

**1994
PSOJ/USAID
BUSINESS BEHAVIOUR SURVEY
OF JAMAICAN FIRMS**

**Analysis and Report Preparation
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**Management of Field Survey
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INTRODUCTION

In 1985 the Private Sector Organisation of Jamaica published "A Policy Framework for Economic Development in Jamaica" – a paper which sets out the philosophical bases for the policies which the PSOJ believes are essential for the long-term economic and social development of Jamaica. In conjunction with this paper a series of detailed economic analyses in the form of Occasional Papers have been published subsequently on various aspects of the economy. The common theme of our publications has been "economic liberalisation".

Over the years these publications have provided the basis of our ongoing policy dialogue with government about needed economic and social reforms that are conducive to economic prosperity.

Eventually, in the second half of 1991, government embarked on policies "centred on a market driven economy based on the attendant strategies of liberalisation, deregulation and privatisation". In response to these reforms, the PSOJ in collaboration with the United States Agency for International Development (USAID) designed and administered a Survey in 1993 on the post-liberalisation effects which economic policies had on the investment, sales (domestic and export) and profitability of Jamaican firms. Subjective responses were also obtained on particular issues as well as on major problems facing firms.

In this 1994 report we have refined the methodology of the survey, introduced new sections such as an assessment of the impact of the North American Free Trade Agreement and the Uruguay Round (GATT) developments on Jamaican firms. Also, we have expanded the scope of the survey to provide a wider coverage on such topics as labour and equity considerations, policy reforms and sectoral analyses on almost all areas of the economy. The Private Sector Organisation of Jamaica now uses the results of this annual survey to formulate policy recommendations which strengthen our policy dialogue with government and provide useful information for the Jamaican private sector.

We are therefore pleased to present our members and readers with a second Business Behaviour Survey of Jamaican firms and hope that you will find it to be a useful guide for assessing both macro and micro-economic issues in the Jamaican economy.

Charles Ross
Executive Director
PSOJ

N.A.F.T.A.
W.T.O. Round
2001
Sector
labour
equity
policy reforms
sectoral analysis

I.

EXECUTIVE SUMMARY

There were 255 firms in this year's survey, which is similar to the 250 in last year's survey. Most of the firms responding

came from manufacturing and the distributive trade as was the case last year. As with the 1993 survey, this survey covered a wide range of topics including sales, investment performance, and perceptions of problems facing businesses. The main difference this year was the

incorporation of a question dealing with the expected impact of NAFTA on Jamaican businesses (Question 10 on the survey form). The main objectives of the survey were:

a) to uncover new trends; and
b) to confirm the main results from last year's survey. Figure 1a and Table 1 provide a summary of the representation of firms in the survey. The major new trends comprise both positive and negative aspects. They are as follows:

1. The average level of investment is increasing mainly for large firms, and is expected to decrease in 1995 for smaller firms in some industries, viz the hotel industry, manufacturing, and construction.
2. Medium and small sized firms are increasing the proportion of their revenue invested in new technology (i.e. re-tooling has a higher priority).
3. Large distribution firms plan to increase their investments in manufacturing.
4. There is expected to be a reduction in the amounts of investment going toward mergers and acquisitions.
5. The Jamaican Stock Market ceased being an important source of equity capital during 1994.
6. Employment resulting from new investment is expected to increase by over 3% in 1995.
7. Export receipts are expected to decline.
8. Crime and violence are among the top concerns of most businesses, regardless of size.
9. Firms are becoming more concerned about the quality of utility supplies.
10. Capacity utilisation has declined except for finance firms, and especially for small firms (most notably small hotels and restaurants).
11. Jamaican businesses are expected to become less labour intensive.

The survey confirmed the major results from the 1993 survey. The most important of these are:

1. Average amounts of investments, in nominal terms, are expected to continue to trend upwards. However, small manufacturing firms are trending in the opposite direction.
2. There is still great optimism about the positive role exports will play in the short term growth of firms.
3. The USA continues to be the primary exports market.
4. Labour-related problems are perceived by management to be the chief impediment within the firm constraining growth.
5. The dominant concerns for most businesses are high interest rates, and inflation. There is little concern about foreign exchange.
6. Commercial bank loans continue to be the most important source of capital for most businesses.
7. NAFTA remains of little concern to Jamaican businesses.

As with the 1993 survey, this survey attempted to develop a proxy for the trend in aggregate economic output (Gross Domestic Product). This proxy is total real sales of firms in the sample. It is recognised that some double counting is involved with this measure, since sales from one firm can become the sales of other firms; value added is the more appropriate measure. However, considering that many of the Jamaican industries are not significantly inter-linked (except financial services and insurance), and that exports make a significant portion of total sales receipts in the sample (over 30%), total real sales as an indicator of trends in economic performance is not considered such a bad measure. Total real sales receipts fell in 1991, as was the case in the 1993 survey. It showed a recovery post economic liberalization (1991), but is expected to fall again in 1994 (the 1993 survey shows a similar pattern of recovery after 1993). Decline in real export receipts in 1994 are expected to be the major cause of the fall in total real sales.

Aggregate exports (including tourism receipts) in real terms are expected to decline in 1994, after experiencing growth since 1991. These export results confirm the official statistical reports, which are based on nominal export values. Nevertheless, standing in contrast to these aggregate results, firms are betting a lot on exports being a significant engine of growth. Trade issues, such as NAFTA, did not seem to dampen their enthusiasm about exports. One explanation for this phenomenon may be that firms do not fully understand all the ramifications of GATT and NAFTA for their export operations.

The major conclusions which can be drawn from this survey concerns the perceptions by firms about their ability to control their destiny, and the other concerns the issue of efficiency. Most of the firms surveyed believe that the major impediments to growth and efficiency are factors which lie outside of their control, such as interest rates, inflation, and crime. This perception may be of interest to policy makers, because they can expect

businessmen to rely heavily upon them to solve their most pressing problems. On the issue of efficiency, it is clear from the survey that there is significant inefficiency in the capital structure of firms, since long term investments are being financed mainly by short term credit and profits. This could give rise to a liquidity problem, possibly leading to many bankruptcies. The other efficiency issue concerns the lack of responsiveness by firms to major market signals, such as those being given by NAFTA and high interest rates. Mergers with, and acquisitions of, foreign firms to benefit from NAFTA is not occurring to any significant degree. Also, with rising interest rates, small and medium-sized firms are not reducing their reliance on debt financing.

- Two major recommendations are made. One concerns export activity and the other deals with labour. Given the optimism which surrounds exports at the level of the individual firm, coupled with the importance of exports in the national development strategy, and the contrasting situation of an expected poor performance of exports at the macroeconomic level, follow-up studies should be done exclusively on firms which export, and also on their export markets. One objective of these studies should be an assessment of the degree of preparedness of exporting firms to adjust to changes in the external environment (marketing channel arrangements, management knowledge and competence, flexibility in production, etc.).
- Another objective should be a non-subjective assessment of the factors which contribute to price and the sales volume stability of the major classes of exports (tourism, garments, sugar, bananas, spirits, etc.).

Regarding labour, it is recommended that a study be done to uncover the sources of labour problems identified by management in this survey (e.g. "poor work habits" and "laziness") and to determine what programmes (in the private and public sectors) can be put in place to improve the basic skills of workers (literacy and numeracy).

Figure 1a:
REPRESENTATION OF SECTORS
(IN SAMPLE OF FIRMS)

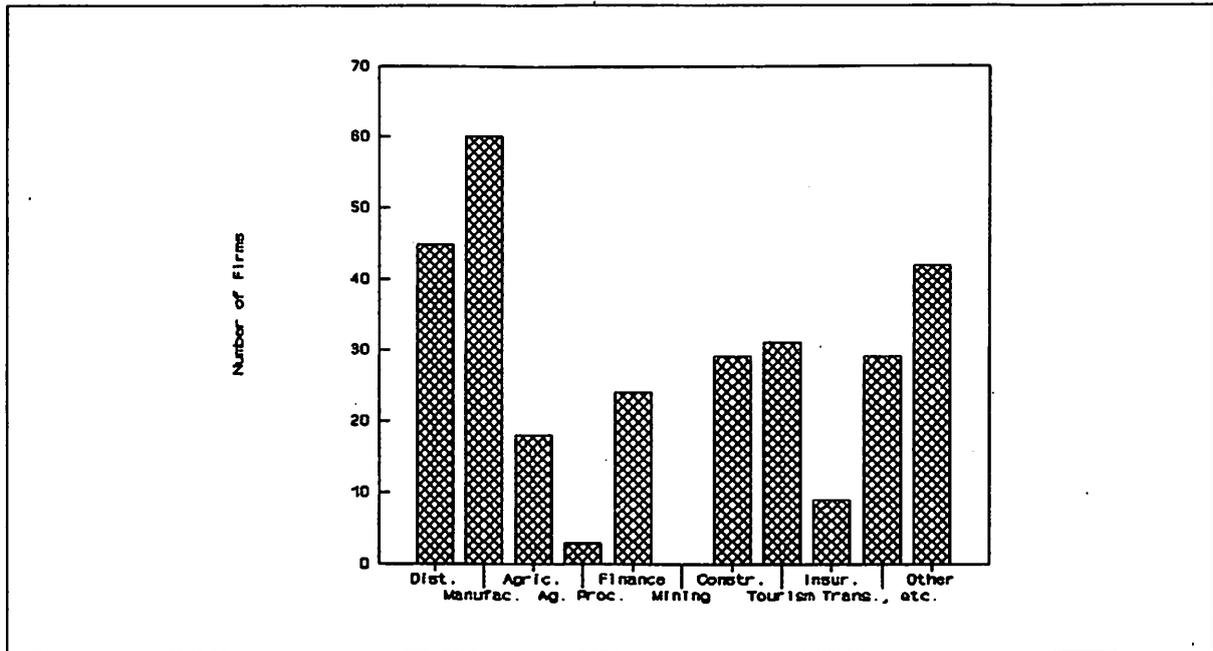
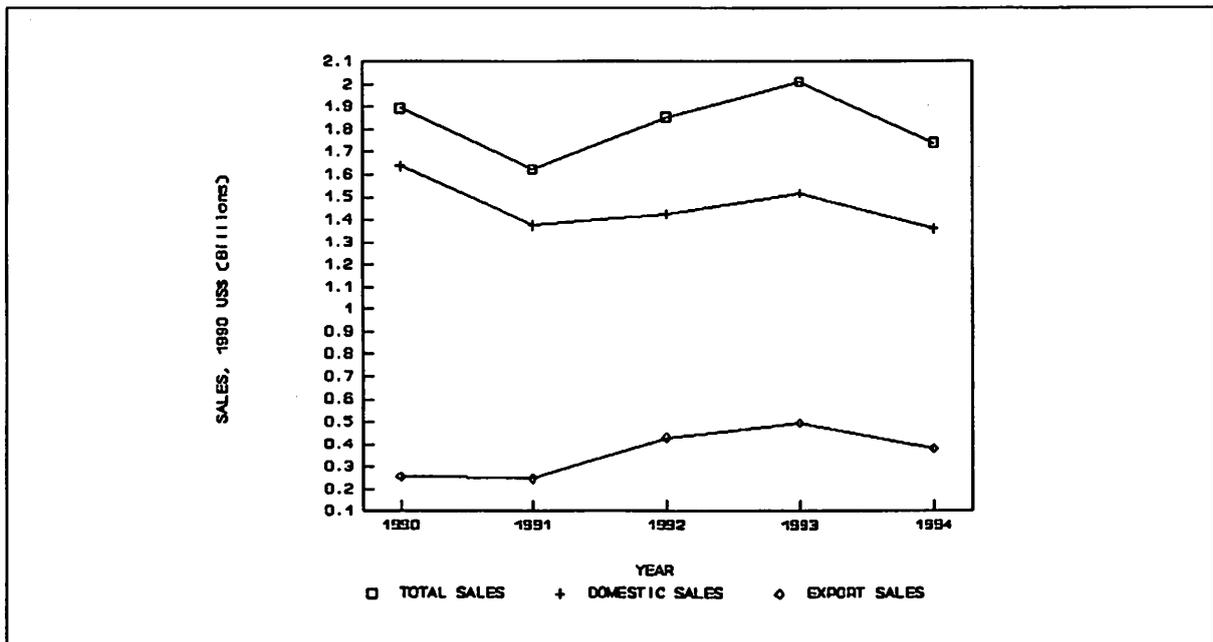


Figure 1b:
SALES PERFORMANCE
(EXCLUDING BAUXITE FIRMS)



Export figures in Fig. 1b include tourism receipts.

II.

DESCRIPTION OF SURVEY

1. MAJOR OBJECTIVES

Last year's survey had as the primary goal that of determining of the impact of economic liberalization on Jamaican businesses. The objectives of this year's survey are less restrictive. The major objectives are to uncover developing trends, and to provide confirmation of the major findings in last year's survey. At first a trailer survey was envisaged, which would involve sampling the same firms as were surveyed last year. This was not feasible, however, as it was difficult to re-construct the sample owing to the anonymity of the firms (which was done to elicit truthful responses). It was then decided to take another sample, which would be sufficiently representative of the economy to allow comparison with the results of last year's survey.

An important secondary objective of this year's survey is to determine the effects which Jamaican businessmen expect NAFTA and GATT to have on their operations. This was included because of the perception by the PSOJ and others that these international trade agreements will have a high degree of influence on the Caribbean region.

2. SURVEY METHODOLOGY:

The survey methodology is the method of stratified random sampling, as was done for the 1993 survey. The original concept for the sampling design was based on an expected sample of 500 firms, and would have resulted in the creation 33 strata. In this method two stratification factors were to be used: industrial sector, and firm size. Three categories of firms are defined based on size. A firm is placed in the Small category if it employs less than 50 persons (average employment is 25). It is placed in the Medium-sized category if it employs 50-199 persons (average employment is 96). It is placed in the Large category if it employs more than 200 persons (average employment is 993). These three classes of firms were then to be placed in eleven industrial sectors to create the 33 strata (three times eleven).

Given that the actual sample only contains 255 firms, and that there was a fair degree of non-response to many of the survey questions (especially on Questions 6 a&b, which deal with investment), it was decided to eliminate strict adherence to the original plan of stratification. Most of the analyses of the data were based instead on stratification by firm size (Small, Medium, and Large); i.e. three strata, as opposed to the original plan of thirty three. In the cases of Manufacturing, Distribution, and to a lesser extent Agriculture, sufficient data were available to allow analysis of these industrial sectors by the size of the establishment. The results of these sub-sectoral analyses are presented for some, but not all of the questions (see for example, the results for Questions 2a, and 10). For some questions (Questions 4, 6a-b, and 10) the number of strata is larger than three, since there is sufficient volume of data to allow greater stratification. In the case of Questions 4 and 10 there are thirty strata (ten industries disaggregated into three sizes of firms), and in the case of Questions 6a and 6b there are ten

strata (ten industries). Thus, depending on the data being analysed, the number of strata is either three, ten or thirty.

In this survey the population units are those firms, or business establishments, in the formal portion of the Jamaican economy. The sampling form was obtained from the Statistical Institute of Jamaica (STATIN) list of establishments. This sampling frame consisted of a primary list of 500 firms, and a secondary, or reserve list of 100 firms. In those instances where respondents for a firm could not be contacted (by personal visits, phone, or fax), this firm was removed from the primary list, and replaced by another firm from the reserve list which fitted similar characteristics of industrial and size classifications.

Points estimates of the mean, or average, values in the samples were obtained in the usual manner by summing these values, and dividing by the total number of observations in the sample. These averages were then reported as estimates of the population mean values. Estimates of the interval, or range, which enclose the true population mean values, and the probabilities of the true values being enclosed by these ranges were also calculated and reported in most cases. The standard deviations of the sample mean values were used to calculate the bounds of these ranges for

a given probability value (usually 90% or 95%), resulting in what are commonly known as *Confidence Intervals*. Thus, if a figure of 10.0 is reported with an error of estimation of +/- 15%, and a confidence level of 90%, what this means is that we can be 90% confident that the economy-wide actual figure ranges from 8.5 - 11.5. The standard error of estimation was calculated in the usual way by dividing the sample standard deviation by the square root of the number of observations in the sample. The general formulae for the *Confidence Intervals* are:

1. Less than 30 data in sample:

$$\bar{X}_{ave} \pm t_{a/2} / 2s / (n)^{1/2}$$

Where \bar{X}_{ave} is the estimate of the mean of the sampling distribution; $t_{a/2}$ is the critical Student's t-statistic value; s is the sample standard deviation; and n is the number of data in the sample.

2. More than 30 data in sample:

$$\bar{X}_{ave} \pm z_{a/2} / 2s / (n)^{1/2}$$

Where $z_{a/2}$ is the critical z-statistic value.

The values of the critical statistics (obtained from statistical tables) associated with the probabilities of interest are :

Probability	a	$a/2$	$t_{a/2}$	$z_{a/2}$
90%	0.10	0.05	1.833*	1.645
95%	0.05	0.025	2.262*	1.960
99%	0.01	0.005	3.250*	2.575

* The critical $t_{a/2}$ statistic values show correspond to 10 data points, or 9 degrees of freedom. In general, for n data points the number of degrees of freedom is n-1, and it is the $t_{a/2}$ statistic value corresponding to n-1 which would be used in the above formula.

The data were entered into twelve LOTUS spreadsheet files. These files, and the questions from the survey form to which they correspond, are listed below.

Question No.	Data File	Analysis Files
1	BBSQ1.WK1	BBSQ1S.WK1
2A	BBSQ2A.WK1	Q2AS.WK1 & Q2AS1.WK1 (Sales), Q2AS3.WK1 & Q2ASM.WK1 (Mfg.), Q2ASD.WK1 (Dist.), Q2AX.WK1 (Exp. destination)
2B		Q3.WK1
3	BBSQ3.WK1	
4	BBSQ4.WK1	Q4S1.WK1 (Dist.) Q4S2.WK1 (Mfg.) Q4S3.WK1 (Ag.) Q4S4.WK1 (Ag. Proc.) Q4S5.WK1 (Finance) Q4S7.WK1 (Const.) Q4S8.WK1 (Hotel & Rest.) Q4S9.WK1 (Insur.) Q4S10.WK1 (Transport, etc.)
5	BBSQ5.WK1	Q5S1.WK1 (Dist.) Q5S2.WK1 (Mfg.) Q5S3.WK1 (Ag.) Q5S4.WK1 (Ag. Proc.) Q5S5.WK1 (Finance) Q5S7.WK1 (Const.) Q5S8.WK1 (Hotel & Rest.) Q5S9.WK1 (Insur.) Q5S10.WK1 (Transport, etc.)
6 A & B	BBSQ6AB.WK1	Q6AB.WK1, Q6AND.WK1, & Q6ABX.WK1, Q6AND.WK1 (Inv. by firm size) Q6AND1.WK1, (Dist.) Q6AND2.WK1, (Mfg.) Q6AND3.WK1, (Ag.) Q6AND5.WK1, (Finance) Q6AND7.WK1, (Const.) Q6AND8.WK1, (Hotel & Rest.)
6 C & D	BBSQCD.WK1	BBSQ6C.WK1 & Q6CS1 (Use of funds), Q6DS.WK1 & Q6DS1.WK1 (Source of funds), Q6DS2.WK1 & Q6DS3.WK1 (Funding institutions)
7	BBSQ7.WK1	Q7S.WK1 (Sales & Inv. by size), Q7S2.WK1 (Emp. by size)
8	BBSQ8.WK1	Q8S.WK1, Q8.WK1, QUES8RES.WK1
9	BBSQ9.WK1	Q9S.WK1, Q9S1.WK1
10	BBSQ10.WK1	Q10.WK1, Q10S1.WK1 & Q10V (Effect on sales), Q10S2.WK1 & Q10P.WK1 (Effect on price)

III. DETAILED SURVEY RESULTS

(Ref. Questionnaire for question numbers)

1. QUESTION 1 (Firms Surveyed):

The composition of the sample reasonably approximates to the economy. The firms with the largest representation in the sample are from the Manufacturing sector (24%), which is somewhat higher than that of the economy, where in 1992 Manufacturing was responsible for 19.6% of Gross Domestic Product. The next largest representation in the sample is the Distributive Trade (18%), followed by the Hotel industry (12%). Table 1 summaries the details of the sample.

TABLE 1 :

SAMPLE SUMMARY

Industry /Category	Number in Sample	NUMBER OF FIRMS BY SIZE		
		Small	Medium	Large
Wholesale/Retail	45	20	18	7
Manufacturing	60	21	21	18
Agriculture	18	6	7	5
Ag. Processing	3	0	1	2
Finance	24	8	5	11
Mining	0	0	0	0
Construction	29	16	9	4
Hotel/Restaurant	31	9	14	8
Insurance	9	4	3	2
Transport, etc.	29	12	11	6
Other	42	16	11	15
		100*	92*	60*

Total No. Firms: 255*

* Numbers in column do not add up to totals shown as some firms are listed in more than one sector, i.e. conglomerates.

2a). QUESTION 2a (Sales):

This survey suggests that both total and average sales receipts in nominal Jamaican dollars should rise in 1994 (Tables 2a.1, and 2a.2), as they have been doing since 1990. However, when put in real terms, total receipts are expected to show a decline in 1994 (See Figure 1b, and Table 2a.1). To convert to real terms, domestic sales in J\$ were converted to US\$, using the prevailing rate of exchange, then the USA Consumer Price Index was used to deflate the figures. This was done to allow aggregation with the US\$ export sales figures. A related observation is that average domestic sales (nominal values) for medium-sized firms have been growing since 1992 at greater than the rate of inflation.

Average domestic sales for small firms are expected to outperform inflation in 1994, while those of large firms are expected to grow at less than the rate of inflation (Figure 2.2).

The export figures are expected to be disappointing, confirming official statistics (see Fig. 1b and Table 2a.1). There is expected to be a decline in average export receipts for small firms, and virtually no growth for medium-sized firms (Table 2a.3). On the other hand, large firms are expected to see an increase in average

export receipts in 1994.

An attempt was made to perform the above analysis at the industry level for the manufacturing and distribution sectors, as these firms were the largest in the sample. The sample results show that Large and Medium-sized manufacturing firms who reported export earnings expect, on average, to experience a slight decline in their export sales receipts in 1994, whereas small firms expect an increase (Table 2a.5). However, due to the small number of firms which reported in the Medium and Large size categories (less than 10) and the small differences between the 1993 and the 1994 results, a high degree of confidence cannot be placed on the results in these categories. Hence, the trends in export receipts are not very clear for medium-sized and large manufacturing firms. The same is true of the distributive trade, as the small number of firms reporting export receipts in each size category does not lend itself to confident generalizations. However, the trend is clearer for domestic sales, which are expected to show increases for both the Manufacturing and Distributive trades (Tables 2a.4, and 2a.6).

Figure 2.1 :
SALES IN DOMESTIC MARKET (1990-1994)

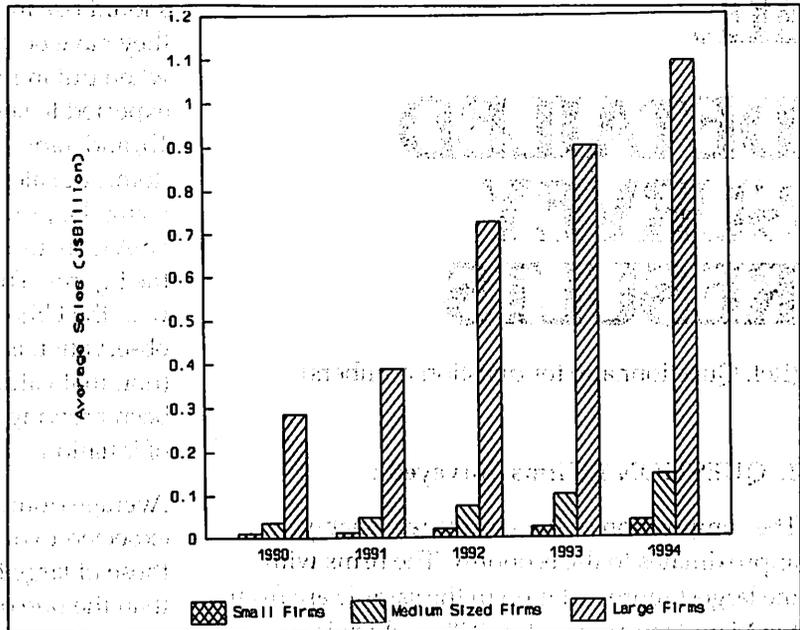


Figure 2.2:
GROWTH IN DOMESTIC SALES (1991-1994)

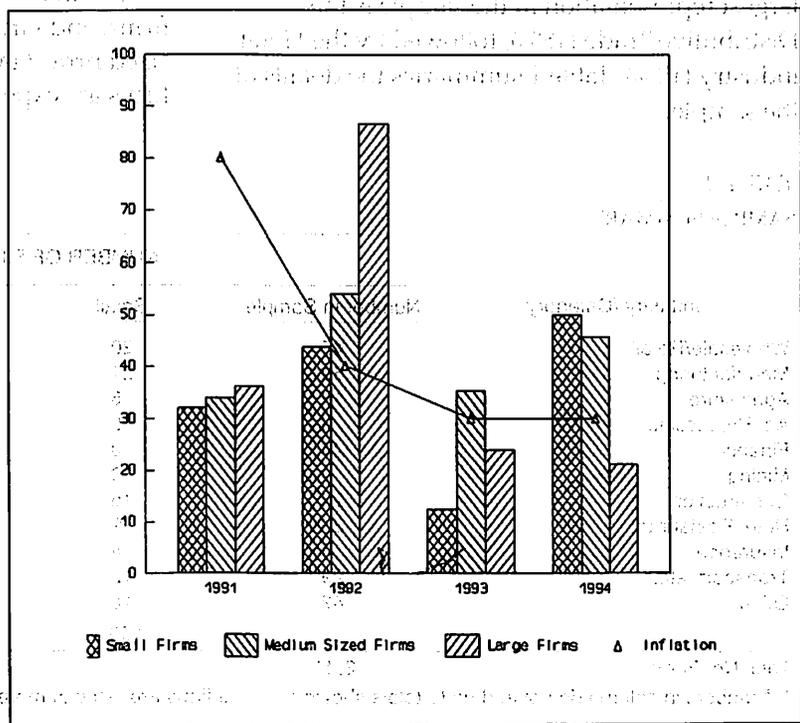


Table 2a.1:

TOTAL SALES SUMMARY OF SAMPLED FIRMS

YEAR	TOTAL DOM. SALES Nominal J\$M	TOTAL EXP. SALES Nominal US\$M	TOTAL DOM. SALES 1990 US\$M	TOTAL EXP. SALES 1990 US\$M	TOTAL SALES 1990 US\$M
1990	12,615.70	255.20	1638	255	1893
1991	18,748.56	259.41	1376	247	1623
1992	36,024.00	472.91	1423	429	1852
1993	45,066.74	572.38	1516	494	2010
1994	50,803.80	440.52	1359	381	1740

Table 2a.2:

EST. AVERAGE SALES OF ALL FIRMS IN DOMESTIC MARKET, J\$Mil.

FIRM SIZE	1990	1991	1992	1993	1994	(Proj.)
SMALL	9.7	12.8	19.6	22.5	33.9	
MEDIUM	36.0	47.1	73.1	99.1	143.9	
LARGE	285.9	389.5	726.9	901.8	1091.8	

Table 2a.3:

EST. AVERAGE SALES OF ALL FIRMS IN EXPORT MARKET, US\$Mil.

FIRM SIZE	1990	1991	1992	1993	1994	(Proj.)
SMALL*	2.2	1.2	4.4	2.4	1.6	
MEDIUM*	6.7	6.8	12.1	15.6	16.0	
LARGE*	32.9	30.5	39.2	35.7	55.5	

* 90% confidence interval exceeds +/- 30%

Table 2a.4:

EST. AVERAGE SALES IN DOMESTIC MARKET, J\$Millions
(MANUFACTURING)

FIRM SIZE	1990	1991	1992	1993	1994	(Proj.)
SMALL	6.89	9.17	15.54	21.33	36.43	
MEDIUM	32.90	32.80	58.82	102.17	155.76	
LARGE*	434.77	580.30	931.83	1153.13	1296.60	

Table 2a.5:

EST. AVERAGE SALES IN EXPORT MARKET, US\$Millions
(MANUFACTURING)

FIRM SIZE	1990	1991	1992	1993	1994	(Proj.)
SMALL	2.32	1.45	1.14	1.16	2.28	
MEDIUM*	0.47	0.50	4.97	5.19	2.22	
LARGE*	5.92	12.24	23.63	26.68	25.19	

* 90% confidence interval exceeds +/- 30%. All others within this limit.

Table 2a. 6 :

EST. AVERAGE SALES IN DOMESTIC MARKET, J\$Millions
(DISTRIBUTIVE TRADE)

FIRM SIZE	1990	1991	1992	1993	1994	(Proj.)
SMALL	17.92*	57.81*	92.88	110.28	174.40	
MEDIUM	45.33	213.25	343.08	481.43	772.18	
LARGE	918.00#	3797.25#	5960.80#	7214.20#	9825.75#	

* 90% confidence interval exceeds +/- 30%. All others within this limit.

These averages are not representative of the population of Large firms, as the sample was skewed towards the largest firms.

Table 2a. 7 :

DISTRIBUTION OF EXPORTS (%)
(95% confidence interval within +/- 15%)

YEAR	CARICOM	OTH. CARIB.	USA	UK	OTHER EEC	CANADA	R.O.W.
1990	9	2	53	19	0	14	2
1991	10	0	54	19	0	13	4
1992	14	0	54	14	2	11	5
1993	14	0	57	13	2	10	5
1994	9	2	61	15	0	11	2

Table 2b :

PERCENTAGE OF EXPORTS TO SELECTED MARKETS

(Interpret results as: Of firms reporting country X as a destination, an average of Y% of their exports went to that country)

YEAR	CARICOM	OTH. CARIB.	USA	UK	OTHER EEC	CANADA	R.O.W.
1991	46	15	60	26	12	19	16
1992	53	26	60	27	16	19	14
1993	47	21	62	25	21	18	17
1994	44	16	64	24	21	19	17

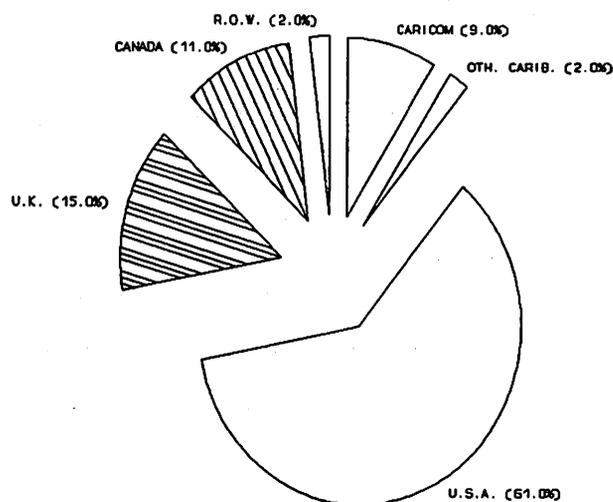
2b) QUESTION 2 b (Pattern of Exports):

There were no significant differences in the pattern of exports between the sample of firms this year, and that of last year. The United States remains the number one destination for Jamaican exports (Table 2a.7), with in excess of

60% of all foreign exchange receipts coming from there. Likewise, there was no change in the degree of dependency on Caricom for those firms exporting there (Table 2b).

Figure 2.3:

DESTINATION OF EXPORTS IN 1994



3. QUESTION 3 (Investment Categories):

Small and medium-sized firms appear to have a greater commitment towards re-tooling, based on the upward trend in the proportion of their gross revenues invested in new technology (Tables 3.1 and 3.2). The opposite appears to be the case for large companies (Table 3.3). The reason for this difference in investment trends may be due to easier entry of small and medium-sized competitors into most industrial sectors, and less competitive pressure resulting in efforts towards achieving greater internal efficiency through capital upgrading. This situation is reversed in the area of investment in employee training. Large firms are increasing the proportion of investment for training, whereas small and medium sized firms are reducing the relative amounts invested in training. The explanation for the difference in training expenditure patterns may be that small and medium sized firms have a greater aversion to the risk of not being able to retain employees whom they have trained. However, a caution is needed in interpreting these findings, as the actual dollar amounts being invested in training is increasing for all size classification of firms: it is the relative importance of training which has changed for small and medium-sized firms. Using Table 2a.2 and Tables 3.1 - 3.3, we can estimate the average investment in training and new technology for 1994 as shown in Table 3.0.

Table 3.0 :

AVERAGE 1994 INVESTMENT IN TECHNOLOGY AND TRAINING

FIRM SIZE	AVERAGE INVESTMENT IN NEW TECHNOLOGY	AVERAGE INVESTMENT IN TRAINING
	J\$Mil	J\$Mil
Small	3.1	2.0
Medium	12.3	9.1
Large	67.0	49.0

Table 3.1 :

INVESTMENT AS A PROPORTION OF GROSS REVENUE* (SMALL FIRMS)

AREA	1991	1992	1993	1994
Market Research	2.38	4.56	1.80	2.31
R & D	2.36	2.36	7.44	2.19
New Technology	8.08	6.31	10.51	9.20
Training	6.80	7.54	7.36	5.85
Miscellaneous	6.27	5.46	5.27	4.52

Table 3.2 :

INVESTMENT AS A PROPORTION OF GROSS REVENUE* (MEDIUM-SIZED FIRMS)

AREA	1991	1992	1993	1994
Market Research	2.10	3.16	3.39	3.73
R & D	3.90	3.78	3.41	3.69
New Technology	5.17	4.86	5.18	8.55
Training	7.97	7.13	6.34	6.34
Miscellaneous	5.01	4.76	4.59	4.82

Table 3.3 :

INVESTMENT AS A PROPORTION OF GROSS REVENUE* LARGE FIRMS)

AREA	1991	1992	1993	1994
Market Research	6.92	5.50	5.77	4.57
R & D	1.34	2.32	3.40	1.86
New Technology	6.81	8.18	5.89	6.14
Training	2.32	3.30	3.95	4.49
Miscellaneous	6.39	8.74	9.43	6.42

* These percentages are believed to be biased upwards, i.e. too high, since the implied amounts of investment would be higher than are indicated by the data in Tables 6a.1 - 6a.5.

4. QUESTION 4 (Capacity Utilisation):

When we compare the results for capacity utilisation for 1993 against this year's results, we see that capacity utilisation has declined, perhaps due to contractionary monetary policies which have the effect of reducing aggregate spending. In 1993, over 24% of the firms reported being at full capacity whereas for 1994, less than 15% of all firms reported being at full capacity. When disaggregated into size of firm and industry, it can be seen from Table 4.1 that small firms report the lowest overall capacity utilisation. Finance firms report the highest capacity utilisation, irrespective of firm size (Tables 4.1 - 4.3); this is an improvement in this sector over the 1993 results. At the other extreme, small hotels and restaurants have a significant amount of idle capacity - more than half of them operate at less than 50% capacity (Table 4.1). The differential findings for capacity

utilisation may also be due to the same contractionary monetary phenomenon mentioned earlier. It was found (Tables 6d. 1-3) that small firms are more reliant on debt financing, in particular high cost commercial bank loans, than other types of firms. This suggests that small firms experience greater difficulty in meeting their working capital needs. When this coupled with fewer purchases due to contraction in aggregate demand generally, and a reduction in the ability to extend credit, it becomes plausible that small businesses in Jamaica would experience a greater decline in economic activity (as measured by capacity utilisation). In the specific case of the hotel sector, low capacity utilisation is believed to be related to crime and violence, with which this sector is particularly concerned. (It was ranked the number one concern by: 50% of large hotels; 36% of medium size hotels; and 44% of small hotels).

Figure 2.4 :
INVESTMENT IN 1994

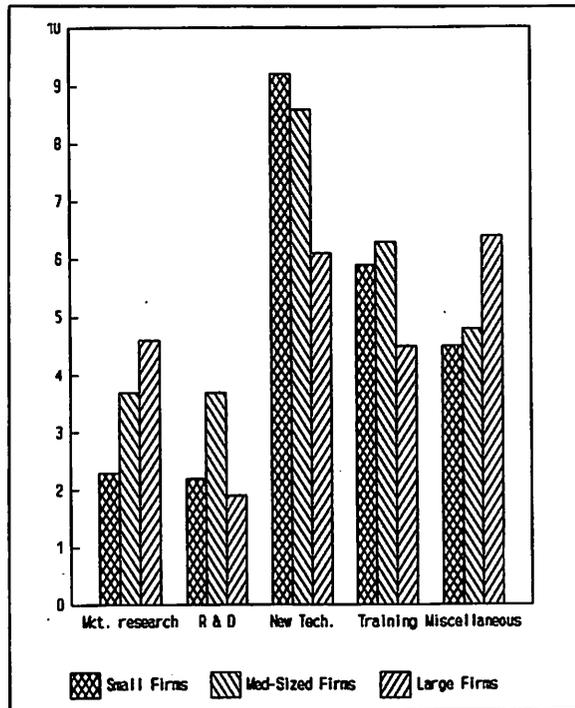


Figure 3 :
CAPACITY UTILISATION

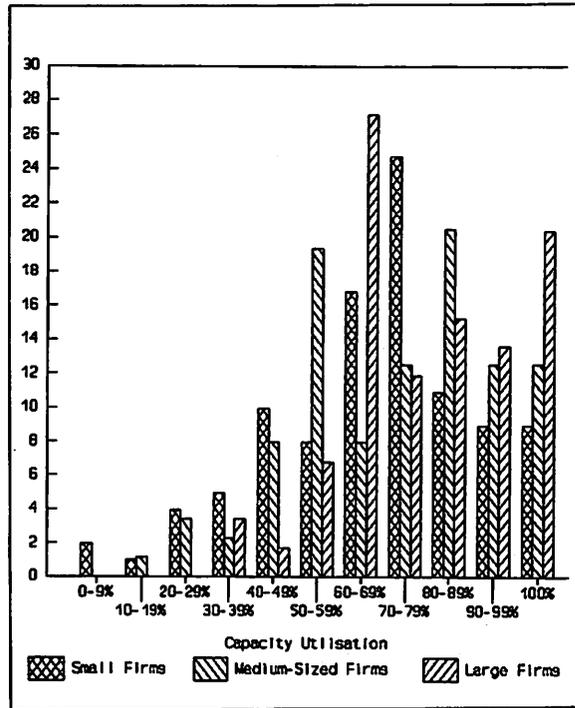


Table 4.1 :

CAPACITY UTILIZATION OF SMALL FIRMS
(PERCENTAGE OF FIRMS IN CATEGORY)

Capacity Utilized	All Firms	Distribution	Manufacturing	Agriculture	Ag. Processing	Finance	Construction	Hotel & Rest.	Insurance	Transport, etc.
0-9%	2.0	0.0	4.8	0.0	N/A	0.0	6.3	0.0	0.0	0.0
10-19%	1.0	0.0	4.8	0.0	N/A	0.0	0.0	0.0	0.0	0.0
20-29%	4.0	0.0	9.5	11.1	N/A	0.0	0.0	0.0	0.0	0.0
30-39%	5.0	0.0	9.5	5.6	N/A	0.0	0.0	0.0	0.0	9.1
40-49%	9.9	10.0	4.8	5.6	N/A	0.0	6.3	55.6	0.0	0.0
50-59%	7.9	5.0	9.5	5.6	N/A	0.0	18.8	0.0	0.0	9.1
60-69%	16.8	15.0	14.3	16.7	N/A	0.0	31.3	22.2	0.0	9.1
70-79%	24.8	40.0	23.8	16.7	N/A	25.0	18.8	22.2	33.3	36.4
80-89%	10.9	25.0	9.5	11.1	N/A	12.5	12.5	0.0	33.3	0.0
90-99%	8.9	5.0	9.5	11.1	N/A	12.5	0.0	0.0	0.0	18.2
100%	8.9	0.0	0.0	16.7	N/A	50.0	6.3	0.0	33.3	18.2

Table 4.2 :

CAPACITY UTILIZATION OF MEDIUM-SIZED FIRMS
(PERCENTAGE OF FIRMS IN CATEGORY)

Capacity Utilized	All Firms	Distribution	Manufacturing	Agriculture	Ag. Processing+	Finance	Construction	Hotel & Rest.	Insurance	Transport, etc.
0-9%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10-19%	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20-29%	3.4	0.0	0.0	14.3	100.0	0.0	0.0	0.0	0.0	0.0
30-39%	2.3	5.9	0.0	0.0	0.0	0.0	0.0	7.7	0.0	0.0
40-49%	8.0	5.9	20.0	14.3	0.0	0.0	11.1	7.7	0.0	0.0
50-59%	19.3	17.6	15.0	14.3	0.0	0.0	11.1	38.5	0.0	27.3
60-69%	8.0	5.9	5.0	14.3	0.0	0.0	11.1	15.4	33.3	0.0
70-79%	12.5	17.6	10.0	14.3	0.0	33.3	22.2	0.0	0.0	9.1
80-89%	20.5	23.5	40.0	14.3	0.0	0.0	0.0	23.1	0.0	27.3
90-99%	12.5	17.6	5.0	0.0	0.0	33.3	44.4	0.0	33.3	9.1
100%	12.5	5.9	5.0	14.3	0.0	33.3	0.0	7.7	33.3	27.3

+ Interpret results with caution. Limited data available.

Table 4.3 :

CAPACITY UTILIZATION OF LARGE FIRMS
(PERCENTAGE OF FIRMS IN CATEGORY)

Capacity Utilized	All Firms	Distribution	Manufacturing	Agriculture	Ag. Processing+	Finance	Construction	Hotel & Rest.	Insurance	Transport, etc.
0-9%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10-19%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20-29%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
30-39%	3.4	0.0	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
40-49%	1.7	14.3	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
50-59%	6.8	0.0	11.1	0.0	0.0	0.0	0.0	12.5	0.0	16.7
60-69%	27.1	42.9	55.6	0.0	100.0	9.1	0.0	62.5	50.0	50.0
70-79%	11.9	0.0	5.6	20.0	0.0	9.1	25.0	12.5	0.0	33.3
80-89%	15.3	14.3	5.6	0.0	0.0	18.2	25.0	0.0	0.0	0.0
90-99%	13.6	14.3	5.6	40.0	100.0	27.3	0.0	0.0	0.0	0.0
100%	20.3	14.3	0.0	40.0	0.0	36.4	50.0	12.5	50.0	0.0

+ Interpret results with caution. Limited data available.

**5. QUESTION 5
(Internal Impediments to Growth):**

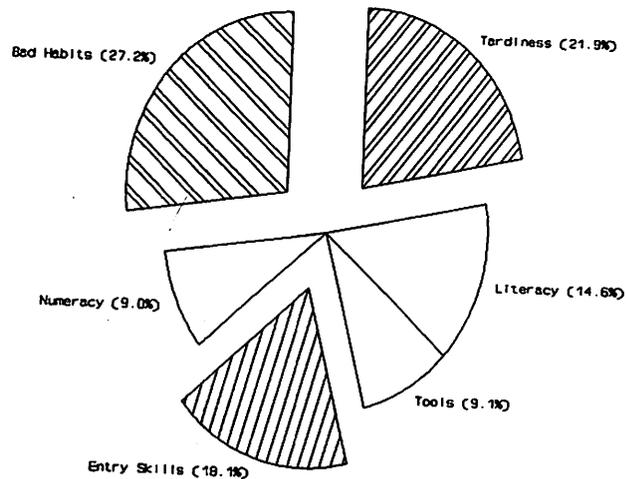
As with the 1993 results, labour-related issues dominate firms' concerns about factors which are mainly internal to them and which affect their growth. Chief among these are poor work habits - attitudes towards work, and tardiness - (Table 5). It is suspected that perceived poor worker attitudes may be a reflection of traditional management labour problems, whereas tardiness may more likely be related to the poor state of public transportation. Due to the relatively high labour-intensive nature of most Jamaican businesses, and its perceived limitation on the growth of firms, it would be highly desirable to more fully study the issue of labour, especially in the context of industrial development.

The largest non-labour issue for firms is the quality of utility supplies (electricity, and water). This year over 40% of the firms expressed concerns about utilities, with large companies being the most concerned. This compares to less than a third of all firms in 1993 concerned about utilities. Most of the concerns about utilities are believed to be related to the increased frequency and duration of power outages, due to the destruction by explosion of two power generating units (123.5 Mega Watts, or approximately 20% of total islandwide capacity) at the Old Harbour plant of the Jamaica Power Service Company on June 3, 1994.

Table 5:
CONSTRAINTS ON FIRMS
(% RESPONDING)

FACTOR	ALL FIRMS	SMALL FIRMS	MEDIUM SIZED FIRMS	LARGE FIRMS
Quality of Labour	65.0	58.3	59.2	92.3
Old Technology	38.8	25.0	43.7	64.1
Utilities	43.7	36.5	50.7	48.7
Scheduling Problems	32.5	22.9	43.7	35.9
Tardiness	64.1	67.7	54.9	71.8
Literacy Prob.	42.7	41.7	45.1	41.0
Numeracy Prob.	26.2	26.0	23.9	30.8
Poor Work Habits	79.6	71.9	76.1	99.0
Inadequate Entry Skills	52.9	46.9	50.7	71.8
Labour's Tools	26.7	21.9	31.0	30.8
Other	22.3	14.6	31.0	25.6

Figure 4:
WORKER PRODUCTIVITY HINDRANCES
(PERCENT OF RESPONSES TO LABOUR ISSUES)



6a. QUESTIONS 6a and b
(Actual Amounts of Investments):

Average nominal investments, i.e. not adjusted for inflation, by large firms across all industrial sectors are expected to be on an uptrend from 1993 to 1995 (Table 6a. 1). However, it is not possible to make a similar generalization for small and medium sized firms. For the latter classes of firms, the sample actually shows an uptrend from 1993 - 1995, but due to large variability in the data and small differences in average values, these trends are not statistically significant. In the case of many small firms, the cause of the cessation or decline in investment growth is believed to be related to the high degree of financial leverage used (Tables 6d. 1-3), and the high interest cost of debt. In terms of industrial sectors the following can be said:

Distributive Trade

There is no statistically significant trend in the average level of investment by small and medium sized distribution companies. However, for large firms average investments is lower in 1994 compared to 1993, but is expected to increase in 1995 (see Table 6a. 2). An analysis of the sectors where large distribution firms planned to invest in 1994 and 1995 indicated that a substantial portion of the investment would go mainly into manufacturing (approximately 40% of all projects) and back into their own sector (approximately 30% of all projects); with only about 10% of all new investment projects being in financial services.

Manufacturing

For manufacturing firms the main bright spot is expected to be the uptrend in the average level of investment for large firms from 1993 - 1995. Another positive factor is that the average level of investment for medium-sized firms should register an increase in 1994 over the 1993 figure

(see Table 6a.3). On the negative side, average investments are expected to decline in 1995 for both small and medium-sized firms. It is believed that with better data the results would have shown that there has not been any increase in average investments for small firms since 1993 (due to the high cost of debt). The graphs in Figure 8 show a pictorial summary of the results.

Agriculture

The trend in average investment cannot be determined from the limited amount of data in the sample. However, it can be said that the average level of investment made by agricultural firms in 1993 was larger than those made by large firms in the distributive trade, and manufacturing (recall that "large firm" means a firm which employs in excess of 200 workers).

Finance

Investment is up for all sizes of firms. In terms of size categorization, small finance firms are expected to register the largest percentage increase in investment from 1993 - 1994 (see Table 6a. 5). This trend is not just a Jamaican phenomenon. For most countries undergoing economic liberalization (with full decontrol of the financial sector), the finance sector typically leads the way in terms of growth, since macroeconomic stabilization policies (which are believed to be necessary pre-requisites for liberalization to be successful) tend to favour capital inflows both from abroad, and from the domestic informal economy. Also, the markets for long term capital (bonds and equity) are far less developed than the market for short term debt (commercial paper and bank loans) at the start of the liberalization episode. These two effects contribute to large growth in the capital base of the financial sector, in particular the commercial banks, and a climate conducive to a

widening of the spread between deposit and lending interest rates.

Construction

There has been an increase in average investments in 1994 over those of 1993 for both small and medium sized firms (Table 6a. 6). However, average investment by medium-sized firms is expected to fall in 1995. Given that this industry is heavily reliant on local debt financing, the plausible explanation for the 1994 increase in investment is that there is increased demand for new buildings and structures, and a portion of the financing for the resultant investment of the construction firms are being supplied by developers and individuals in the

form of up-front commitment fees. The questionnaire does not capture data on this source of financing.

Hotels

There has been an increase in average investments from 1993 to 1994 by all types of hotels. There is expected to be a reversal of this trend for small hotels in 1995. The reason for this reversal may be two-fold: first, small hotels tend to have higher cost domestic financing, whereas larger hotels tend to get more lower cost foreign financing; second, very low capacity utilisation (i.e. room occupancy) among small hotels (Table 4.1) may be imposing a limit on further expansion.

Table 6a.1 :

AVERAGE LEVEL OF INVESTMENTS (RESULTS FOR ALL FIRMS)

	YEARS		
	1993	1994	1995
NUMBER OF SMALL FIRMS RESPONDING:	37	39	31
NUMBER OF MED. FIRMS RESPONDING:	38	45	26
NUMBER OF LARGE FIRMS RESPONDING:	36	29	30
AVE. INV. SMALL FIRMS, J\$M	6.2	10.1	10.9
AVE. INV. MED. FIRMS, J\$M	13.6	19.3	22.6
AVE. INV. LARGE FIRMS, J\$M	436.5	456.1	629.3

NOTES: 1. Averages mask very large variances. 90% confidence interval exceeds +/- 50%. Interpret results with caution.

2. Averages for large firms shown in table are not good estimates for the population of large firms, since approximately 100% of some sectors are represented in the sample (i.e. monopolies).

Table 6a.2 :

AVERAGE INVESTMENTS IN THE DISTRIBUTIVE TRADE

	YEARS		
	1993	1994	1995
NUMBER OF SMALL FIRMS RESPONDING:	5	2	3
NUMBER OF MED. FIRMS RESPONDING:	5	6	1
NUMBER OF LARGE FIRMS RESPONDING:	3	3	2
AVE. INV. SMALL FIRMS, J\$M	1.4	0.9*	1.0*
AVE. INV. MED. FIRMS, J\$M	9.6	8.4	30.0*
AVE. INV. LARGE FIRMS, J\$M	40.8*	32.3*	120.0*

* 90% confidence interval exceeds +/- 40%. Others are within this limit.

Table 6a.3 :

AVERAGE INVESTMENTS IN MANUFACTURING

	YEARS		
	1993	1994	1995
NUMBER OF SMALL FIRMS RESPONDING:	3	5	3
NUMBER OF MED. FIRMS RESPONDING:	10	12	5
NUMBER OF LARGE FIRMS RESPONDING:	13	12	13
AVE. INV. SMALL FIRMS, J\$M	0.2*	5.0	2.7
AVE. INV. MED. FIRMS, J\$M	9.1	24.4	4.7
AVE. INV. LARGE FIRMS, J\$M	33.4	37.0	63.0
STD. ERR. SMALL FIRMS' INV.	0.03	0.9	0.35
STD. ERR. MED. FIRMS' INV.	1.46	3.74	0.58
STD. ERR. LARGE FIRMS INV.	5.9	7.2	14.0

* 90% confidence interval exceeds +/- 40%. All other averages within this limit.

(Standard errors of estimations shown as "STD. ERR.")

Table 6a.4 :

AVERAGE INVESTMENTS IN AGRICULTURE

	YEARS		
	1993	1994	1995
NUMBER OF SMALL FIRMS RESPONDING:	0	0	0
NUMBER OF MED. FIRMS RESPONDING:	2	0	0
NUMBER OF LARGE FIRMS RESPONDING:	5	1	1
AVE. INV. SMALL FIRMS, J\$M	N/A	N/A	N/A
AVE. INV. MED. FIRMS, J\$M	48.0*	N/A	N/A
AVE. INV. LARGE FIRMS, J\$M	168.3*	750.0*	20.0*

* 90% confidence interval exceeds +/- 50%.

Table 6a.5 :

AVERAGE INVESTMENTS IN FINANCE

	93 INV	94 INV	95 INV
	NUMBER OF SMALL FIRMS RESPONDING:	4	3
NUMBER OF MED. FIRMS RESPONDING:	5	4	3
NUMBER OF LARGE FIRMS RESPONDING:	10	7	4
AVE. INV. SMALL FIRMS, J\$M	19.0*	71.2*	74.1*
AVE. INV. MED. FIRMS, J\$M	36.5	62.6*	100.2*
AVE. INV. LARGE FIRMS, J\$M	753.7	770.2	815.0*
STD. ERR. SMALL FIRMS' INV.	3.60	10.92	12.36*
STD. ERR. MED. FIRMS' INV.	5.7	12.75	17.87
STD. ERR. LARGE FIRMS INV.	123.33	120.8	135.3

* 90% confidence interval exceeds +/- 35%. All other averages within this limit.

(Standard errors of estimations shown as "STD. ERR.")

Table 6a.6 :

AVERAGE INVESTMENTS IN CONSTRUCTION

	93 INV	P4 INV	95 INV
	NUMBER OF SMALL FIRMS RESPONDING:	3	3
NUMBER OF MED. FIRMS RESPONDING:	5	4	5
NUMBER OF LARGE FIRMS RESPONDING:	4	2	1
AVE. INV. SMALL FIRMS, J\$M	6.4	11.8	0.5*
AVE. INV. MED. FIRMS, J\$M	16.9	39.1	11.6
AVE. INV. LARGE FIRMS, J\$M	973.6	750.0*	3135.0*
STD. ERR. SMALL FIRMS' INV.	0.9*	1.38	N/A
STD. ERR. MED. FIRMS' INV.	3.04	4.65	1.92
STD. ERR. LARGE FIRMS INV.	147.95	95.18	N/A

* 90% confidence interval exceeds +/- 40%. All other averages within these limits.

(Standard errors of estimations shown as "STD. ERR.")

Table 6a.7:

AVERAGE INVESTMENTS IN HOTELS & RESTAURANTS

	93 INV	94 INV	95 INV
NUMBER OF SMALL FIRMS RESPONDING:	6	5	4
NUMBER OF MED. FIRMS RESPONDING:	3	4	5
NUMBER OF LARGE FIRMS RESPONDING:	3	3	4
AVE. INV. SMALL FIRMS, J\$M	3.6	4.1	2.1
AVE. INV. MED. FIRMS, J\$M	2.0*	11.1	18.5
AVE. INV. LARGE FIRMS, J\$	86.8*	252.9*	N/A#
STD. ERR. SMALL FIRMS' INV.	0.49	0.54	0.25
STD. ERR. MED. FIRMS' INV.	0.23	2.1	2.72
STD. ERR. LARGE FIRMS INV.	18.4	55.2	N/A#

* 90% confidence interval exceeds +/- 33%.
All other averages within these limits.

Erroneous data resulted in inability to calculate reliable values.
(Standard errors of estimations shown as "STD. ERR.")

Table 6c.1:

USE OF INVESTMENT FUNDS

	1994 SM	1994 MD	1994 LG	1994 ALL	1995 SM	1995 MD	1995 LG	1995 ALL
AVE. USE OF INV. FOR NEW CAPACITY, %	54.3	33.6	44.0	44.0	40.4	40.8	42.6	41.3
AVE. USE OF INV. FOR PRODUCTIVITY, %	29.5	44.6	51.2	41.8	45.5	41.4	49.2	45.3
AVE. USE OF INV. FOR MERGER/ACQ., %	0.3	0.0	0.5	0.3	0.0	2.6	0.6	1.1
AVE. USE OF INV. FOR AGRI. LAND, %	0.0	0.0	0.1	0.0	0.0	0.6	0.1	0.3

NUMBER OF FIRMS RESPONDING		
	1994	1995
SM	40	35
MD	50	38
LG	33	31
ALL	123	104

Key: SM - Small Firms MD - Medium-Sized Firms LG - Large Firm

NOTE: Error of estimation within +/- 35% at the 95% confidence level.

6c. QUESTION 6c
(Use of Investment Funds):

Most of the investment funds were used to expand capacity, and to improve productivity (Table 6c. 1), as is substantiated by the results in Tables 3.1 - 3.3. These Tables show that most of the investment went towards acquiring new technology. Medium-size and large firms in the sample use most of their investment dollars for improving productivity. However, one cannot confidently generalize and say the same for the rest of the economy, due to large sample variances. Investments for mergers and acquisitions are expected to be far less in 1994 than was anticipated in the 1993 survey, but activity in this area is expected to show a slight improvement in 1995 (Table 6c.1). Investment in agricultural land was virtually non-existent for 1994, but is expected to improve in 1995.

6d. QUESTION 6d
(Source of Investment Funds):

The source of most investment funds is loans from Jamaican institutions (Table 6d.1), in particular, Jamaican commercial banks (tables 6d.2 and 6d.3). The Jamaican stock market was not a source of funds during 1994 for any firm in the sample (perhaps due to low equity prices). Despite higher interest rates, small and large firms became more dependent on commercial bank loans in 1994 than in 1993. In terms of external financing, the degree of dependence on loans by small firms from Jamaican commercial banks in 1994 is almost total. Merchant bank loan activity is principally occurring in medium-size and large firms. There is some development bank loan activity, but as with merchant banks, it is taking place more with medium and large firms.

7. QUESTION 7
(Expected Effects of Investments):

All size classification of firms are generally optimistic about the future results from their investments. In the area of sales the results are mixed. For investments directed towards the domestic market, medium-sized and large firms expect a reduction in their 1995 sales attributable to investments compared to the 1994 figures (Table 7). Small firms expect no change in domestic sales attributable to investments. In the area of exports, the findings are the same for small firms, but they are the opposite for medium-sized and large firms, where tremendous optimism abounds for growth in 1995 of export receipts which are directly attributable to investments (Table 7).

In the area of employment growth, the firms are equally optimistic. Small firms which are making investments expect employment growth for 1995 to be 44% (or 9 additional persons) over the 1994 employment level. The corresponding figures for medium-sized and large firms are 23% and 34% respectively. A caveat is necessary here in order to properly interpret these employment growth projections. These very optimistic results must be interpreted in the limited context of firms which **are actually** making investments. For the broader sample of firms, what we can say is that total projected employment growth for 1995 resulting from investment is 4.5%. This percentage was obtained by expressing the projected increase in employment as a percentage of total employment by firms in the sample: 66,089 total employment in 1994, which is expected to increase by 2,961 in 1995.

Figure 5 :

SOURCE OF FUNDING BY SIZE OF FIRM

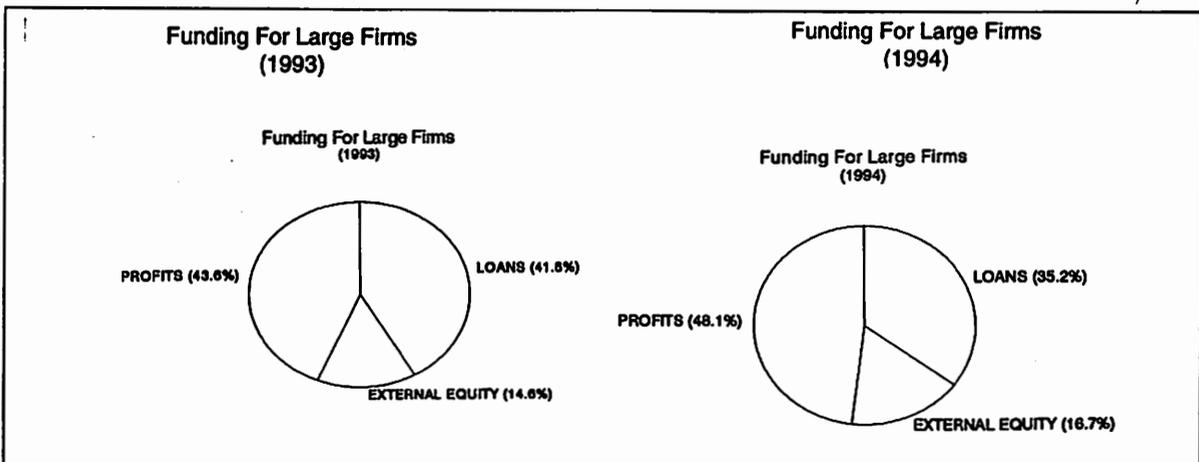
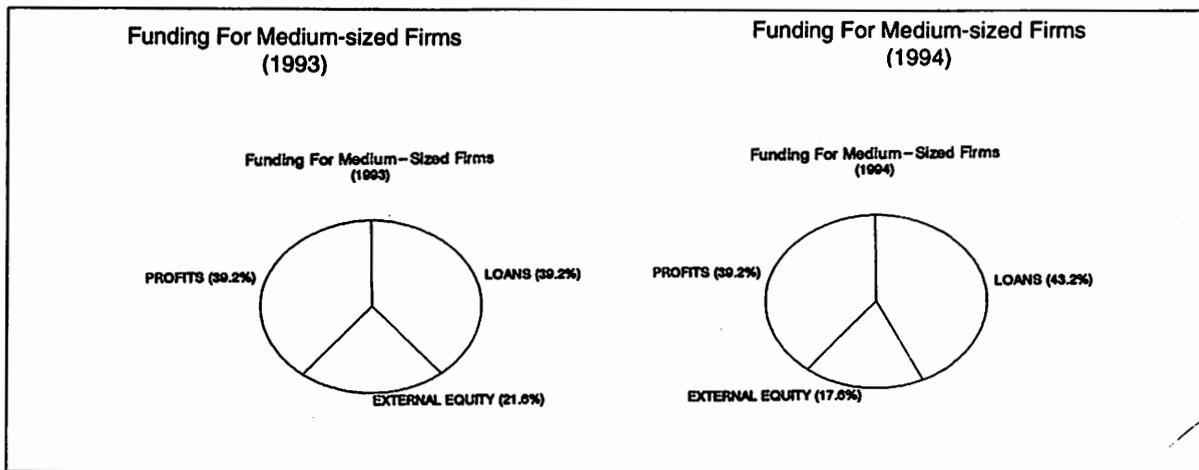
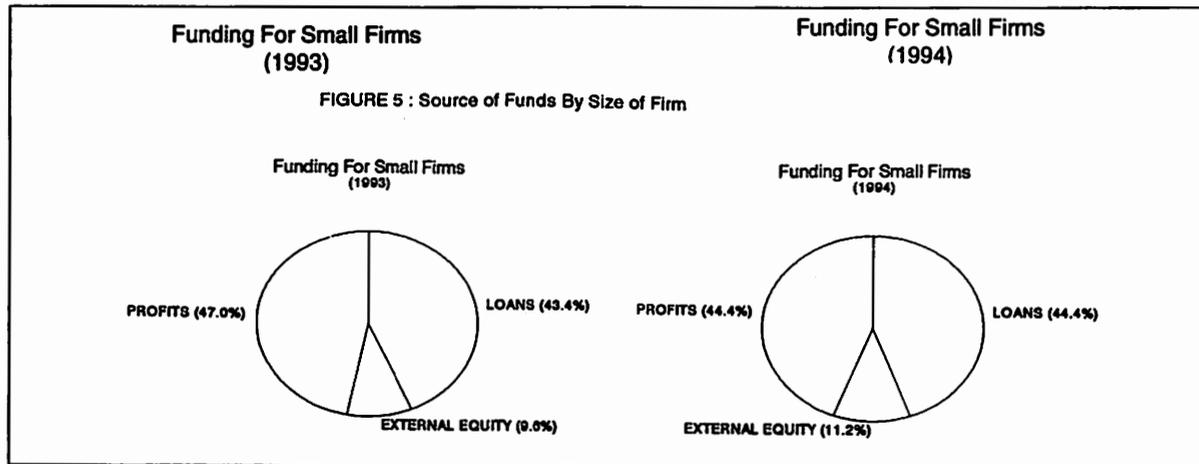


Table 6d. 1 :

SOURCE OF ALL INVESTMENT FUNDS BY TYPE AND SIZE OF FIRM

(Figures represent percentage of firms using indicated sources in a given year, and not percentage of receipts from indicated sources)

	←----- LOANS -----→					←----- EQUITY -----→					
	INT. INST.	REG. INST.	JAM. INST.	PRIV-ATE	OTHER	INT. INST.	REG. INST.	JAM. INST.*	PRIV-ATE	RET. EARN.	OTHER
No. of Small Firms in 1993	2.4	0.0	37.3	3.6	0.0	0.0	0.0	4.8	3.6	4.0	1.2
No. of Small Firms in 1994	2.5	0.0	37.0	4.9	0.0	0.0	0.0	4.9	4.9	44.4	1.2
No. of Med. Firms in 1993	1.3	0.0	34.2	1.3	2.5	1.3	0.0	11.4	2.5	39.2	6.3
No. of Med. Firms in 1994	2.7	0.0	35.1	1.4	4.1	1.4	0.0	9.5	2.7	39.2	4.1
No. of Large Firms in 1993	3.6	0.0	32.7	1.8	3.6	0.0	0.0	10.9	1.8	43.6	1.8
No. of Large Firms in 1994	0.0	0.0	29.6	1.9	3.7	1.9	0.0	13.0	1.9	48.1	0.0

* Almost all the data in this column represent equity investment by Jamaican Institutions, such as banks and insurance companies. None of this data for 1994 represents equity from the stock market, whereas, only a few 1993 data (large firms only) represent stock market capital (see Tables 6d.2 & 6d.3).

Table 6d. 2 :

1993 SOURCE OF EXTERNAL FUNDS BY TYPE OF INSTITUTION, AND SIZE OF RECIPIENT

(FIGURES REPRESENT PERCENTAGE OF FIRMS IN EACH SIZE CATEGORY)

	COMMERCIAL BANK			MERCHANT BANK			DEVELOPMENT BANK			JAMAICA STOCK EXCHANGE	936 FUNDS	BILATERAL: OPIC, etc.
	INT'L	REGIONAL	JAMAICAN	INT'L	REGIONAL	JAMAICAN	INT'L	REGIONAL	JAMAICAN			
Small Firms	2.6	0.0	86.8	0.0	0.0	5.3	0.0	0.0	2.6	0.0	0.0	2.6
Medium Firms	8.8	0.0	67.6	0.0	2.9	5.9	0.0	0.0	11.8	0.0	0.0	2.9
Large Firms	0.0	0.0	55.0	0.0	0.0	10.0	0.0	0.0	20.0	10.0	0.0	5.0

Table 6d. 3 :

1994 SOURCE OF EXTERNAL FUNDS BY TYPE OF INSTITUTION, AND SIZE OF RECIPIENT

(FIGURES REPRESENT PERCENTAGE OF FIRMS IN EACH SIZE CATEGORY)

	COMMERCIAL BANK			MERCHANT BANK			DEVELOPMENT BANK			JAMAICA STOCK EXCHANGE	936 FUNDS	BILATERAL: OPIC, etc.
	INT'L	REGIONAL	JAMAICAN	INT'L	REGIONAL	JAMAICAN	INT'L	REGIONAL	JAMAICAN			
Small Firms	0.0	0.0	92.6	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0	3.7
Medium Firms	10.3	3.4	62.1	0.0	3.4	3.4	0.0	0.0	10.3	0.0	0.0	6.9
Large Firms	0.0	0.0	68.8	0.0	0.0	12.5	0.0	0.0	18.8	0.0	0.0	0.0

Table 7 :

EFFECTS OF INVESTMENT ON AVERAGE FIRM
 (FIGURES REPRESENT AVERAGES)

	Add. sales Dom. Mkt. For 1994 J\$Mil.	Add. sales Exp. Mkt. For 1994 US\$Mil.	Additional Employment For 1994	Add. sales Dom. Mkt. For 1995 J\$Mil.	Add. sales Exp. Mkt. For 1995 US\$Mil.	Additional* Employment For 1995
Small Firms	5.47	0.64	7	5.48	0.66	9 (44% ¹)
Medium Firms	67.35	1.88	17	20.45	17.75	21 (23% ²)
Large Firms	448.43	6.36	186	175.50	26.86	174 (34% ³)

* Figures in parenthesis represent percent employment increase over 1994. For the entire sample of firms, including those not making investments, the projected increase in employment is 3.6%. The margins of error corresponding to a 95% confidence level for each category of firm size are shown in the notes below:

1. +/- 12.2% error margin.
2. +/- 6.7% error margin.
3. +/- 12.2% error margin.

8. QUESTION 8

(External Issues Of Concern to Firms):

As with the 1993 survey, high interest rate is the number one concern. This year the issue of crime and violence was included in the survey, and it was among the top three concerns. Inflation was also in the top three concerns, as was the case in 1993. For medium-sized firms, concerns over high utility rates was about on

par with concerns over inflation. In general, the issues of interest rates, crime, and inflation were rated the same order of importance by all size classifications of firms (Table 8.1). At the other extreme, concerns over infrastructure, NAFTA, and scarcity of foreign exchange were rated very low in importance (Table 8.2).

Table 8.1:

ISSUES OF GREAT CONCERN TO FIRMS

FIRM SIZE	LIST OF MOST PRESSING CONCERNS	NO. 1 CONCERN
SMALL	Int. Rate, Crime, Inflation	Int. Rate
MEDIUM	Int. Rate, Crime, Inflation, Utility Rates	Int. Rate
LARGE	Int. Rate, Crime, Inflation	Int. Rate

- NOTES:
1. NAFTA and Foreign Exchange are among the lowest concerns of all firms.
 2. Margin of error less than +/- 15% at the 95% confidence level.

Table 8.2:

TOP THREE CONCERNS BY SIZE OF FIRM
(FIGURES REPRESENT PERCENTAGES OF FIRMS PROVIDING THE INDICATED RANKINGS)

Type of Firm	High Taxes	Custom Procedures	Excessive Govt. Regulation	Low Worker Productivity	High Inflation	Scarcity of Equity Capital	Shortage of Skilled Labour	High Interest Rates	Uncertain -ties Due To Trade Blocks	Scarcity of Foreign Exchange	High Utility Rates	Infrastructure Constraints	Problematic Import/Export Procedures	Other Govt. Related List	Crime & Violence
SMALL:															
No. 1 Concern	14	4	5	3	16	5	2	24	1	0	8	2	3	2	12
No. 2 Concern	17	3	8	3	19	5	7	20	1	5	5	0	1	0	8
No. 3 Concern	13	7	4	6	19	2	7	17	2	3	10	0	3	1	6
MEDIUM:															
No. 1 Concern	12	7	10	3	13	0	2	28	1	0	3	3	0	1	15
No. 2 Concern	7	5	8	11	25	4	3	20	2	0	7	3	3	0	4
No. 3 Concern	15	4	8	10	11	4	4	12	2	3	14	7	1	0	5
LARGE:															
No. 1 Concern	10	0	2	3	15	0	2	43	3	2	5	0	2	2	18
No. 2 Concern	10	2	2	12	20	7	7	13	2	0	7	7	2	3	8
No. 3 Concern	5	7	12	8	15	3	7	12	2	7	8	3	0	0	8

9. QUESTION 9

(Effect Of Exports On Growth)

All size classification of firms expect that exports will contribute significantly (in excess of 25%) to their growth in 1995 (Table 9), with medium-sized firms being the most optimistic. This is an increase over the already "bullish" estimates for 1993. One possible reason for this optimism is the realization that export markets are far larger than domestic markets, and even a small share of an important market segment in Jamaica's major trading partner (the USA) would have a major effect on the growth of the relatively small Jamaican exporting firms. Also, the prospect of increased supply of trade finance with foreign exchange liberalization reinforces the optimism for exports.

Table 9:

ANTICIPATED EFFECTS OF EXPORTING OPERATIONS ON FIRM GROWTH

FIRM SIZE	OVERALL EFFECT FOR 1994	OVERALL EFFECT FOR 1995
SMALL	14.7% Increase	25.7% Increase
MEDIUM	38.2% Increase	43.7% Increase
LARGE	27.4% Increase	33.5% Increase

Margin of error within +/- 30% at the 90% confidence level.

Figure 6 :

AVERAGE INVESTMENTS BY ALL FIRMS
(NOMINAL VALUES)

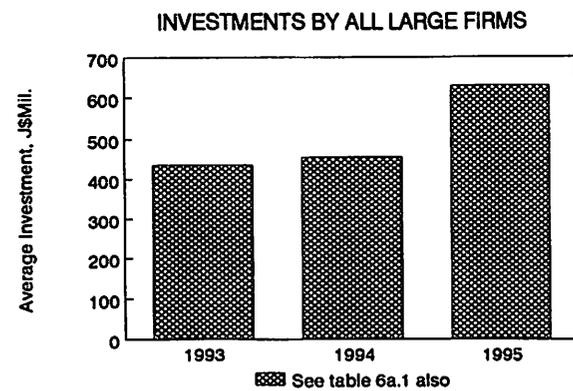
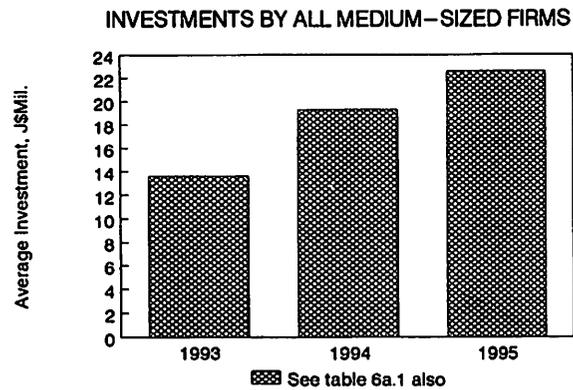
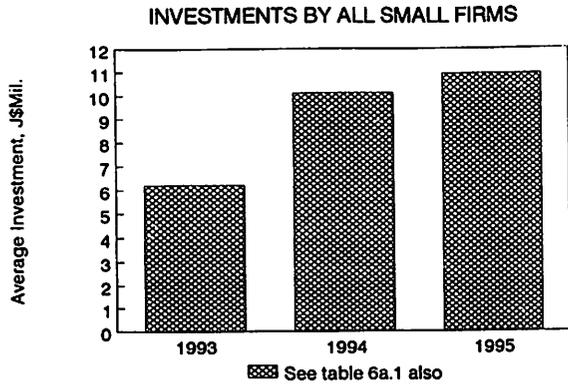


Figure 7:

AVERAGE INVESTMENTS BY DISTRIBUTION FIRMS
(NOMINAL VALUES)

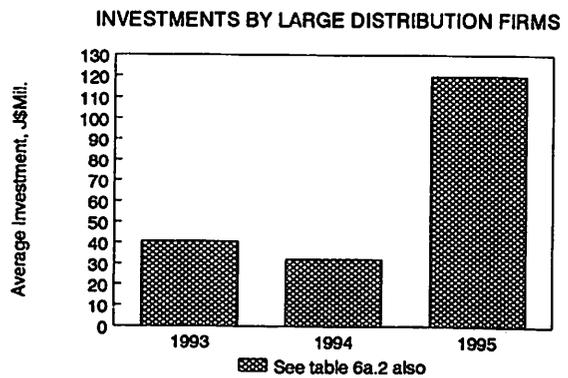
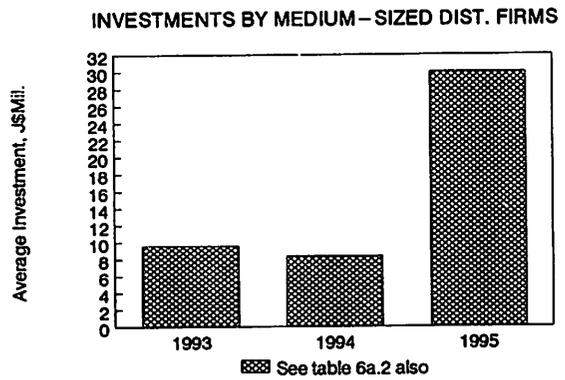
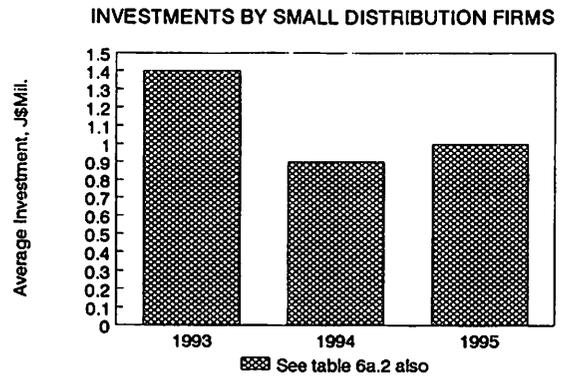


Figure 8 :

AVERAGE INVESTMENTS BY MANUFACTURING FIRMS (NOMINAL VALUES)

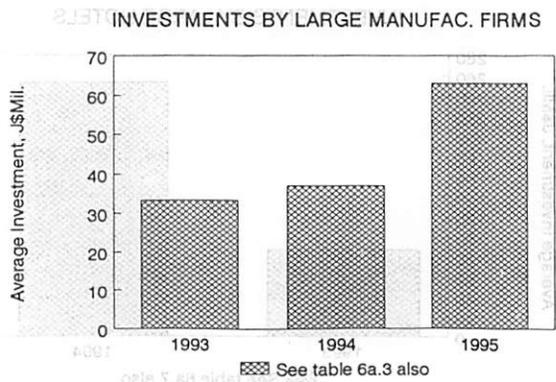
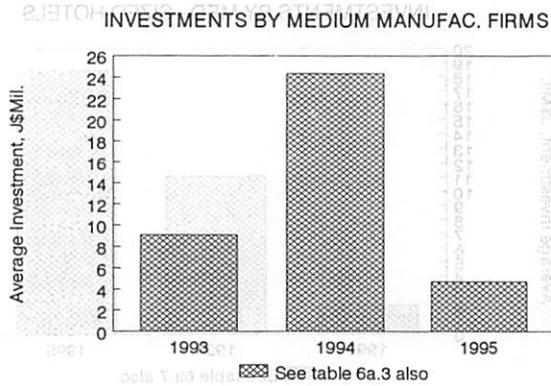
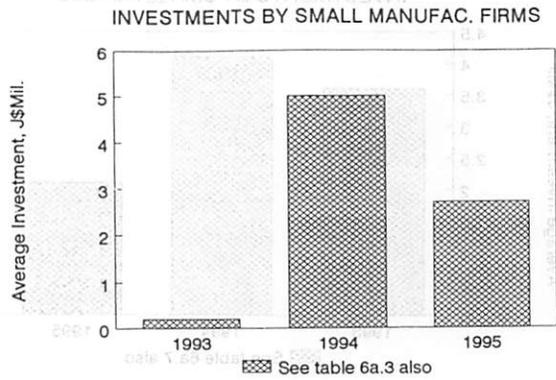


Figure 9 :

AVERAGE INVESTMENTS BY FINANCE FIRMS (NOMINAL VALUES)

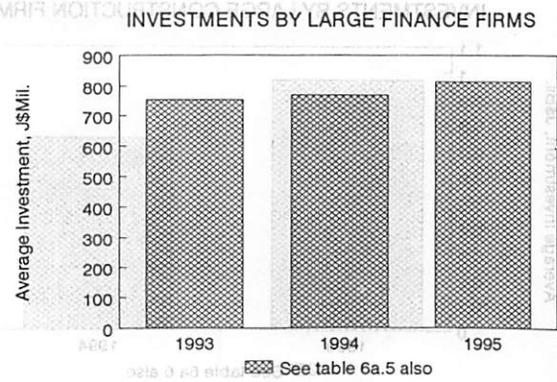
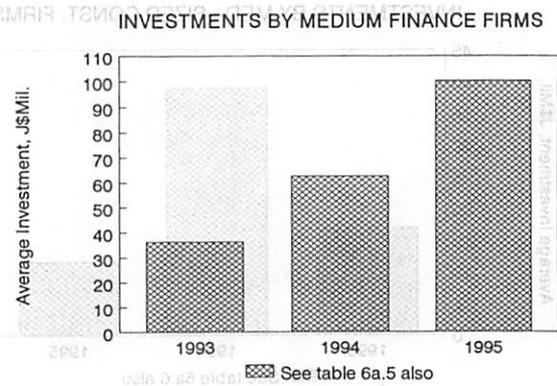
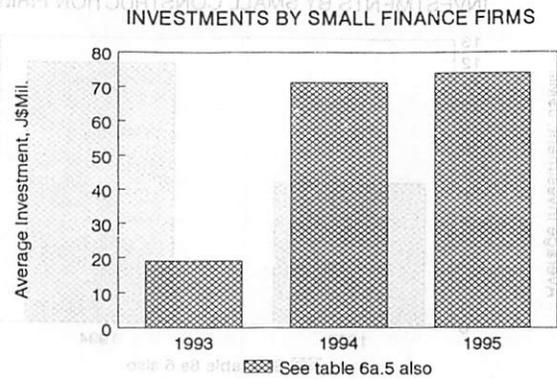


Figure 10 :

AVERAGE INVESTMENTS BY CONSTRUCTION FIRMS
(NOMINAL VALUES)

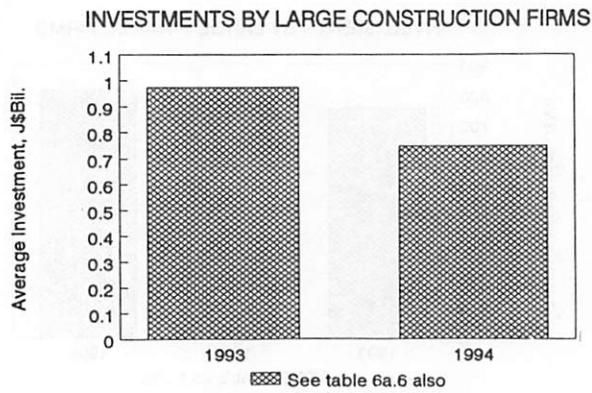
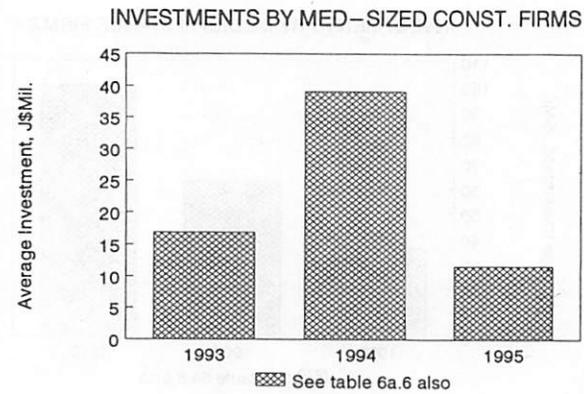
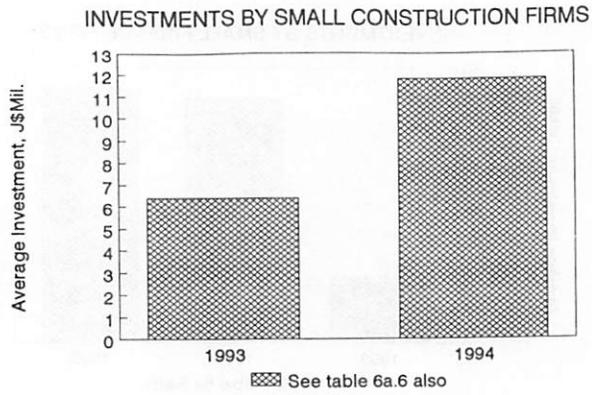
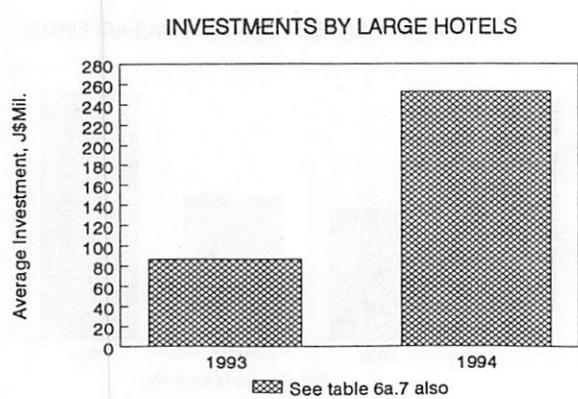
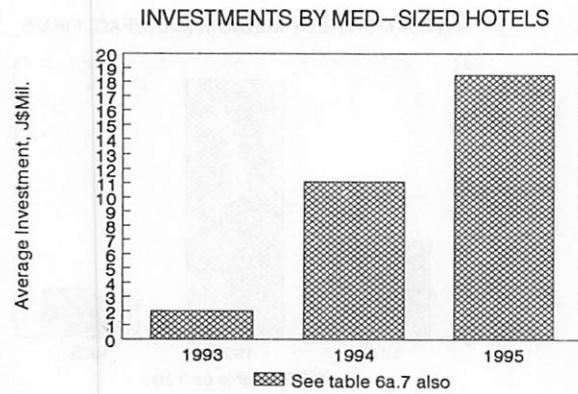
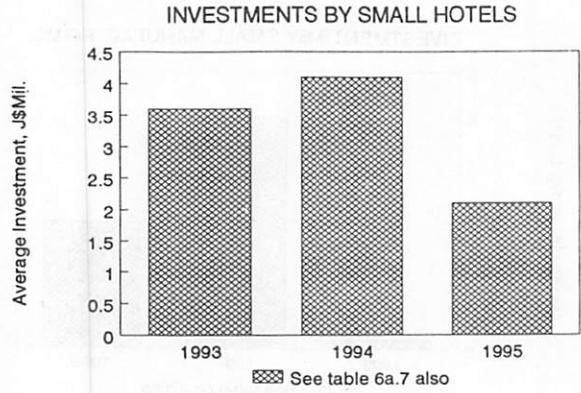


Figure 11 :

AVERAGE INVESTMENTS IN THE HOTEL INDUSTRY
(NOMINAL VALUES)



10. QUESTION 10 (NAFTA):

For the 1994 survey the issue of NAFTA was explored in detail. This question attracted an almost 90% response rate. The results were that when firms are categorized by size, they uniformly are not very much concerned about the effect of NAFTA on their sales volumes and export prices (Tables 10.1 and 10.2). When manufacturing firms are analysed the results are mixed. Large manufacturing firms expect that their 1994 sales volumes would have been reduced if there were NAFTA parity, and mainly unaffected without parity; they cease to worry about NAFTA for 1996. Small and medium-sized manufacturing firms, in general, do not expect sales volume reduction, whether or not there is parity. On the issue of concerns over export prices most firms, irrespective of size, expect a reduction in prices with NAFTA parity, but no change without parity. Given these concerns, firms cannot be viewed as interested in Jamaica obtaining NAFTA parity.

The above results are also applicable for the garment sector. In a sample of 13 firms, nine do not expect any sales volume reduction without parity in 1996, and ten expect no change with parity in 1996. They were not very responsive on the issue of the effect on export prices, but when they did respond they generally felt that there would be no change, regardless of the parity situation. In fact, one company responded that it would relocate its operations to another country if it felt a price reduction was imminent.

There are some concerns about whether the responses to these questions were truly informed opinion. Upon further examination of the NAFTA section of the questionnaire, and some background check on the manner in which the questions were administered, there is some concern that at least some of the respondents may not have fully understood,

nor reflected upon, the questions. This concern is based on the fact that these questions require a fair degree of knowledge of, and reflection on, export markets. Also, there was no verification check to ensure that the questions were understood.

Nevertheless, some comfort concerning the validity of the results is provided by the responses to Question 8, which required the respondents to consider ranking NAFTA as one of their top five concerns from a list of fifteen major issues. The respondents scored concerns about NAFTA the lowest. This provides some corroboration for the results of these questions, which show that firms are not very much concerned about NAFTA.

2. Part II (Policy Reforms):

The respondents were asked to rank the five areas of policy reform shown in Part II of the last question (Banking deregulation; Tax equity and efficiency; Financial sector deregulation; Secondary education; and Pension law). Reforms in taxation, banking, and secondary education were ranked the highest in order of priority. In fact secondary education reform received the most "Number one" priority ranking (see Table 10.4). This finding regarding secondary education reform complements the results from Question 5, which show that there is great concern about the inadequacy of entry level skills of new employees (see Table 5, and Figure 4). At the opposite end of the spectrum, pension law reform was ranked the lowest of the five policy reform areas.

Some of the specific modifications which were mentioned in the context of the five areas of reform include the following:

- (1) Reform of the **Export Industry Encouragement Act (EIEA)** to allow full import duty exemption, even if less than 100% of products exported.
- (2) Reform of the **Free Zone Act**. No specific provisions were mentioned, but based upon previous comments from the export sector, one would expect that one reform would include making provisions for Freezones outside of the existing designated areas.
- (3) Full deregulation of the Banking sector.

Other specific reforms which the respondents may have contemplated in the context of the five reform areas, but did not report include those contained in the objectives of the Reform of Secondary Education (ROSE) project of the Ministry of Education (see footnote 2 in section IV), and the removal of the interest rate ceiling set in the Money Lending Act.

The respondents were also asked to mention areas of reform other than the five mentioned above. Some of these include: reform of international trade laws, e.g. those dealing with customs clearances (see table 8.2 for the extent of the dis-satisfaction with customs); constitutional reform; primary education; and the reform of trade union legislation. Although these reforms are mentioned here, it should be said that they do not represent the opinion of a majority of firms (except on the issue of customs), unlike the responses to the five policy reforms shown in Table 10.4.

Table 10.1 :

EXPECTED EFFECT OF NAFTA ON SALES VOLUME
(PERCENTAGE OF FIRMS RESPONDING IN EACH CATEGORY)

	WITH NAFTA PARITY				WITHOUT NAFTA PARITY			
	'94: REDUCTION	'94: NO CHANGE	'96: REDUCTION	'96: NO CHANGE	'94: REDUCTION	'94: NO CHANGE	'96: REDUCTION	'96: NO CHANGE
ALL SMALL FIRMS	6.6	93.4	5.8	94.2	7.7	92.3	10.2	89.8
ALL MEDIUM FIRMS	4.9	95.1	8.6	91.4	5.1	94.9	11.8	88.2
ALL LARGE FIRMS	7.4	92.6	10.0	90.0	10.9	89.1	7.4	92.6
ALL MFG. FIRMS	35.3	64.7	23.8	76.2	12.0	88.0	24.4	75.6
SM. MFG. FIRMS	33.3	66.7	25.0	75.0	15.0	85.0	33.3	66.7
MD. MFG. FIRMS	16.7	83.3	21.4	78.6	6.7	93.3	33.3	66.7
LG. MFG. FIRMS	100.0	0.0	25.0	75.0	13.3	86.7	0.0	100.0

Table 10.2 :

EXPECTED EFFECT OF NAFTA ON EXPORT PRICES
(PERCENTAGE OF FIRMS RESPONDING IN EACH CATEGORY)

	WITH NAFTA PARITY				WITHOUT NAFTA PARITY			
	'94: REDUCTION	'94: NO CHANGE	'96: REDUCTION	'96: NO CHANGE	'94: REDUCTION	'94: NO CHANGE	'96: REDUCTION	'96: NO CHANGE
ALL SMALL FIRMS	98.9	1.1	95.8	4.2	4.0	96.0	8.2	91.8
ALL MEDIUM FIRMS	97.6	2.4	94.3	5.7	7.3	92.7	7.4	92.6
ALL LARGE FIRMS	96.4	3.6	89.5	10.5	5.6	94.4	10.3	89.7
ALL MFG. FIRMS	84.3	15.7	58.3	41.7	10.7	89.3	23.3	76.7
SM. MFG. FIRMS	87.0	13.0	100.0	0.0	0.0	100.0	20.0	80.0
MD. MFG. FIRMS	77.8	22.2	66.7	33.3	11.1	88.9	22.2	77.8
LG. MFG. FIRMS	90.0	10.0	42.9	57.1	22.2	77.8	27.3	72.7

IV.

EQUITY CONSIDERATIONS

This section addresses the question of equity from the standpoint of what management, or "capital", is either committed to provide for labour (before, during, and after their working life), or believe labour is entitled to. What follows is an assessment based on inferences drawn from the responses to questions which involve employment, or human capital maintenance and development. There were no specific questions which explored the issue of equity explicitly.

On the issue of what management believes workers are entitled to prior to and after their working careers, Question 10 (The NAFTA question) provides some clues. Section II of this question deals with policy reforms management would like to see, along with the ranking of these reforms. The responses to secondary school reform, provide a clue as to what management believes workers are entitled to prior to entering the workplace². Of 231 firms responding, 28% believe that secondary school reform should be the top priority for strengthening their industries and, by extension, for improving the human capital of workers prior to entering the workplace. By contrast, only 14% believe pension law reform should be the top priority in strengthening their industries and, by extension, in contributing to the maintenance of workers' human capital after their careers are over. In fact, pension law reform was rated the lowest overall of the five areas for policy reform (see bottom of last page of the questionnaire).

On the issue of what management is committed to provide for workers while they are on the job,

Question 3 provides an answer. Management is committed to the improvement of human capital, as evidenced by the investment in training and employee development programmes (see Tables 3.1 - 3.3). Although the extent of this commitment varies with the size of the firm, with smaller firms investing proportionately more than larger firms, actual dollar investments are on the increase for all sizes of firms.

Finally, on the issue of growth and equity the survey provides a partial answer. The results from Questions 6b and 7 shed some light on the near-term future path of the capital/labour ratio in Jamaica. The total reported intended investments for 1994 and 1995 are J\$14,485 million and J\$19,805 million respectively. The expected increase in employment associated with these investments are 2,476 and 2,961 respectively. These figures result in capital/labour ratios (million dollars invested per employee) for 1994 and 1995 of 5.85 and 6.69 respectively. This suggests a future decrease in the labour intensity of most business operations. We have a partial answer to the question of growth and equity, in that we can expect labour to have a lower share in economic growth in terms of numbers participating in a given amount of increase in Gross Domestic Product. This is only a partial answer, since we do not know what total employee compensations (wages, etc.) are expected to be in the future. In other words, it is possible for wage increases to effect the apparent declining trend in labour utilisation, thereby causing labour's share of national income to rise.

2. One secondary school reform which may have been contemplated by the respondents could have been the Reform of Secondary Education (ROSE) project of the Ministry of Education, which seeks to improve the competency of high school graduates, among others things.

V.

CONCLUSIONS AND RECOMMENDATIONS

1. CONCLUSIONS

The major conclusions which can be drawn from this survey concerns the perceptions by firms about their ability to control their destiny, and the other concerns the issue of efficiency. Most of the firms surveyed believe that the major impediments to growth and efficiency are factors which lie outside of their control, such as interest rates, inflation, and crime. This perception may be of interest to policy makers, because they can expect businesses to rely heavily upon them to solve their most pressing problems. On the issue of efficiency, it is clear from the survey that there is significant inefficiency in the capital structure of firms, since long term investments are being financed mainly by short term credit (especially by small firms). This could give rise to a liquidity problem, possibly leading to many bankruptcies. The other efficiency issue concerns the lack of responsiveness by firms to major market signals, such as those being given by NAFTA, and high interest rate. Mergers with, and acquisitions of foreign firms to benefit from NAFTA is not occurring. Also, with rising interest rates smaller firms are not reducing their reliance on debt financing.

Other important conclusions include the near term direction of investments, and the role of labour in the growth of firms. On the issue of investments, it can be said that inflation-

adjusted (real) investments are more likely to increase for large firms, and less likely to increase for smaller firms. Continued dependency on high interest commercial bank loans was cited as the major reason for the expected poor showing for investment among small firms. On the role of labour in the growth of firms, it can be said that labour is a critical component of that growth. The only troubling aspect of this is that firms believe that labour, and labour-related issues are the main impediments to their growth.

2. RECOMMENDATIONS

Two major recommendations are made. One concerns export activity and the other deals with labour. Given the optimism which surrounds exports at the level of the individual firm, coupled with the importance of exports in the national development strategy, and the contrasting situation of an expected poor performance at the macroeconomic level, follow-up studies should be done exclusively on firms which export and their export markets. One objective of the studies should be an assessment of the degree of preparedness of exporting firms to adjust to changes in the external environment (marketing channel arrangements, management knowledge and competence, flexibility in production, etc.). Another objective should be a non-subjective

assessment of the factors which contribute to price and sales volume stability of the major classes of exports (tourism, garments, sugar, bananas, spirits, etc.).

Regarding labour, it is recommended that a study be done to uncover the sources of labour problems identified by management in this survey (e.g. "poor work habits", and tardiness), and to determine what programmes (in the private and public sectors) can be put in place to improve the basic skills of workers (literacy, and numeracy).

On a related point, it is recommended that, as a precursor to programmes to improve the basic skills, assessment programmes be put in place to determine what are the contributing factors to the current less than acceptable levels of literacy and numeracy. A review should be done by the Ministry of Education, in collaboration with the private sector, to determine how to design these assessment programmes.

V. APPENDIX

APPENDIX A 1994 P.S.O./U.S.A.I.D. – SURVEY OF BUSINESS BEHAVIOUR

Name of Interviewer _____

Date _____

1. a) Please indicate your type of business activity (at present). If you are involved in more than one activity – please rank them in order of contribution to gross revenue (1 – highest; 5 – lowest)

[]	1010 Wholesale/Retail:	Food (1)	Clothing (2)	Other Consumer Goods (3)	Hardware (4)	Other (5)
[]	1020 Manufacturing:	Food (1)	Clothing (2)	Other Consumer Goods (3)	Equipment (4)	Other (5)
[]	1030 Agriculture:	Food (1)		Feed Stock (2)		Livestock (3)
[]	1040 Agricultural Processing:	Canned Goods (1)		Bottled Goods (2)		Non-Packaged (3)
[]	1050 Finance:	Loans (1)		Equities (2)		Analysis (3)
[]	1060 Mining:	Metallic (1)		Non-Metallic (2)		
[]	1070 Construction:	Residential (1)		Non-Residential (2)		Infrastructure (3)
[]	1080 Hotel and Restaurant	Accommodations (1)		Transportation (2)		Attractions (3)
[]	1090 Insurance:	Life & Casualty (1)		Commercial (2)		
[]	1100 Transport, Storage & Communication	Taxis/Buses (1)		Freight (2)		Other (3)
[]	1120 Other:	Electricity & Water (1)		Real Estate & Business Services (2)		Other (3)
b) []	1200 Number of Employees (at present)	_____				

2. a) Indicate the value of your domestic and export sales including the primary destination of your export:

Sales	Gross Domestic Sales (J\$)	Gross Export Sales (US\$)	Primary* Export Destination = X
1990	2110	2120	21 0
	[]	[]	
1991	2111	2121	21 1
	[]	[]	
1992	2112	2122	21 2
	[]	[]	
1993 (Proj.)	2113	2123	21 3
	[]	[]	
1994 (Proj.)			

Proj. = Projection

* Values of "X"

America	-	5	Rest of EEC	-	7	Other Caribbean	-	4
Canada	-	8	Caricom	-	3	R.O.W.	-	9
UK	-	6						

b) Indicate roughly what percentage of your exports went to the following markets and your projections for 1994:

Percentage (%) of Exports, to Selected Markets

For Tourism interpret as % of visitors served from these countries.

1991	1992	1993	Projection/ Estimate 1994	
2230 []%	2231 []%	2232 []%	2233 []%	to Caricom
2240 []%	2241 []%	2242 []%	2243 []%	to Other Caribbean Community
2250 []%	2251 []%	2252 []%	2253 []%	to U.S.A.
2260 []%	2261 []%	2262 []%	2263 []%	to U.K.
2270 []%	2271 []%	2272 []%	2273 []%	to other European Community
2280 []%	2281 []%	2282 []%	2283 []%	to Canada
2290 []%	2291 []%	2292 []%	2293 []%	to Other (Specify)

3. Indicate the average percentage of gross revenues invested in:

	% of Gross Revenues	% of Gross Revenues	% of Gross Revenues	% of Gross Revenues
	1991	1992	1993	1994 Projection
Market Research	3110 []	3111 []	3112 []	3113 []
Research & Development	3210 []	3211 []	3212 []	3213 []
Acquisition of Technology - patents, license/franchise, machines, etc.	3310 []	3311 []	3312 []	3313 []
Training and Employee Development	3410 []	3411 []	3412 []	3413 []
Other	3510 []	3511 []	3512 []	3513 []

4. **Capacity Utilization** represents the percentage utilization of Fixed Assets (machinery, hotel rooms, etc.)

Indicate the level of capacity at which you are operating.

[4000]	[]	0	-	9%	[4006]	[]	60	-	69%
[4001]	[]	10	-	19%	[4007]	[]	70	-	79%
[4002]	[]	20	-	29%	[4008]	[]	80	-	89%
[4003]	[]	30	-	39%	[4009]	[]	90	-	99%
[4004]	[]	40	-	49%	[4010]	[]	Full Capacity		
[4005]	[]	50	-	59%					

5. a) [Optimum productive efficiency means lowest achievable average cost of goods, or services]

b) What limits labour productivity to the existing levels in your firm?

- | | | | | | |
|--------|-------------------|--------|--------|---------------------------------|--------|
| [] | Tardiness | [5320] | [] | Poor work habits | [5331] |
| [] | Levl of litracy | [5321] | [] | Inadequate entry skills | [5332] |
| [] | Level of numeracy | [5330] | [] | Improper and insufficient tools | [5333] |

6 a) What investment projects did you undertake in 1993?

Projects	Type of Economic Activity {See Ques. 1 (a)}	Export Oriented [6230]	For Domestic Market [6240]	1993 Invested J\$M [6250]
1				
2				
3				
4				
5				

b) **Business Intentions:** What investment plans do you have scheduled for 1994 and 1995?

Projects	Type of Economic Activity {See Ques. 1 (a)}	Export Oriented [6260]	For Domestic Market [6270]	1994 Invested J\$M [6280]	1995 Invested J\$M [6280]
1					
2					
3					
4					
5					

c) What percentage of your investment funds have been and will be used for the following activities?

Activities		1994 Investment % of Funds	1995 Investment % of Funds
New Capacity	6311	6321	6331
Improve Productivity	6312	6322	6332
Merger or Acquisition	6313	6323	6333
Acquire Agricultural Land	6314	6324	6334

c) Please indicate the source of your financing in 1993 and your proposed financing for 1994 in terms of:

FINANCING SOURCE	LOAN				EQUITY				TYPE OF INSTITUTION*	
	LOAN		EQUITY		LOAN		EQUITY		TYPE OF INSTITUTION*	
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	1993	1994
	1993	1994	1993	1994	1993	1994	1993	1994	1993	1994
1. International Institution	6411	6421	6511	6521	66	1	67	1		
2. Regional Institution	6412	6422	6512	6522	66	2	67	2		
3. Jamaican Institution	6413	6423	6513	6523	66	3	67	3		
4. Private (Personal)	6514	6424	6514	6524	66	4	67	4		
5. Retained Earnings	-	-	6515	6525	-		-			
6. Other (Please specify)	6415	6425	6516	6526	66	5	67	5		

* Type of Financing Institutions refers to: (1) Commercial Bank, (2) Merchant Bank, (3) Jamaica Stock Exchange, (4) Development Bank, (5) 936 Funds, (6) Bi-lateral (e.g. OPIC), EX-IM Bank of the U.S.A.) etc.

7. What are your projected additional annual sales and employment that can be expected from the planned investments?

1994 Investment		1995 Investment	
[7011]		[7021]	
1) J\$ _____ on local market	[7012]	1) J\$ _____ on local market	[7022]
2) US\$ _____ on export market	[7013]	2) US\$ _____ on export market	[7023]
3) Employment _____ persons		3) Employment _____ persons	

8. Which five of the following do you think are the most serious issues facing Jamaican entrepreneurs today? Please rank these issues (1 - most serious 5 - least serious).

Place the rank (1-5) under appropriate heading, leaving others blank.

[8001] [] High Taxes	[8011] [] High utility rates
[8002] [] Custom Procedures	[8012] [] Infrastructure constraints
[8003] [] Excessive government regulation	[8013] [] Problematic import and export procedures
[8004] [] Low worker productivity	[8014] [] Other Government related.
[8005] [] High inflation	List:
[8006] [] Scarcity of equity capital	_____
[8007] [] Shortage of skilled labour	_____
[8008] [] High interest rates	_____
[8009] [] Uncertainties due to trade blocks - NAFTA, EC, CBI	_____
[8010] [] Scarcity of foreign exchange	[8015] [] Crime and violence

What role do you expect exports to play in the growth of your company between 1994 - 1995?

9.

	Estimated Percentage Change (%)			
	1994		1995	
Put % under appropriate heading, leaving others blank.				
a. Increasing Role	[9110]		[9120]	
b. Decreasing Role	[9210]		[9220]	
(Please Tick Below)				
c. No Change	[9310]		[9320]	
d. Uncertain	[9410]		[9420]	

