

AN EXAMINATION OF MONETARY POLICY IN JAMAICA:

1981 - 1985

By

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In 1981 Jamaica embarked on a new Economic Recovery Programme. The commencement of the programme coincided with the start of a new three-year Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF) in April 1981. Since then Jamaica entered under a Stand-by Programme with the IMF in 1984 which was followed by another Stand-by Programme in 1985.

The implementation of these programmes has involved an unprecedented level of focus on monetary policy as an instrument of economic management over a four-year period during which there have been significant adjustments in the Jamaican economy. The impact of monetary policy has been augmented by accompanying fiscal and balance of payments policies with the primary objective being the restoration of the economy to a sustained growth path.

Monetary policy basically deals with the management by a central bank of a nation's money supply in order to ensure the availability of credit in quantities and at prices consistent with specific national objectives. It is in this light that the Bank of Jamaica in formulating its monetary policy over the years has concentrated on regulating money and credit at levels consistent with the promotion of economic growth, a reasonable inflation rate target and an adequate level of international reserves.

This paper attempts to examine the direction of monetary policy over the four year period as well as ensuing developments up to the end of third quarter 1985.

1981 - 1983

Negotiations with the International Monetary Fund, which were initiated towards the end of 1980, culminated in a new three-year EFF arrangement in April 1981. This arrangement provided access to drawings totalling US\$698 million (including US\$48 mn. from the Fund's Compensatory Financing Facility) over a three-year period in support of the Government's Economic Recovery Programme.

Monetary Policy in 1981 was therefore geared towards achieving the objectives established by the EFF Agreement. Under the Agreement, certain performance criteria were established with respect to the Net Domestic Assets and the Net International Reserves of the Bank of Jamaica, as well as the Net Banking System Credit to the Public Sector.

In addition to regulating money and credit, a major objective was the liquidation of arrears of external payments in order to generate new sources of credit financing for the Economic Recovery Programme. Of particular importance was an emphasis on interest rate changes which would more fully reflect the influence of market forces. Market determined interest rates were expected to lead to increased savings and improved efficiency in the use of capital which thereby contribute to the short-term stabilization programme.

The Treasury Bill discount rate was identified as the prime instrument for influencing changes in the interest rate structure. Domestic bank credit requirements of the government were to be met substantially from the issue of such bills, and

their yields were to be determined by market forces while the level of the bank rate should not be lower than the Treasury Bill rate. The Bank of Jamaica maintained a voluntary liquid assets ratio for commercial banks of 40%, although the mandatory liquid assets ratio of 29% continued to exist. The higher ratio was expected to avoid a build-up of liquidity in the banking system and the resulting pressures on the balance of payments.

New guidelines for consumer-oriented credit were established. These were intended to take into account seasonal peaks in demand for credit to the Distribution Sector as well as personal loans. The Deposit Scheme for the arrears of external payments, introduced in 1980, was modified in 1981 to require importers to deposit the Jamaican dollar equivalent of their foreign exchange requirements prior to making application for approval to the Exchange Control Department of the Bank of Jamaica.

A review of developments in 1981 was extremely encouraging. In respect of the selected performance criteria under the EFF programme, all ceilings were successfully observed during the year. In real terms, the Gross Domestic Product recorded a growth of 2.5% in contrast to a decline of 5.8% in 1980. The rate of inflation was contained at 4.8% compared with 28.7% in 1980. Interest rates in the banking system began to move upward and with the moderate movement of prices during the year, positive real rates of interest were realised on certain categories of deposits. Although the balance of Payments recorded an overall deficit of US\$111.4 million in 1981, compared with US\$59.2 million in 1980, the arrears of external payments

was significantly reduced to US\$56.5 million at the end of the year from US\$105.5 million at the end of March 1981.

The monetary policy objectives remained basically the same in 1982. Interest rate policy continued to focus on interest rate changes based on the interplay of market forces while the voluntary liquid assets ratio of commercial banks was maintained at 40%. In order to ensure that credit expansion was channeled into productive activity, the consumer credit guidelines were revised at the end of March 1982.

In March 1982 external payments arrears were eliminated well before the scheduled date of December 1982. However, there was a noticeable build-up of liquidity in the banking system as importers resorted to relatively long-term credit lines due to inadequate foreign exchange. This was accompanied by a drop in interest rates with the treasury bill discount rate falling to a low of 7.14%. During the last quarter liquidity contracted sharply as a result of growing loan demand, particularly from the construction sector. Short-term deposit rates consequently increased while the Treasury Bill discount rate rose to 9.26% in December. The rate of inflation remained moderate at 6.5%, a slight increase over the 4.6% recorded in 1981.

Against the background of an unfavourable international climate created by a worldwide recession, the Jamaican economy achieved a 1.0% growth in real Gross Domestic Product (GDP) in 1982. In the external sector net capital inflows rose significantly resulting in an overall balance of payments surplus of some US\$86.1 million compared with a deficit of some US\$90.5

million in 1981. In terms of the EFF programme all the performance criteria were satisfied.

Despite the overall positive developments in the balance of payments, Jamaica's major exports, bauxite and alumina, declined dramatically in response to the deepening world recession in 1982. In addition, loans from international financial sources did not materialize as a result of steps taken by a number of major debtor countries in the region to secure a rescheduling of external debt, thus making the banks reluctant to extend their exposure to countries in the region. Consequently, over the fiscal year (April 1, 1982 to March 31, 1983) the balance of payments deteriorated by some US\$147.0 million.

As the shortage of foreign exchange worsened, the implementation of measures to alleviate the problem was a major concern during 1983. A dual market foreign exchange system (the parallel market) was introduced on January 10, 1983 with the objective of capturing the foreign exchange resources existing within the system through the establishment of rates which were competitive with those in the "street" market. Under this regime, the exchange rate in the official market was kept at J\$1.78 = US\$1.00 while in the formalized parallel market rates were determined by the commercial banks based on market conditions. A special Caribbean Community (CARICOM) rate (J\$2.25 = US\$1.00) was introduced in May 1983. Payments in the official market were restricted to public debt, public capital payments, basic foods, petroleum products, essential imports for the tourist sector, school books, drugs, infant feeds and certain service payments. At the same time, certain designated earners

of foreign exchange were required to surrender their earnings at the official market rate; these included earnings from bauxite/alumina, sugar, bananas, hotels, in-bond shops, rent-a-car agencies and tour operators.

In June 1983, non-official market transactions were further expanded by shifting to the parallel market a wider range of payments including oil. Further modifications were made to the exchange market in August due to the low level of flows into the official system. These included the discontinuation of "tied" purchases by banks and a further shift of items to the parallel market. In November, the dual exchange rate system was terminated and replaced by a unified system with limited exchange auction among the commercial banks to determine the exchange rate. Accordingly, the daily rate was set by the commercial banks within a prescribed band and was reviewed fortnightly by the Bank of Jamaica for adjustments based on the weighted average of actual rates for spot transactions during the previous fortnightly period. The band was initially established with a range of J\$3.00 = US\$1.00 to J\$3.30 = US\$1.00.

Changes in the exchange rate system were accompanied by monetary policy measures which were considered appropriate for achieving the economic objectives. The voluntary 40% liquid asset ratio was abolished in April and replaced by a 36% statutory ratio. In the light of a tightening of the banking system's liquidity caused by increased demand for credit relative to the growth in deposits, the banks were also allowed to include the foreign assets float on their parallel market transactions as

part of their liquid assets holdings, effective June 1983. New ceilings on consumer oriented credit, requiring no increase over the level outstanding at the end of March 1983 were introduced in May. At the same time, Bank of Jamaica lending for liquidity support was tightened to ensure consistency with the new credit measures.

When the second year of the programme under the EFF terminated at the end of March 1983, certain performance targets under the programme were not met. As mentioned above, this was due to the failure of some programmed external flows to materialize. The Government requested and was granted a waiver from the IMF in respect of the breaches of performance criteria to allow for the continuation of the programme into its third and final year. The first set of performance criteria for the third year of the arrangement was successfully met in June, 1983. However, at the end of September 1983 disagreement arose between the IMF and the Government on certain technical aspects relating to one of the performance criteria. It was decided to terminate the EFF programme and replace it with a one-year Stand-by Facility.

During 1983, the current account deficit widened by about US\$92.6 million to US\$480.5 million. Simultaneously, the capital account recorded a significant deterioration and as a consequence there was an overall balance of payments deficit of US\$290.0 million. The gross foreign liabilities of the Bank of Jamaica increased by US\$232.5 million due mainly to increased arrears and drawings from the IMF while the gross foreign assets of the Bank fell by US\$30.0 million.

By the end of the second quarter of 1983, prices started to accelerate, following the shifting of transactions from the official to the parallel exchange market. A number of controlled prices and public utility tariffs were raised during the year, including petroleum prices which were increased by 29% in June and again by 50% at year-end. The result was an acceleration of consumer price increases to 16.7% from the 6.5% recorded in 1982. In order to mitigate some of the price impact of devaluation, the authorities also provided full subsidization of certain imported basic foods at the old official exchange rate.

Although an important aspect of the interest rate policy remained the generation of real rates of interest through instruments of monetary credit control, the acceleration of inflation in 1983 together with a build-up of excess liquidity by commercial banks had a strongly negative effect on real interest rates. The Treasury Bill discount rate peaked at 13.3% in June and fell steadily to 12.11% at the end of the year. Short-term deposit rates moved in a similar pattern. Following a substantial increase in net banking system credit to the Public Sector, money stock (M2) rose by J\$622.3 million or 26.5% in 1983 compared with US\$440.8 million or 23.0% in 1982. To this extent, the important monetary policy objective of moderating the growth of money supply in 1983 was not realised.

Real GDP expanded by an estimated 2.0% in 1983, mainly on the strength of an increase in agricultural production and continued strong growth in tourism. Mining output contracted further during the first half of the year, but subsequently

improved as demand for bauxite and alumina gained strength.

1984

The EFF programme was replaced by a one-year Stand-by Facility in June 1984. During the year, monetary policy was even more closely associated with an expanded auction system which was instituted in March 1984. According to the new system, auctions were held twice weekly and the exchange rate band adjusted periodically in accordance with a formula based on the excess demand for foreign exchange in the auction market. In November, the band was removed with the result that the rate was allowed to float freely.

The prime objective of monetary policy was clearly identified as the restriction of aggregate demand in order to meet balance of payments targets and moderate the rate of inflation. The introduction of tight demand management policies was therefore directed at controlling the level of liquidity in the banking system while monitoring the expansion and allocation of domestic credit by the banking system. At the same time, it was also necessary to promote the growth of domestic savings by ensuring a real rate of return to savers.

Within the framework of these policy objectives, Bank of Jamaica utilized more extensively than in former years, the various available policy instruments. These included credit restrictions, increases in the liquid assets and cash reserves of the commercial banks, upward adjustments in interest rates and a deposit scheme relating to foreign exchange payments. Over the year, the bank rate rose in three movements from 11% to 16%. The prime rate similarly moved up from 13% to 18% and the rediscount

rate from 13% to 18%. The minimum interest rate on savings deposits also climbed from 9% at the beginning of the year to 13% by year-end while the treasury bill rate reached a new peak of 16.4%. The cash reserve ratio of the banks was also increased to 10% to support the high interest rate policy while the statutory liquid assets ratio was raised to 44% to reinforce the credit restrictions. A deposit scheme for external payment arrears incurred by the private sector prior to February 1, 1984 was also established in May 1984. In order to address the credit needs of certain productive sectors, the Bank of Jamaica expanded its rediscounting facility to J\$70 million in September 1984.

The monetary policy measures adopted in 1984 contributed considerably to an outstanding improvement in the balance of payments which recorded a surplus of US\$225.7 million as against the deficit of US\$289.1 million in 1983. This improvement enabled the Bank of Jamaica to eliminate substantial payment arrears and effect some build-up of its foreign assets. The current account deficit was reduced by some US\$190.7 million to US\$289.8 million, reflecting an 8.7% increase in exports and a reduction of 7.8% in imports. At the same time, the exchange rate depreciated rapidly by some 50%, moving from J\$3.30 = US\$1.00 at the beginning of the year to J\$4.95 = US\$1.00 at year-end.

Real GDP declined slightly by 0.4% in 1984, as performance was affected by factors such as the tight demand management policies, scarce foreign exchange, unfavourable market conditions and underlying structural weaknesses in the economy. In the

mining sector, output which showed minimal growth of 0.7% in bauxite and alumina was drastically affected by structural shifts which occurred in the world aluminium industry. Among the other key sectors, agriculture recorded a 10% growth, while the continuation of manufacturing and construction fell by 6.4% and 5.4% respectively. Over the year, consumer prices rose sharply by 31.2%, largely as a result of the depreciation of the Jamaican dollar against the US dollar and the phasing out of subsidies on basic food items.

One effect of the policy measures outlined above, was a depletion of liquidity in the banking system which exerted upward pressure on short-term deposit interest rates which reached a new high of 20% in the last quarter. Concomitantly, interest rates on loans also rose to as high as 26% in some cases. Total private sector credit for the period April to December, 1984 expanded by J\$112 million or about J\$60 million below the amount set under the programme. Credit by the banking system to the public sector, which was also restricted, showed an accumulation of a surplus of J\$351.0 million by the Central Government over the nine-month period. With these developments, money supply (M2) rose by over 12.1% which was well on target with the 19.2% increase projected for the fiscal year. In respect of the Stand-by programme, targets on arrears were breached in September and December due to unexpected delays in loan disbursements. However, the Fund approved technical waivers which allowed Jamaica to draw the full amount of resources provided under the Stand-by facility.

Following the completion of the 1984/85 programme, a 22-

month Stand-by Arrangement for approximately US\$115 million was approved by the IMF in July 1985. This involved a continuation, into 1985, of the tight demand management policies and reliance on a flexible exchange rate system. The authorities adopted a number of new credit policy measures as outlined below:

(1) The expansion of private sector credit by commercial banks and non-banks was temporarily frozen at the level prevailing at 8th March, 1985 and 31st March, 1985, respectively. The freeze was subsequently replaced by specified limits of given percentage increases. These ceilings on private sector credit were removed on an overall basis in October with the exception of restrictions on consumer oriented credit. Since the beginning of November, limits on consumer oriented credit equivalent to a decline of 3% below the March 1985 level up to September 1985 and a further reduction of 10% up to March 1986 were instituted.

(2) In order to sterilize excess liquidity the cash reserve requirement on commercial banks was raised from 14% to 20% in stages from March to July and the statutory liquid asset ratio on commercial banks was raised to 48% from 44% in April.

(3) The required liquid assets ratio of the non-bank financial intermediaries was raised from

15% to 20% in June and by a further 1% to 21% in October at which time a 1% cash reserve ratio was introduced.

(4) To adjust the interest rate structure, the minimum interest rates on savings deposits was raised from 13% to 15% in February and further to 20% by end-April. Other interest rates were also increased as the bank rate moved to 21% from 16% and the rediscount rate to 21% from 18%. The statutory ceiling on mortgage rates of building societies was eliminated in June and rates were allowed to move freely.

(5) In support of the increase in liquid asset ratio and the structure of interest rates, the statutory limit on the outstanding stock of treasury bills was increased to J\$1 billion from J\$750 million at the beginning of August.

To complement the above measures, the Bank of Jamaica rediscounting facility was further expanded to J\$100 million to ensure the availability of credit to priority areas. In addition, up to early November, extensive studies were being undertaken on the introduction of open market operations as a flexible instrument of monetary policy which would also control the level of liquidity in the banking system.

Over the period January to September, 1985 the further tightening in demand management policies had the effect of restraining the demand for imports which rose by less than 1% when compared with the same period of 1984. However, exports

declined significantly by some 20% as the major exports, bauxite and alumina, were drastically affected by a renewed downturn in the world market in 1985 which resulted in the closure of two of the main production plants. The result was a trade deficit of US\$436.5 million as against the US\$314.5 million deficit in January to September, 1984. However, positive results on the services account as well as private capital inflows contributed to a balance of payments surplus of US\$107.2 million which was slightly below the surplus of US\$118.2 million accumulated in the same 1984 period.

Stemming from the continued emphasis on restrictive monetary policies there has been, throughout 1985, a general slow-down in the level of economic activity which has led to a GDP forecast of a decline in the range of between 3 to 6 per cent for the year. It is estimated that negative developments in three of the major sectors will contribute significantly to this overall decline. In the area of consumer prices, an inflation rate of some 21% was recorded, representing an improvement over the 28.0% of January to September 1984. Contributing to this improvement was the relative stability of the Jamaica dollar vis-a-vis the US dollar over the 1985 period which showed a depreciation of 20.2% to stand at J\$5.95 = US\$1.00 at the end of September 1985, compared with a depreciation of 30.3% over January to September, 1984.

Over the first half of the year, interest rates rose sharply with the treasury bill discount rate reaching a new peak of 20.72%. As the growth in domestic credit receded, however, there was a corresponding build-up in liquidity which had a dampening

effect on interest rates in the banking system to the extent that the treasury bill discount rate fluctuated to the level of 19.27% in September.

The effect of tight credit restrictions and close monitoring of the banking system's liquidity was reflected in a reduction of 2.8% (January to September, 1985) in credit to the private sector. Concomitantly, the money stock (M2) showed a relatively modest increase of 13.5%. It was against the background of what appeared to be a deceleration in financial activity in particular and economic activity generally, that the monetary authorities embarked on a re-examination of its monetary policy measures in the third quarter, leading to the removal of the overall ceiling on private sector credit and the possibility of introducing alternative instruments such as open market operations.

CONCLUSION

Since 1981, Jamaica's economic imbalances have been exacerbated by the effects of a marked decline in bauxite/alumina production, reflecting a world recession and major structural changes in the world aluminium industry. The adoption of tight money and credit policies over the past four years has been an attempt to support an adjustment programme which has involved significant changes in the exchange rate system. The limitations of traditional monetary policy in a small open economy are well recognised. However, the Bank of Jamaica has made considerable efforts towards relieving some of the general effects by providing assistance to selected economic units of identified priority such as special rediscounting facilities to the main productive sectors.

The current development of a more market oriented economic system undoubtedly has implications for the direction of monetary policy. This will require even greater discipline in the implementation of monetary policy and the pursuit of new policy initiatives by the Bank of Jamaica. The growing linkage between monetary policy and an exchange rate policy also carries important economic implications as the distribution of scarce foreign resources will remain a vital issue for some time. Sharp fluctuations in the movements of commercial bank liquidity have produced direct effects on the demand for foreign exchange and will therefore have to be properly controlled with the implementation of appropriate monetary policy. However, within the local institutional framework, only a relatively small number of instruments have been available in the money and capital markets. It is essential therefore, for the Bank of Jamaica to promote the development of open market operations, the absence of which was a major weakness in monetary policy.

DOMESTIC INTEREST RATES

End of Period	Current Deposit Rates			Prime Lending Rate	Treasury Bill Average Rate of Discount
	3 months & less than 6 months	6 months & Less than 12 months	Savings Rate		
<u>1981</u>					
Mar.	8 - 9½	8½ - 9½	9.0	13.0	9.79
June	8 - 11¼	8½ - 11¼	9.0	13.0	9.84
Sept.	8 - 13	8½ - 13½	9.0	13.0	9.83
Dec.	10 - 13	10½ - 13	9.0	13.0	9.97
<u>1982</u>					
Mar.	9 - 11	9½ - 11	9.0	13.0	9.78
June	7 - 9½	7-¾ - 9-¾	9.0	13.0	8.29
Sept.	8½ - 10½	9½ - 11	9.0	13.0	7.14
Dec.	12 - 14	11½ - 12½	9.0	13.0	9.26
<u>1983</u>					
Mar.	14½ - 16	13 - 15	9.0	13.0	12.31
June	11¼ - 14	11¼ - 14	9.0	13.0	13.34
Sept.	11¾ - 13	12 - 13½	9.0	13.0	12.45
Dec.	10¾ - 13¼	10¾ - 13½	9.0	13.0	12.11
<u>1984</u>					
Jan.	10¾ - 14	10¾ - 15½	9.0	15.0	11.93
Feb.	13 - 14¼	13 - 15½	11.0	15.0	12.84
Mar.	13 - 17	13 - 16	11.0	15.0	13.09
April	11 - 14½	12 - 15	11.0	15.0	12.80
May	10½ - 14½	12 - 15	11.0	15.0	12.11
June	14 - 18	14½ - 16½	11.0	15.0	11.32
July	15 - 18	15 - 16-¾	11.0	15.0	12.65
Aug.	14¾ - 18	14½ - 18	11.0	16.0	13.73
Sept.	15 - 18	15 - 18½	12.0	16.0	13.44
Oct.	17½ - 20	16 - 20	12.0	18.0	14.73
Nov.	17 - 20	16 - 20	13.0	18.0	14.49
Dec.	17 - 20	16 - 20	13.0	18.0	16.40
<u>1985</u>					
Jan.	17½ - 20	16 - 20	13.0	18.0	17.13
Feb.	17 - 20	16 - 20	15.0	19.0	17.00
Mar.	20 - 22	18½ - 22	15.0	19.0	17.13
April	18½ - 23½	20 - 24	18.0	23.0	20.69
May	14½ - 20	14¾ - 20	20.0	23.0	20.72
June	15 - 20½	16 - 20½	20.0	23.0	18.97
July	15 - 20½	16 - 20½	20.0	23.0	18.82
Aug.	15 - 22	16 - 22	20.0	23.0	18.45
Sept.	15½ - 21	16¾ - 21	20.0	23.0	19.27
					19.63

COMMERCIAL BANKS - STATUTORY LIQUIDITY

Period	Average Deposit Liabilities	Required Minimum Liquidity	Average Liquidity	% of Average Deposits	Excess Liquidity	Average Loans From Central Banks	Net Excess Liquidity
1981							
Mar.	1,558,924	459,882	629,870	40.4	169,988	25,135	144,853
June	1,660,315	489,793	680,207	41.0	190,414	43,355	147,059
Sept.	1,782,110	525,722	743,158	41.7	217,436	21,878	195,558
Dec.	1,892,700	558,347	792,843	41.9	234,496	24,973	209,523
1982							
Mar.	2,061,427	608,121	906,159	44.0	298,038	20,459	277,579
June	2,224,215	656,143	986,154	44.3	330,011	10,045	319,966
Sept.	2,366,716	698,181	922,832	39.0	224,651	17,108	207,543
Dec.	2,503,537	738,543	951,330	38.0	212,787	58,008	154,779
1983							
Jan.	2,581,513	761,546	949,197	36.8	187,651	58,594	129,057
Feb.	2,603,834	898,322	940,321	36.1	41,999	50,476	-8,477
Mar.	2,678,925	924,229	986,058	36.8	61,829	26,727	35,102
April	2,760,565	993,803	1,013,460	36.7	19,657	49,432	-29,775
May	2,767,148	996,173	1,036,673	37.5	40,500	37,220	3,280
June	2,856,970	1,028,509	1,172,554	41.0	144,045	13,197	130,848
July	2,917,188	1,050,188	1,156,878	39.7	106,690	12,930	93,760
Aug.	2,975,250	1,071,090	1,217,119	40.9	146,029	9,531	136,498
Sept.	3,075,805	1,107,290	1,225,074	39.8	117,784	10,204	107,580
Oct.	3,162,456	1,138,484	1,287,446	40.7	148,962	22,913	126,049
Nov.	3,139,690	1,130,288	1,300,037	41.4	169,749	5,112	164,637
Dec.	3,190,725	1,148,661	1,395,261	43.7	246,600	2,903	243,697
1984							
Jan.	3,295,347	1,186,325	1,397,996	42.4	211,671	2,269	209,402
Feb.	3,322,608	1,329,043	1,442,017	43.4	112,974	2,124	110,850
Mar.	3,401,556	1,360,622	1,364,178	40.1	3,556	2,490	1,066
April	3,488,904	1,395,562	1,564,049	44.8	168,487	3,243	165,244
May	3,573,820	1,429,528	1,644,508	46.0	214,980	3,800	211,180
June	3,679,870	1,471,948	1,440,476	39.1	-31,472	7,311	-38,783
July	3,528,166	1,411,268	1,477,988	41.9	66,720	15,460	51,260
Aug.	3,552,813	1,421,125	1,544,191	43.5	123,066	22,874	100,192
Sept.	3,710,371	1,617,722	1,623,728	43.8	6,006	1,487	4,519
Oct.	3,752,109	1,650,928	1,619,275	43.2	-31,653	23,368	-55,021
Nov.	3,792,855	1,668,856	1,674,115	44.1	5,259	37,775	-32,516
Dec.	3,802,655	1,673,168	1,717,909	45.2	44,741	48,307	-3,566
1985							
Jan.	3,911,921	1,721,245	1,885,184	48.2	163,939	49,811	114,128
Feb.	4,044,206	1,779,451	2,001,394	49.5	221,943	50,272	171,671
Mar.	4,164,153	1,832,227	1,997,887	48.0	165,660	54,969	110,691
April	4,247,554	2,038,826	2,049,767	48.3	10,941	53,348	-42,407
May	4,250,085	2,040,041	2,339,879	55.1	299,838	57,198	242,640
June	4,541,753	2,180,044	2,345,666	51.6	165,622	39,439	126,183
July	4,530,218	2,174,505	2,342,031	51.7	167,526	42,289	115,237
Aug.	4,543,712	2,180,982	2,412,408	53.1	231,426	43,598	187,828
Sept.	4,646,472	2,230,306	2,479,596	53.4	249,290	41,880	207,410

MONEY SUPPLY

End of Period	Currency with the Public	Demand Deposits (Adj.)	Total	Quasi-Money		
				Time Deposits	Savings Deposits	Total
<u>1981</u>						
Mar.	219.5	370.2	589.7	243.2	733.9	977.1
June	220.5	325.4	545.9	255.7	777.5	1,033.2
Sept.	221.4	330.5	551.9	298.9	794.9	1,093.8
Dec.	280.7	406.4	687.1	417.3	814.0	1,231.3
<u>1982</u>						
Mar.	263.3	425.9	689.2	467.9	861.1	1,329.0
June	265.3	462.3	727.6	479.5	933.4	1,412.9
Sept.	260.6	400.4	661.0	517.6	982.7	1,500.3
Dec.	313.2	416.0	729.2	614.0	1,016.0	1,630.0
<u>1983</u>						
Mar.	294.6	410.9	705.5	761.5	1,045.5	1,807.0
June	283.9	417.9	701.8	871.4	1,042.1	1,913.5
Sept.	298.9	439.3	738.2	864.9	1,073.1	1,938.0
Dec.	372.8	511.5	884.3	975.0	1,122.2	2,097.2
<u>1984</u>						
Jan.	328.8	470.0	798.8	1,048.6	1,169.2	2,217.8
Feb.	331.6	487.3	818.9	1,071.3	1,175.5	2,246.8
Mar.	340.2	474.7	814.9	1,074.3	1,188.1	2,262.4
April	339.3	502.3	841.6	1,118.5	1,210.9	2,329.4
May	340.8	533.2	874.0	960.7	1,228.1	2,188.8
June	344.9	474.1	819.0	976.7	1,226.8	2,203.5
July	331.9	482.8	814.7	1,038.2	1,228.3	2,266.5
Aug.	342.9	471.2	814.1	1,076.2	1,218.7	2,294.9
Sept.	343.0	501.1	844.1	1,079.2	1,233.9	2,313.1
Oct.	345.2	511.4	856.6	1,077.2	1,268.2	2,345.4
Nov.	369.0	524.6	893.6	1,139.1	1,280.8	2,419.9
Dec.	433.3	579.1	1,012.4	1,134.1	1,304.7	2,438.8
<u>1985</u>						
Jan.	397.1	580.7	977.8	1,175.0	1,352.1	2,527.1
Feb.	401.7	529.8	931.5	1,225.1	1,367.2	2,592.3
Mar.	407.2	568.6	975.8	1,261.8	1,412.3	2,674.1
April	403.8	596.6	1,000.4	1,329.3	1,471.4	2,800.7
May	404.3	610.7	1,015.0	1,239.0	1,530.3	2,769.3
June	421.7	593.8	1,015.5	1,217.5	1,588.9	2,806.4
July	417.7	580.7	998.4	1,205.8	1,695.9	2,901.7
Aug.	423.4	631.1	1,054.5	1,164.3	1,759.9	2,924.2
Sept.	407.1	594.2	1,001.3	1,111.2	1,806.4	2,917.6

CONSUMER PRICES
ANNUAL PERCENTAGE INCREASE (DECEMBER TO DECEMBER)
BY AREAS - 1980 - 1984

Period	All Jamaica	By Region		
		Kingston Metropolitan Area and Spanish Town	Other Urban Areas	Rural Area
1980	29.0	28.8	27.1	31.5
1981	4.6	5.2	4.2	4.1
1982	6.5	4.5	8.4	7.6
1983	16.7	17.7	16.5	15.3
1984	31.2	30.4	30.7	33.0

Source: STATIN

RATE OF GROWTH OF GROSS DOMESTIC PRODUCT
BY INDUSTRIAL SECTORS AT CONSTANT PRICES

Item	Industrial Sector	1980	1981	1982	1983	1984
1.	Agriculture, Forestry & Fishing	-4.3	2.3	-7.9	7.3	10.0
2.	Mining and Quarrying	9.9	1.3	-29.0	0.6	0.7
3.	Manufacture	-11.6	1.1	6.4	3.2	-6.4
4.	Electricity and Water	1.4	0.9	3.7	4.6	1.2
5.	Construction and Installation	-28.3	0.4	15.9	6.3	-5.4
6.	Distributive Trade (Wholesale & Retail)	-6.3	5.0	6.7	-8.4	1.8
7.	Transport, Storage & Communication	-4.9	2.4	0.5	4.9	1.8
8.	Financing and Insurance Services	5.3	8.8	-2.4	22.5	-6.3
9.	Real Estate & Business Services	1.3	3.1	2.6	2.5	-2.5
10.	Producers of Government Services	-2.6	2.5	2.3	1.4	-2.6
11.	Miscellaneous Services	-7.7	1.9	7.2	3.5	1.4
12.	Household & Private Non-Profit Institutions	-6.7	2.1	7.5	0.2	3.3
13.	Total Gross Domestic Product at Constant Prices	-5.8	2.5	1.0	2.0	-0.4

Source: STATIN

BALANCE OF PAYMENTS SUMMARY - 1980-1984
(In Millions of U.S. Dollars)

	1980	1981	1982	1983 ^{1/}	1984 ^{2/}
A. <u>Merchandise</u>	<u>-75.4</u>	<u>-322.7</u>	<u>-441.5</u>	<u>-438.5</u>	<u>-291.7</u>
Exports (f.o.b.)	962.7	974.0	767.4	685.7	745.3
Imports (f.o.b.)	1,038.1	1,296.7	1,208.9	1,124.2	1,037.0
B. <u>Services (net)</u>	<u>-181.7</u>	<u>-138.4</u>	<u>-96.8</u>	<u>-143.5</u>	<u>-118.7</u>
Foreign Travel	228.9	270.6	306.1	374.3	386.6
Investment Income	-251.7	-201.5	-183.5	-266.1	-301.8
Other	-158.9	-207.5	-219.4	-251.7	-203.5
C. <u>Goods & Services (net)</u>	<u>-257.1</u>	<u>-461.1</u>	<u>-538.3</u>	<u>-582.0</u>	<u>-410.4</u>
D. <u>Unrequited Transfers (net)</u>	<u>90.8</u>	<u>124.3</u>	<u>150.4</u>	<u>101.5</u>	<u>120.6</u>
Private	81.8	123.3	134.5	94.7	80.4
Official	9.0	1.0	15.9	6.8	40.2
<u>Current Account Balance</u>	<u>-166.3</u>	<u>-336.8</u>	<u>-387.9</u>	<u>-480.5</u>	<u>-289.8</u>
E. <u>Net Capital Movements</u>	<u>107.1</u>	<u>225.4</u>	<u>465.6</u>	<u>190.5</u>	<u>482.7</u>
Official	226.6	240.2	446.0	300.7	362.9
Private	-119.5	-14.8	19.6	-110.2	119.8
F. <u>Total A Through E</u>	<u>-59.2</u>	<u>-111.4</u>	<u>77.7</u>	<u>-290.0</u>	<u>192.9</u>
G. <u>Allocation of SDR's</u>	<u>10.0</u>	<u>10.0</u>	<u>-</u>	<u>-</u>	<u>-</u>
H. <u>Total F plus G</u>	<u>-49.2</u>	<u>-101.4</u>	<u>77.7</u>	<u>-290.0</u>	<u>192.9</u>
I. <u>Change in Reserves</u> <u>(Increase = Minus)</u>	<u>50.2</u>	<u>90.5</u>	<u>-86.1</u>	<u>289.1</u>	<u>-225.7</u>
Holdings of SDR's	0.5	-1.3	1.2	0.1	-
Reserves Position in the IMF	-	-2.8	-1.3	4.1	-
Government	-12.8	14.0	-1.0	17.4	-4.3
Capital Development Fund	-	-4.0	4.1	0.2	-0.1
Export Development Fund	-8.5	-1.9	1.3	9.7	-37.5
Bank of Jamaica	71.0	86.5	-90.4	257.6	-183.8
J. <u>Net Errors & Omissions</u>	<u>-1.0</u>	<u>10.9</u>	<u>8.4</u>	<u>-0.9</u>	<u>-32.8</u>

^{1/} Revised

^{2/} Provisional

Source: Bank of Jamaica

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