the year 2001.

#### 2) Which countries have environmental packaging programs?

In the past five years, environmental packaging laws have been introduced in more than 20 countries. Most of the active programs today are in effect in Europe and Asia. The countries include the United Kingdom, France, Germany, Japan and Taiwan.

#### 3) Which countries have the strictest or most complex compliance and reporting requirements?

The United Kingdom's Shared Responsibility Program is one of the most complex systems. The obligation is shared among the entities in the packaging chain and calculated based on the type of activity or function. Under this system, manufacturers of raw materials used in packaging pay 6 percent of the total obligation, the

converter of materials into packaging pays 11 percent, packers and fillers of packaging pay 36 percent and the seller of the packaging to the final user pays 47 percent.

#### 4) How do the various countries calculate the packaging fees?

In general, packaging fees are based on the type of material used, its weight, and the number of units sold. Each country has its own definition of packaging material types, especially composites. It is important to understand the material definitions in all the countries within your distribution network to accurately categorize your packaging. □ (Contributed)

\* \* \*

## REACHING OUT

The PSOJ has embarked on a new project: a series of 2-hour seminars for students of A'Level Economics.

Groups of 24 students from the following high schools have been invited to participate in the seminars: Immaculate Conception, St. George's College, Wolmer's Girls' and Boys', St. Andrew High, Jamaica College, the Queen's, Kingston College, Holy Childhood and Calabar.

The seminars which will be led by Mr. Adolph Palmer, PSOJ's Research Economist, will take place at the offices of the PSOJ on the third Friday of each month starting in February.

The PSOJ - reaching out in a meaningful way to our country's future leaders! □



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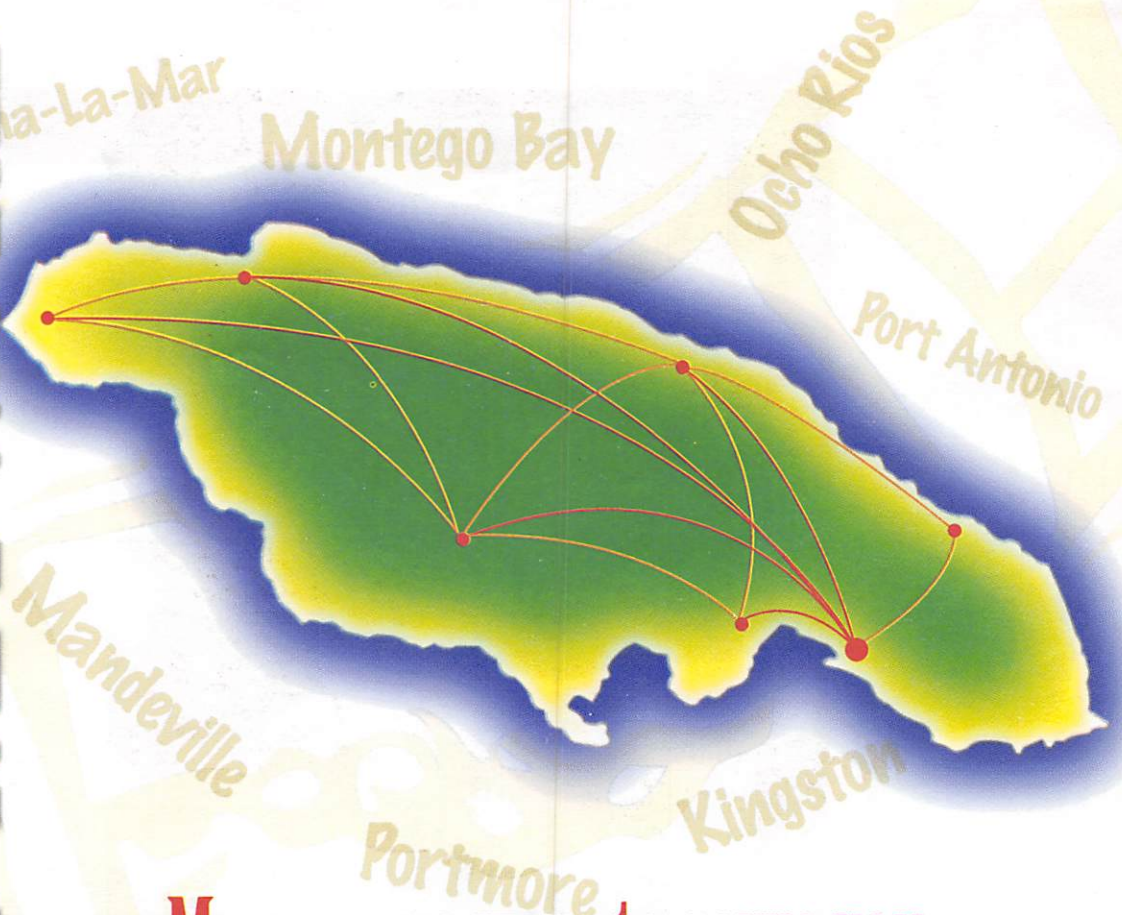
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