THE JAMAICAN FINANCIAL SECTOR

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A paper prepared for the Commonwealth Secretariat Conference
on Financing Development in the Caribbean

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Overview of the Jamaican Economy

The Jamaican economic experience of the last three decades, provides sharp examples of the impact of three distinct phases of economic policies. These phases reflect the different ideological positions of various administrations in post independent Jamaica, and each coincided with major international trends.

Firstly, in the 1960s, there was a worldwide surge towards industrialisation in the developing countries, with strong private overseas investment. Secondly, in the 1970s, the oil crisis created a shock effect and produced nationalistic moods in the developing world in pursuit of a new international economic order. In the 1980s, with the advent of President Reagan and Prime Minister Thatcher, there was a strong ideological shift to market economies. The magnitude of the debt crisis became the focus of international attention and a major determining factor in many national economic policies.

Jamaica attained independence in 1962, during the so called halcyon days of economic development. The Government of the period pursued a liberal economic policy, the thrust being towards industrialisation, and the development of the mining and tourism sectors. Pragmatic economic policies prevailed, and the country went through a period of steady growth and economic expansion. Between 1962 and 1970, growth in GDP averaged 5.8% per annum. Manufacturing increased its percentage share of GDP

Dr. Paul Chen-Young is an economist and also serves as Executive Chairman of Eagle Merchant Bank.

from 7.1% to 13.4 %. The comparable increase in mining was 15.21% in 1967 to 17.7% to 1970. In the tourism sector the number of hotel beds increased from 7,553 in 1964 to 13,758 in 1970, a growth of 82%.

The strategy embarked upon by the Government to spur the manufacturing sector was a combination of fiscal incentives and a major factory expansion programme. Major incentives were granted through the Industrial Incentives Act, the Export Industry Encouragement Law, and the Pioneer Industry Encouragement Law. These laws offered a combination of income tax and duty free concessions. They were supported by protectionist measures, with a wide range of quantitative restrictions.

In the tourism sector, the Hotel Incentives Act also provided fiscal concessions. In addition, however, the Government undertook on its own, a major hotel building programme, financed by Government Guarantees for hotels in excess of 350 rooms.

In the mining sector, bauxite which was the only major mineral resource marked the major inflow of foreign capital to develop an industry outside the traditional sugar and banana industries. Output grew by just over 100% from 5.84m metric tons in 1960 to 11.82m metric tons in 1970, while alumina exports grew by appoximately 153% from 0.68m metric tons in 1960 to 1.72m metric tons in 1970. The major international companies operating in Jamaica then were the Kaiser Bauxite Company, Alcan, Alcoa and Reynolds. With the increase in exports and capital inflows, the country's net international reserves rose from US$92.7m to US$141.0m over the same period.

In the decade of the seventies, which marked the second phase, a new Government was elected (1972) and soon after had to face a dramatic change in the world economy with the advent of the oil crisis, in 1973. On the local scene the Government responded to this oil crisis by introducing a bauxite levy which was regarded by the companies as breach of contract and quasi nationalization. This action, coupled with its declaration of democratic socialism as its development strategy, led to a series of actions and responses which resulted in a withdrawal of business confidence both local and overseas.

The controversial levy brought in US$1,206.4m from 1974 to 1980. Part of the proceeds was used to finance costly social programmes as well as the Jamaica National Investment Corporation which was intended to be a type of public sector investment bank to undertake major projects. This institution was eventally transformed into the National Investment Bank of Jamaica in the 1980's. The investments of both entities have been notably unsuccessful.

There was a general reversal of most of the indicators during the period 1973 to 1980. GDP declined at an average annual rate of 2.6%; agriculture down 0.8%; manufacturing down 4.5% and construction down by 11.3%. The fiscal deficit moved from 3.6% of GDP in 1973/1974 to 17% by 1980/1981; net international reserves declined from US$204m in 1973 to negative US$432.3m by 1980; inflation averaged 22.4% and unemployment stood at 27.9% in 1980, as compared with 21.4% in 1973.

Towards the end of the 1970's the Government discontinued its programme with the IMF and an impasse was created, the prime cause of contention being the unwillingness of the Government to accept the austerity and structural adjustment programmes being insisted on by the IMF. During this impasse Jamaica experienced severe shortages, flights of capital and people and severe economic dislocation. The balance of payment effect was especially acute as net private foreign capital <u>outflow</u> in 1980 was US$119.5 million as against an <u>inflow</u> in 1970 of US$162.3 million.

In the third phase, the Government elected in 1980, reversed the socialist policies of the previous Government and immediately re-opened negotiations with the IMF and other overseas lenders. Emphasising private enterprise, and encouraging foreign investment, the Government negotiated a structural adjustment programme which included fiscal, monetary, tarriff and administrative reforms. It also initiated an export oriented industrial policy aimed at creating a dynamic export manufacturing sector.

These new policy initiatives which were endorsed by international agencies and the major donor countries, created a more positive investment climate, facilitated by substantial inflows of aid. Between 1981 and 1984, total capital inflows stood at US$1.397 billion. In specific areas of reform, success was also achieved.

(a) the share of Government expenditure as a percentage of GDP fell from 45% in fiscal 1981/82 to 31% in fiscal 1984/85;

(b) the current account deficit fell from 20.8% GDP in 1981/82 to 3.8% in 1986/87;

(c) the central government deficit fell from 17% of GDP in 1981/82 to 2.1% in 1986/87;

(d) the share of investment grew from 20.8% of GDP in 1981/82 to 23.1% in 1981/87.

The structural adjustment programme which is still being adhered to by the Government elected in 1989, has succeeded in creating a positive investment climate. But, it has caused a severe cut back in social services. It has also facilitated a sharp increase in the external debt from US$1.866 billion in 1980 to US$4.004 billion in 1988.

The Financial Sector Over the Period[i]

Jamaica's financial infrastructure may be described as being well developed, from as far back as in the 1960's.
On the attainment of Jamaica's independence, there was already a central Banking institution. Since the 1960s a Development Bank, a Stock Exchange, 12 commercial banks, 15 Trust Companies, 27 Merchant Banks, 17 Life Insurance Companies, 4 General Insurance Companies, 15 Building Societies, 125 Credit Unions, and a Unit Trust have all been established.

(a) The 1960s

The monetary policies pursued by the Bank of Jamaica were generally conservative, with minimum financing of Government debt. A major objective of the policy in this period was to establish the credibility of Bank of Jamaica as a Central Bank, and to develop an independent monetary policy. In 1966, the automatic link with the pound sterling was removed, and the power to declare an independent par value for the Jamaican pound was established. Foreign assets which in 1967 totalled $63.4m rose to $112m[ii] by 1970.

The Jamaica Development Bank (JDB), an outgrowth of the Development Finance Corporation (DFC) commenced operations in 1969, its primary objective being the channelling of both domestic and external financial resources into the major developmental areas of agriculture, tourism, manufacturing and housing. The balance sheet of DFC was stripped so that only satisfactory assets could be carried over to the Development Bank. It discontinued lending for housing, but continued to

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(i) For a comprehensive review of monetary policy, see Appendix I
(ii) Appendix II shows changes in the exchange rate

finance manufacturing, tourism and agriculture. It was funded both by the Government and commercial banks, as well as by international lending agencies. In 1970, lending was allocated as follows: agriculture 14%; manufacturing 62%; and tourism 24%. The company's net worth was J$31.7m.

The Stock Exchange was established in 1969 under the auspices of the Bank of Jamaica which provided office space and subsidy for its operations. No securities exchange commission exists, but it is governed by a Council comprised of 4 brokers, the Central Bank Governor, and the Financial Secretary. It operates under a set of regulations dealing with matters such as take overs, block transactions, reporting requirements of companies listed, brokers fees etc. (As at June 1989 there were 45 companies operating on the stock exchange with a total capitalization of $1.66 billion.)

The 1960s witnessed the Jamaicanisation of the banking and insurance sectors, largely by policy pronouncements of the Government and not by legislation. There were 10 commercial banks at the end of 1970, of which only Citibank, Barclays, Canadian Imperial Bank of Commerce and Bank of Montreal remained as branch operations. Bank of Nova Scotia and Royal Bank of Canada were localised although majority control was still held overseas. The first local bank to be established was the Jamaica Citizens Bank, which was supported by public offering. Commercial bank activities were in the conventional areas of trade financing and working capital financing. Assets of the commercial banks moved from $168m in 1964 to $430.3m in 1970.

Merchant Banks were started as subsidiaries of overseas banks, namely Citibank, Chase Manhattan, Bank of America and Crown Continental. They were intended to provide services such as project financing, underwriting and advice for corporate restructuring, mobilising funds locally and overseas. Partly because of the absence of adequate business opportunities, they diversified into real estate financing. All except the subsidiary of Citibank have since closed operations in Jamaica.

Credit unions and building societies generally cater to small savers, and are quite vibrant, having the largest membership of any financial institution in Jamaica. Building societies have been operating for over one hundred years and cater to long term savers with lending activity geared towards housing. Their assets have increased from $10.956m in 1964 to $72.473m in 1972. Assets for the credit unions increased from $4.2 million in 1964 to $8.4m in 1970.

Insurance companies experienced a significant degree of localisation in the sixties. Many overseas companies either sold their portfolio or invited local equity participation. For example, in the 60's, Life of Jamaica, which is now Jamaica's largest life insurance company, started using as its base, the acquisition of the North American Life Assurance portfolio. The localisation in the sixties, especially of the life insurance companies would later set the stage for the involvement of these entities in a very dynamic and positive manner in the economy of Jamaica.

(b) <u>The 1970s</u>

Growth in the financial institutions continued in the 1970s, but this period marked a turning point in the operations of some of the key financial institutions.

There was little or no change in the operations of credit unions and building societies which continued to operate along traditional lines, and maintained growth.Assets of the building societies moved to $311.06m by 1980. (At 1988, their assets stood at $1.86b) Assets of the credit unions moved to $7.2m in 1976 and to $14.8m by 1980. (In 1988, assets totalled $47.8m)

The Commercial Banking sector also continued to operate along traditional lines, but among the commercial banks, the Bank of Montreal terminated its operations while Barclays was purchased by the Government, making that institution the first Jamaican wholly owned commercial bank (National Commercial Bank). Later, the Government Savings and Loan Bank was transformed into the Workers Bank, another wholly owned commercial bank. Eventually the overseas interests in the Jamaica Citizens Bank were purchased by a local group. The Commercial Banking sector was significantly transformed, with local interests being the significant players. Along with this control and minority participation in the case of Bank of Nova Scotia and Royal Bank of Canada, there was noticeable change in the top management with Jamaicans assuming senior top positions.

Assets of the Commercial Banking sector grew from $430.3m in 1970 to $2.1 billion in 1980. During this period, there was a noticeable shift in credit allocation, with credit to Government increasing from $41.6m in 1970, to $343.1m in 1980. As a percentage of lending, the figures were 12.8% in 1970 and 24% in 1980, the increase no doubt being used to finance the public sector deficit which increased to a high of approximately 17% of GDP by 1980/1981.

As in the case of commercial banks, the Central Bank was to play its part in financing the public sector deficit, with adverse impact on its balance sheet. In 1970, the BOJ's credit to the Government (net) was $21.9m, with credit being 16.92% of its assets. In 1976 this increased to $373.5m representing 79.8% of its assets; by 1980, the respective figures were $1.3 billion and 56.65%.

It could be argued that the run away deficit of the public sector was facilitated by the Bank of Jamaica's (BOJ's) policies during the 1975/1976 period. Instead of acting independently, the BOJ succumbed to the borrowing requirements of the Government and removed the statutory ceiling on treasury bills, as a result of which, net credit to the Government jumped from $161m in 1974/1975 to $374m in 1975/1976, or an increase of 132%. Since then the BOJ has never restored its independence, and no statutory ceiling of its holding of treasury bills has been set, the only limitation being the linking of treasury bills held in relation to revenue estimates. This was a costly error by BOJ in terms of national economic policy. The BOJ also ventured into investments which proved unwise. Firstly, as a shareholder in the Jamaica Development Bank, (J$8.0m in 1980) then secondly by granting unsecured loans (J$10.0m) to the Development Bank without Government guarantee, and thirdly by guaranteeing direct lending from an overseas Government entity to a private sector fish processing complex.

The 1970s also saw the demise of the Jamaica Development Bank. What started out as a properly capitalised, well funded and properly managed entity, ended up as a bankrupt institution in 1978 with a negative net worth of $18.9m, having lost all credibility with international financial institutions. Its failure stemmed primarily from:

(a) lax management bowing to political pressures in the granting of loans,

(b) excursions into unprofitable direct investments in its own subsidiaries as well as in operating entities, and

(c) attempts to do too much without the proper management infrastructure.

The lesson of the JDB is also instructive in that it attempted to tackle two of the areas of grave concern in third world countries, that is, venture capital financing, in the small business sector. It created a subsidiary called Development Venture Capital Finance Company to offer venture capital financing and also was responsible for small business lending through the Small Industry Finance Company Limited (SIFCO). It failed in both cases. The Venture Capital Company failed because it was not properly funded and did not have the management to move such types of projects. It ended up making few venture capital investments and relying instead on interest income to cover the expenses. This obviously could not work, and it became an ineffectual organisation. As regards small business financing initiatives, SIFCO ran into problems so common to this difficult area of financing, namely poorly prepared projects, insufficient equity and weak management by its clients.

In February 1972, the Jamaica Mortgage Bank began operations. A wholly owned Government organisation, it was established to operate primarily in the secondary mortgage market; however, it worked also in the primary market, where important gaps existed.

Its primary lending focussed on financing schemes, and its operations were channelled through a company jointly owned by the CDC and the Jamaica Mortgage Bank i.e. Caribbean Housing Finance Corporation.

Its secondary mortgage operations were intended to bring liquidity in the financing of the housing sector. It dealt primarily with the building societies, which would sell mortgages in times of tight liquidity, and repurchase in times of high liquidity. This programme was partially sucessful, primarily because the building societies did not find themselves in tight liquidity for any extended period, and were not prepared to sell part of their loan portfolio. Few transactions took place.

The Jamaica Mortgage Bank was to suffer a fate similar to that of the JDB. Its problems were essentially two. Firstly, it borrowed overseas funds without passing on the exchange risk, and had its net worth wiped out from devaluation losses. Secondly, it financed housing projects from which there was a poor collection record. Its net worth moved from $3.6m in 1976, to a negative net worth in 1980.

(c) The 1980s

The Government elected in 1980 quickly recognised the urgency of restoring credibility to public sector financial institutions. This had to be done in the context of dealing with the real cause of the demise, that is the huge public sector deficit facilitated by heavy borrowings from the banking sector. Under the Structural Adjustment Programme with the World Bank and its loan agreement with the International Monetary Fund, the Government set out on a path to deal with the macro problems while simultaneously tackling institutional problems.

Also, from an economic policy viewpoint, Government made clear its position that the private sector should be the instrument of growth and should not be starved for credit because of public sector demands. Overall net credit to the Government was increased from $1.6 billion in 1980 to $3 billion in 1988. But, in percentage terms, Government share of total credit fell from 67.6% to 34 % over the same period.

The Bank of Jamaica's credibility was enhanced with the strengthening of the management team which played a pivotal role in the 1985/1986 IMF negotiations. During the period, the

Financial Sector Reform Programme was put in place.Under this programme, the liquid assets ratio was phased out, thereby allowing for the separation of fiscal from monetary policy. This represented the first step in the restoration of the independence of the Central Bank. Credit controls were phased out and a programme for the reduction and eventual elimination of the reserve requirement was put in place.

The foreign exchange auction system was introduced and has achieved stability in the exchange rate over the last three years, an accomplishment few thought could be achieved. Indeed, the efficiency of this mechanism enabled the very smooth phasing out of the import licensing system.

The rediscount facility introduced in the 1970s was continued, as well as the pre and post shipment financing facilities. However, given the shift to more private sector credit by the commercial banks, utilisation of the post and pre shipment facilities was minimal. By 1988, net foreign assets of the Bank of Jamaica stood at negative J$5,523.5m, as against J$130.7m in 1971.

A new strategy on development financing was introduced in the 1980s, with the creation of the National Development Bank and the Agricultural Credit Bank. Given the experience of the old Development Finance Corporation and the JDB, the new Government took the position that Government institutions had performed poorly and were likely to continue in the same manner in the field of direct lending. Accordingly, a new type of development finance lending was introduced whereby the Government halted the operations of the previous institutions and created two new institutions whose purpose was to mobilise external resources for development lending, using commercial banks and near banks as the conduit for direct lending.

Thus was created the National Development Bank (NDB) to fund projects in tourism and manufacturing, and Agricultural Credit Bank (ACB) to fund projects in the agricultural sector. These institutions which do not take risk of engaging in direct lending, allow an agreed margin to the approved financial institutions (AFI's) who take on the risk. In the case of the ACB, approved financial institutions were expanded to include the Peoples' Cooperative Banks.

It is interesting to note that there was strong opposition to the new type of development lending both from the banking sector as well as from certain groups in the private sector. But, despite the objections, the model, has proved to be a success. As at 1987, the balance sheet for the NDB showed assets of $213.3m, and a net worth of $78.8m while that of the ACB showed assets of $254.3m and a net worth of $77.1m.

Assets of the commercial banks [iii], which stood at $ 2.1 billion in 1980, were increased to $5.7 billion by the end of 1988. Credit allocation to Government, which in 1980 was $358 million or 12.7% of total lending, rose to $1,729.3m in 1988, representing 22% of total lending.

While in the 1970s, there was a marked decline in merchant bank activities, 1982 marked the emergence of a vibrant merchant banking sector [iv] with the establishment of a new merchant bank, Eagle Merchant Bank. This company was capitalised at $1 million, and embarked on an aggressive marketing programme.
As a merchant bank it could not take current accounts nor engage in foreign exchange activities, but it competed with the

(iii) See Appendix III for Assets and Liabilities of Commercial Banks
(iv) See Appendix IV for Assets and Liabilities of Merchant Banks

commercial banking sector by paying attractive rates on certificates of deposit and by creating new financial instruments. Eagle immediately made a mark in the banking sector and created a dynamic image with a fast response time to loan demands.

Eagle Merchant Bank has created the most comprehensive range of related services in what is called the Eagle Financial Network. The entities involved include a unit trust, an insurance brokerage, a life insurance company, a mortgage guarantee insurance company, a stock brokerage, a financial consultancy and a commercial bank. It is worthy of note that Eagle Merchant Bank is the only merchant bank which is the apex of any financial network. Most others are the offshoots of insurance compnies or commercial banks.

In 1983 there were 6 merchant banks with assets of $109.7m. By 1988, the number of merchant banks had increased to 27, with assets of $1.957 billion. This increase included the creation of new merchant banks as well as conversions of trust companies into merchant banking activity. The dramatic growth in merchant banks has had a profound effect on the entire banking and financial sector through increased competition and innovation. As a result the commercial banking sector has responded by becoming more flexible and creative to the benefit of the public.

The first area of lending activity explored by the merchant banks was lease financing, both in respect of new equipment and commercial vehicles, as well as the refinancing of existing equipment. Enterprises benefitted from leasing by improved cash flow from the sale of assets, whether new or used, and leasing back such assets. Additionally, because lease payments were treated as expense items for income tax purposes, there were also significant tax benefits to be enjoyed from lease financing.

While the merchant banks do not have long term resources to lend like mortgage companies and/or development banks, because of the stability of deposits, they embark on medium term lending, (3 to 5 years) primarily to the productive sector. As such, the merchant banks in Jamaica can be described as a hybrid between commercial banks and development banks.

Merchant banks have also demonstrated financing activities attributable primarily to investment banking, by providing advice on corporate restructuring, entering into underwriting arrangements, arranging loan syndications and providing some amount of equity financing. An example of underwriting was the divestment of $105.4m of Telecom shares, where the Eagle Merchant Bank acted as the lead underwriter, along with 13 financial institutions from the insurance and banking sectors.

In the field of loan syndication, Eagle brought together 16 financial institutions to raise $115m to provide equity and loan financing for a 237 room hotel (Ciboney), the single largest Jamaican private sector investment ever undertaken. Another example of loan syndication was with 17 financial institutions to raise $70m to finance over 1 million square feet of factory space.

The experience of the more active merchant banks, and their impact on the banking sector in Jamaica, suggests that those entities which are not subsidiaries of a commercial bank tend to be more entrepreneurial in investment and lending activities. Those which are subsidiaries of commercial banks tend to be dominated by traditional commercial bank approaches and have had less of an impact in influencing change than the independent merchant banks.

The success of the merchant banks depends on their ability to win public confidence, in attracting deposits and in indentifying good lending and investment opportunities, and most importantly, in making decisions with minimum delay. Apart from equity, funding is from deposits, limited to twenty times paid up capital and reserves. In the case of commercial banks, the ratio is twenty five times. With the advent of the National Development Bank and the Agricultural Credit Bank, access to these institutions enhanced the lending capabilities of the merchant banks. As at March 1988, total assets of merchant banks stood at $ 2.169 billion as compared with $127m in 1980.

Life insurance companies (v) have played an extremely important role in the mobilisation of long term savings and through the investments they have made. Today, life insurance companies are the second largest mobilisers of savings next to the commercial banks. When localisation started in the 1970s, assets of the life insurance companies stood at $168.4m. By 1986, the assets increased to $1.9 billion. Today, all but two of the life insurance companies operating in Jamaica are fully localised, and all top management positions are held by Jamaicans.

The investment policy of life insurance companies over the last two decades is instructive in that it has moved from a passive, conservative investment approach to one which is now dynamic and more oriented towards directly productive activities. In the seventies for example, the bulk of the life insurance companies' investments were in Government paper, stocks, deposits and real estate. Life insurance companies were primarily responsible for the modern office buildings constructed in the 1980s, which now form the New Kingston complex of buildings.

(v) See Appendix V for Assets and Liabilities of Life Insurance Companies

With the advent of the Structural Adjustment Programme in the 1980s accompanied by devaluation, and given Jamaica's heavy debt burden, the investment policies of the life insurance companies, and indeed of other financial institutions, became more responsive to the development requirements of the country. The Structural Adjustment Programme created a new awareness in the investing public that the future growth potential rested not only in investments catering to the domestic market, but also in investments which offered export growth potential. A new export consciousness was one of the favourable benefits of the programme, and this impacted on investments in all sectors.

Consequent on this, the life insurance companies have not only participated in syndicated loan financing for both equity and loans for new projects, for example in tourism, but they have also taken a more aggressive attitude in acquiring existing productive entities with export potential. Life insurance companies now manage most of the pension funds in Jamaica with their own resources representing the largest pool of investible funds. Their new orientation is a significant development in the financial sector. It represents a commitment to long term projects and a willingness to participate in co-financing of major projects for which the risk may be too great for any one entity. Indeed, this collaborative financing effort by the life insurance companies with the merchant banks, commercial banks and pension funds is a significant break-through, which augurs well for the economic development of Jamaica.

Lessons and Implications from Jamaica's Experience

If monetary policy is not exercised independently of fiscal policy, overall credit creation and its allocation simply react to fiscal developments - sometimes merely to finance deficits. The build-up in the public sector deficit to some 18% of GDP in the 1970s was financed mainly be credit from the Central Bank and the Commercial Banking Sector with net Government credit rising to 48.97.% of total credit in 1979. When the Bank of Jamaica buckled to pressures from Government in 1975/1976, it was unable to check the flow of bank credit to finance the Government's increasing deficit. Since then, the BOJ has virtually lost its independence as an independent monetary authority.

The issue of the level of bank credit in relation to Government's deficit raises a very interesting question. To what extent can Governments, especially in developing countries, use the Keynesian pump-priming type model to foster economic development? Given the openness of these economies, public expenditure - whether from domestic or externally generated funds - creates a high import demand. This is so because the import propensity of these economies is so high. And, with high import propensity, import demand will be high, irrespective of the financing strategy. Additionally, even if domestic investment is in line with domestic saving, import demand rises with the growth in investment. To the extent that such expenditure is deficit financed, this creates inflationary pressure eventually leading to devaluation. Unless expenditure is channelled into export oriented production activities, and this is not usually the case, the eventual impact is further dependency on external borrowings and an eventual depletion of foreign exchange reserves.

Given this scenario, it would appear prudent for economic policy makers in countries such as Jamaica, to have a judicious combination of a Keynesian type expenditure model, geared to productive export activities, and monetary policy which will create a stable financial environment. In the nearby Eastern Caribbean currency area, where money supply and credit creation are rigidly linked to the change in external reserves, the countries involved have managed to hold inflationary rates down and to maintain the value of their currencies. A possible issue, is whether developing countries should be setting desired levels of international reserves and using such targets to determine the level of credit creation. Indeed, this is the centrpiece of the IMF programme, where targeted levels of external reserves have to be achieved. But, whether or not countries have an IMF programme, this targeting of select levels of international reserves is key to sound economic policy.

Government owned development banks run the risk of becoming entities subject to strong Government influence in channelling resources into specific enterprises. While they start off with the best intentions, excellent boards, and even sound management, they are expected to do too much, too quickly, and to assist too many projects, some of which are politically favoured. As these development banks bend to public and political pressure, they tend to lose their independence while suffering a deterioration in their balance sheet. The model currently in use, whereby the development bank acts as a mobilizer of funds, especially from overseas entities, and recycles them through AFI's i.e. commercial banks and "near banks" which take the commercial risk for an agreed spread (currently 3 points), has proven reasonably successful. But, for this model to succeed, there has to be a close working relationship between the development bank and the AFI's at the management level, to minimize the lead time from the preparation of the project to the approval by both the AFI and the development bank. This is so because approval is required by both entities. In the case of large loans, approval must also be sought from the international lending agency providing funds to the development bank. Nevertheless, despite the apparent bureaucracy, the system has worked reasonably well without too many delays.

In streamlining the process under this model (vi), the next logical step would be for the development banks to issue credit lines to the AFI's, thus allowing for only one decision-making entity, but with certain reporting obligations. This has started on a modest scale for small enterprise lending. Only recently this model type lending was put in place with the establishment of a US$15m credit line from the International Finance Corporation to two commercial banks and a merchant bank in Jamaica.

The question of risk-sharing between the development bank and the AFI, under this model, has proved contentious. It is becoming clear that, in the area of agricultural lending, there is a strong case for risk-sharing. The contribution of the ACB in the present model is unlikely to be significant unless a risk-sharing formula with the AFI's is put in place.

The Export-Import Bank, 50 percent of whose shares are owned by the Bank of Jamaica, plays a similar role to the NDB. However, it differs in negotiating credit lines from private as well as public sources primarily to finance trade credit. In some instances, such as with the US EXIM Bank, credit lines are channelled through the commercial banks which take the credit risk. In other cases, the Export-Import Bank finances the customers directly. It has been argued that both the NDB and the Export-Import Bank should be merged. But both have developed at different times and, in the case of the Export-Import Bank, its

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(vi) See Appendix VI for a special note on development banking experience has been varied, having been upgraded from the Jamaica Export Credit Insurance Corporation which was mainly involved in trade financing. While theoretically, a merger of both organizations would seem sound, experience to date suggests that separation makes sense. When institutions are working effectively, despite the possible economies of scale to be derived from amalgamation, it is best not to disturb what succeeds. For, as bureaucracies increase, so too does the danger of a similar trend in management inefficiency.

Credit controls have been applied only to the banking system and have proven ineffectual for a number of reasons. Not all lending institutions are subject to these controls. For example, life insurance companies and building societies are exempt. In the former case, they have been providing lease financing, which itself raises a legal issue on how to impose credit ceilings on the purchase and lease back of assets. With regard to mortgage lending, again there is discrimination with credit limits being imposed on trust companies while there is none for life insurance companies and building societies. There is also the problem of sector classifications where limits are imposed on the distributive and personal sectors but none on productive sectors. What happens, for example, when a large distributor provides raw material financing to a small manufacturer of furniture or holds inventory which would normally be held by the producing entity? Is this credit to production or distribution? Fortunately, Jamaica has lifted credit controls except in the case of "personal" credit.

The lesson to be learnt is that there is far more to be gained from relying on proper macro economic policies in the control of credit creation and direction rather than on administrative controls. Currently, monetary policy is managed by certificates of deposits which serve as a type of open market operation, although the latter is primarily of a demand management type, to "sop-up" liquidity. Nevertheless, the use of certificates of deposit as part of an open market operation policy is a useful instrument in increasing or decreasing liquidity.

Localization of the financial sector has proved to be a success. This is because it was achieved pragmatically and on a negotiated basis, without any acrimony with overseas parent companies. In fact, when Citibank and American Life Insurance Company objected to localization because of their then world-wide policy, they were allowed to continue to operate. Citibank continued to be treated like all other banks without discrimination. But, in the case of the life insurance industry, foreign companies were obliged to pay a special tax on premium income.

The success achieved in localization is reflected in many areas. Firstly, nearly all entities have grown financially stronger. Secondly, boards and management are dominated by local personnel who by maintaining high standards of service have allowed these institutions to be more responsive to the needs of society. Thirdly, the image of banking and insurance have moved away from a staid approach to one of greater innovation and dynamism. Finally, because decision-making has been localized, the response time to financing requests has been shortened.

The advent of merchant banking in the 1980s has impacted positively on the banking system. These "near bank" institutions have intensified competition for deposits, credit offerings, project financing, loan syndication and other types of financial services. Innovation and improved services have resulted, to the benefit of the consumer. For example, instead of relying on working capital financing as their main type of activity, commercial banks either directly or through their own merchant bank are more agressively involved in lease, term and project financing. Accordingly, the conservative type of commercial banking has virtually disappeared in Jamaica and there is now innovation and dynamism in the sector.

The keen interest displayed by the banking and insurance sectors in project financing, through loan syndication and co-financing, marks a major turning point in the financial sector. Institutions now recognize that they must be more intimately involved in the development effort by both equity and loan financing. It is also acknowledged that co-financing of large ventures is the way to go so as to spread risks while at the same time creating income producing capacity in which they can participate. This is most noticeable in the tourism sector where, apart from the credit considerations, the knowledge now exists that it is also in the interest of financial institutions to be a part of the export development drive.

Their involvement is almost inevitable since they have the large capital base and the resources to undertake capital intensive projects. Without their participation, many of these projects would not get off the ground and the level of economic growth required to meet debt servicing and provide economic benefit would not be forthcoming. This involvement is especially important where there is a paucity of entrepreneurs to undertake the level of investment required. Nevertheless, prudence would dictate that the level of direct investment by the financial institutions would be delicately balanced with their total portfolio to ensure that a liquidity squeeze is averted.

The involvement of financial institutions, and especially the banking sector, in direct investments poses a fundamental question for developing countries like Jamaica. Can the banking sector play as passive a role as, for example, in the USA, Canada, and the United Kingdom in the economic development process? Or, can it afford not to be a direct and involved player in enterprises as, for example, in the case of West Germany, Japan, and South Korea? Two clear roles are implied for the banking sector. In the first instance, the financial system is so developed that banks can stick to their traditional passive role. In the other, these economies had to be rebuilt almost from scratch, and the banking system could not and did not stand aside. It took equity and loan positions to create the finance necessary to rebuild these economies.

The above approach successfully challenged the view that deposit and loan maturities must be matched. What is important is that confidence exists in the banking system and that the amount of resources applied for direct investments are matched by adequate levels of reserves, including rediscounting arrangements with the Central Bank, to meet unusual withdrawals by the public. Given the relative decline of private capital inflows to developing countries, it would seem that the fundamental issue of which banking model should be pursued must be foremost in the minds both of economic policy makers, and bankers.

The final point to be made is in reference to the proposal for a Caribbean Stock Exchange. This is a logical extension of the free movement of goods within CARICOM. Implicit in the proposal is the further development of the capital market within CARICOM and the free movement of capital within the region, both of which were envisaged with the CARICOM Treaty as necessary to the deepening of CARICOM. The justification for, and the possibilities for a CARICOM Stock Exchange far outweigh the negatives. The greatest obstacle to its implementation is the Aliens Land Holding Act in most countries in the Eastern Caribbean, and especially in Trinidad and Tobago where a Stock

Exchange exists. As indicated agreed elsewhere *, once the Act is amended to treat CARICOM nationals on the same basis, trading in CARICOM stocks can be a reality once the following is put in place: the harmonisation of stock exchange regulations in Trinidad and Tobago and Barbados; the simultaneous listing of shares on the three exchanges, with computer linked facilities, including settlement arrangements; the appointment of a Joint Securities Exchange Commission, to monitor activities and upgrade rules as necessary; settlement through the banking system, arranged under the CARICOM Clearing Facility; and co-ordinated efforts for the exchange and dissemination of financial information on list companies, on a CARICOM basis, coupled with special promotional and educational programmes.

The successful divestment programme in Jamaica (National Investment Bank of Jamaica (NIBJ), Caribbean Cement Company and Telecommunications of Jamaica Limited (Telecom)), suggests that the Jamaican public is now aware of and interested in shares listed on the Stock Exchange. The broadening of opportunities within CARICOM, and especially to include countries without a Stock Exchange, should be a very positive development in the integration movement. Liberalization of immigration laws within the Region would also be a logical extension in liberalizing the capital market and this would mean a further strengthening of CARICOM.

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* See Jamaica Investment Bulletin
(Vol. 2, no 2, April 1989.)

Conclusion

The history of Jamaica's financial institutions over the last three decades truly reflects the various economic strategies pursued. The 1960s - an essentially laissez-faire period- saw the laying of the foundation for a range of financial institutions. The socialist adventure of the 1970s saw the eclipse of some of these institutions and marked the turning point in the independence of some national institutions, such as the Central Bank, the steep decline of the Stock Exchange, and a decline in a climate favourable to investment .

In the 1980s, the re-orientation of economic policy to the private sector created the atmosphere for the development of a vibrant financial sector. Merchant banking in its new form and the willingness of financial institutions to be more actively involved in development financing, both individually and collectively, has created involvement and support for investment activities of all types. The strong infrastructural base of financial institutions laid in the first decade provides a good foundation for positive economic development.

The Jamaican experience has demonstrated that the system has an inherent dynamism which is unleashed in a climate of less state-dominated economic policy. It is clear that if financial institutions are forced to become too accommodating to political pressure, they can lose their autonomy and find their finances in disarray. In recent times, financial institutions have demonstrated their capacity to respond to new challenges, particularly in the area of co-financing of large projects, and in their willingness to undertake both equity and loan financing in major projects. Indeed, as the economy progresses, financial institutions find themselves with the level of resources which can be channelled directly into productive activities.

One of the questions which arises is whether financial institutions in developing countries, including the banking sector, can play the traditional role of simply providing loan financing without taking an equity position.

Should the financial sector play a more active role as in the case of countries such as West Germany, South Korea, and Japan or should it be more passive as in the case of the United States of America and the United Kingdom? In the latter countries, the financial infrastructure is well developed with a number of financial institutions providing complementary financial services and thereby obviating the need for the more active and involved role in the countries cited. In countries where the growth sector (for example, mining and tourism) requires large investments and where the sources of capital are concentrated in the financial sector, there is a strong case for the direct interventionist approach rather than the passive approach by the financial institutions. This issue is a fundamental one.

APPENDIX I

REVIEW OF MONETARY POLICY

1961-1965

Review of Monetary Policy — 1961-1985

Over the past twenty-five years, considerable changes have emerged in the implementation of monetary policy by the Bank of Jamaica. During this period, there have also been important advances in monetary theory so that it is now possible to assess the monetary policy of the Bank within an appropriate conceptual framework.

The monetary policy of Bank of Jamaica has always been geared towards achieving consistency with the overall economic policy objectives which, in the framework of an open economy implies a close link with exchange rate policy. Over the greater part of the past twenty-five years, exchange rate policy was based on a system of fixed exchange rates in which the par value of the Jamaican currency was tied to one or other of the two major international currencies, the Pound Sterling and the U.S. dollar. This inevitably imposed some constraints on the Bank in its ability to pursue an independent monetary policy, although in its early development this appeared to have been a major objective of the Bank. Since 1984, the Bank of Jamaica has shifted to a flexible exchange rate policy based on a Foreign Exchange Auction system. This has caused monetary policy to become even more closely related to exchange rate policy, which carries with it important economic implications.

A significant impact on monetary policy has been exerted by the local institutional framework. Only a relatively small number of financial instruments have been available in the money and capital markets. This created a certain thinness particularly in the money market, adversely affected the development of open market operations and contributed to the sharp fluctuations in bank liquidity which were experienced throughout the period. The different responses to these variations in bank liquidity have been a characteristic feature of monetary policy over the past twenty-five years.

The development of monetary policy since 1961 can conveniently be classified into the following four periods:

(a) 1961 – 1970
(b) 1971 – 1975
(c) 1976 – 1980
(d) 1981 – Present

During the 1961 – 1970 period, Bank of Jamaica established its own credibility as a Central Bank in the local financial community and tried to develop an independent monetary policy. However, this approach encountered much difficulty because of the close link of the Jamaican currency with the Pound Sterling. The 1971 – 1975 period covers the period of the first oil price shock by OPEC and the dismantling of the system of fixed exchange rates which was established at Bretton Woods in 1944. During this period, Jamaica also shifted the alignment of its currency from the Pound sterling to the U.S. dollar. The 1976 – 1980 period is significant because it covered the years during which the Bank of Jamaica Law was amended to permit the Bank to double the level of its financing of the Government deficit. Since then, fiscal and monetary policy have become more closely linked due to the role which the Bank of Jamaica has played in financing the government budget deficit. This period also witnessed the beginning of serious balance of payments difficulties. The period from 1981 to the present saw the continuation and more recently the intensification of pressures on the balance of payments, leading to the establishment of parallel market exchange system and, finally, the adoption of a flexible exchange rate system.

The 1961 – 1970 Period

A major objective of monetary policy in this period was to establish the credibility of Bank of Jamaica as a Central Bank. The Bank saw "moral suasion" as an important instrument for achieving this objective, and therefore established a number of committees through which it hoped to influence the financial and banking community. Principal among these committees was the Bankers' Committee which comprised managers of the commercial banks who met monthly under the Chairmanship of the Governor of the Bank to discuss the economy in general and banking matters in particular.

The Bank also made much use of interest rate policy during this period. This was sometimes in response to external conditions, but very often reflected a deliberate effort to develop an independent monetary policy. In 1961 and 1962, the inflow of short-term money from abroad caused an increase in bank liquidity and contributed to a boom in monitoring the expansion and allocation of domestic credit by the banking system in order to ensure that the demand for foreign exchange in the auction was not based on such credit expansion. During the year, more frequent use was made of the various policy instruments available to the Bank. A quantitative ceiling of 12 percent was placed on the expansion of commercial bank credit to the private sector while consumer oriented credit outstanding was reduced by J$100 million for the fiscal year. Under a one-year stand-by programme with the IMF, the overall borrowing requirement of the Central Government was fixed at J$697 million.

The general level of interest rates was systematically raised during the year. By December 1984, Bank rate had been increased from 11 percent to 16 percent, the Rediscount rate from 13 percent to 18 percent, the minimum savings deposits rate from 9 percent to 13 percent while the Treasury Bill rate reached a new peak of 15.4 percent. The cash reserve ratio of the banks was also increased to 10 percent to support the high interest rate policy while the liquid assets ratio was raised to 44 percent to reinforce the credit restrictions. A deposit scheme for external payment arrears was introduced in May 1984, and as the funds drawn into this scheme depleted liquidity in the banking system further upward pressure was exerted on deposit interest rates. Bank of Jamaica also expanded its rediscounting facility to J$70 million in September 1984 to channel funds into priority areas against the background of the tight liquidity situation created by the above measures. The various monetary measures made a significant contribution to improving the external reserves of Bank of Jamaica which rose by US$179.0 million in the calendar year while the money supply growth up to December 1984 was reduced to 12.1 percent.

The monetary policy measures initiated in 1984 were continued in 1985. During the early part of the year, there was a sharp depreciation of the currency and the interest rate level was further raised by increasing the minimum rate on savings deposits to 20 percent by May, while the liquid assets ratio of the banks was increased to 48 percent in April and the cash reserve ratio to 19 percent by the end of June. These measures were all part of a tight monetary policy which was introduced to support the exchange rate. In addition, the credit restrictions were maintained with the expansion in commercial bank credit to the private sector set at 10 percent for the fiscal year while consumer oriented credit was to be reduced by at least J$43.0 million up to the end of December 1985. At the same time, the Bank of Jamaica rediscounting facility was further expanded to J$100 million to ensure the availability of credit to priority areas.

domestic credit, especially hire purchase credit. The response of Bank of Jamaica was to keep bank rate high relative to the United Kingdom as domestic credit conditions did not warrant an easing of interest rate policy at the time. With the reduction in credit demand and stabilization of the balance of payments position in the latter part of 1962, the Bank reduced Bank rate from 6 percent to 5.5 percent. Bank rate was further reduced to 4.0 percent by the third quarter of 1963 in pursuance of a policy of stimulating economic recovery. Even when the U.K. rate was increased in 1964, the local rate remained unchanged. Other changes in interest rates up to 1967 reflect the efforts of the Bank to follow an independent policy in accordance with the requirements of domestic economic conditions.

In 1966, the automatic link with the Pound Sterling was removed, and the power to declare an independent par value for the Jamaican pound was established. However, after the devaluation of the Pound Sterling in November 1967, the Jamaican currency was devalued to the same extent. There were several factors in support of this decision, but as far as monetary policy was concerned, the decision clearly indicated that the capacity to pursue an independent monetary policy was constrained by external conditions in the U.K. The increase in the U.K. Bank rate to 8 percent at the time also had a major impact on Bank of Jamaica's monetary policy.

Monetary policy increased in complexity from 1968 to the end of the period in 1970, and Bank of Jamaica introduced a wider range of monetary policy measures to deal with the new problems. In 1968 there was surplus liquidity in the banking system and Bank of Jamaica introduced a new instrument of monetary policy to deal with the problem — the special deposit scheme. In connection with this policy, several deposit facilities were set up, including the Bankers' Deposit and Loan Fund which remained in operation until it was abolished in 1979. These deposit facilities had the same effect on bank liquidity as an increase in the reserve requirement ratio, but were operated voluntarily. During 1969, the continued expansion of credit and deterioration of the external reserves position led to the introduction of Selective Credit Controls to restrict consumer oriented credit and credit to non-resident controlled companies. In addition, the Bank of Jamaica increased for the first time, the minimum liquid assets ratio from 15 percent to 17½ percent to regulate the overall volume of credit to the Private Sector. By early 1970, liquidity had tightened in the banking system and in order to provide financing for exports and channelling of funds into productive activity, rediscounting facilities for these activities were established.

In 1970, Jamaica's quota in the International Monetary Fund (IMF) was increased and its participation in the scheme for Special Drawing Rights (SDR) expanded. These initiatives created the foundation for a wide range of IMF sponsored economic programmes which have formed the basis of monetary policy since 1977.

The 1971 – 1975 Period

During this period there were significant changes in the international financial system which continued to influence monetary policy in Jamaica in succeeding years. In 1971, the suspension of automatic U.S. dollar convertibility signalled the impending collapse of the Bretton Woods system of fixed exchange rates. By March 1973, the system finally collapsed with the generalized floating of exchange rates. During the year, the first OPEC oil price shock was also experienced which, together with the system of floating exchange rates, created much instability in world financial conditions and put severe pressure on the country's external reserves. The problems of dealing with these pressures on the country's external reserves have been a continuing aspect of monetary policy since then.

There was an overall devaluation of the Jamaican currency by about 16.5 percent in 1973 following the decision to align the currency to the U.S. dollar instead of the Pound Sterling. This decision was influenced mainly by the shift in Jamaica's trading pattern which had taken place since establishment of the Bank in 1960. It meant, however, that monetary policy would then be more closely linked to prevailing conditions in the U.S.A. rather than the U.K.

During 1973, several monetary measures were introduced to ease pressure on the balance of payments. The Banking Law was amended to expand the control of Bank of Jamaica over non-banking operations, and the liquid assets ratio of the commercial banks was increased to 21 percent. The interest rate level was also increased with Bank rate rising from 6 percent to 7 percent, and the Savings Deposit rate from 3.5 percent to 4 percent. Exchange control regulations were also tightened to restrict capital outflows. In spite of these measures, the external reserves of Bank of Jamaica deteriorated by US$22.7 million during the calendar year.

In 1974, with the continuation of pressures on the external accounts, a wide range of further exchange control measures were introduced to stem the outflow of capital. Partly as a result of these measures and the monetary policy changes introduced in the latter half of 1973, the loss of reserves was stemmed, so that there was a US$47.9 million improvement in the external reserves during the year compared with the deterioration of the previous year. With the relative improvement in the balance of payments position, the credit restrictions were relaxed in the second half of the year, and Bank of Jamaica introduced new rediscounting facilities to channel credit to priority areas.

The relaxation of monetary-conditions continued into the first half of 1975 with a reduction in Bank rate. Also, a new rediscounting facility to finance raw material imports for local manufacturing activity was introduced. Bank of Jamaica net credit to the Central Government rose sharply, however, by J$82.1 million in the calendar year compared with J$32.1 million in the previous year. These developments contributed to a substantial expansion of aggregate demand which put renewed pressures on the external accounts. As a consequence, the external reserves of Bank of Jamaica deteriorated by some US$74 million during that year.

The 1976 – 1980 Period

In 1976, the Bank of Jamaica Law was amended to permit the Bank to provide credit to the Central Government to the extent of 30 percent of government revenue in any financial year. The law previously allowed financing of only 15 percent. This amendment was a fundamental change which created the basis for a substantial expansion in the monetary base of the Bank. This was to be a primary source of monetary expansion which led to continuing pressure on the balance of payments in succeeding years. The amendment also caused fiscal and monetary policies to be linked in such a way as to reduce the effectiveness of the latter.

Bank of Jamaica credit to the Central Government rose sharply by J$214.3 million in 1976 while the net external reserves of the Bank deteriorated by US$242.9 million. Certain monetary measures were introduced in an effort to stabilize the position. Interest rates were increased, the liquid assets ratio of the banks was increased from 23½ percent to 24½ percent and the penalty for non-compliance with these restrictions was increased. Personal loans provided by commercial banks were also to be reduced to 95 percent of the amount outstanding at 31st December, 1975 in order to provide more resources for productive activity.

In 1977, the external reserves of Bank of Jamaica fell by US$34.1 million. The lower rate of deterioration compared with 1976 was due partly to a tightening of the exchange control regulations. During the year, a dual exchange rate system was introduced in an effort to stem the deteriorating position of the external accounts. The basic rate of J$1.00 = US$1.10 was established for essential imports and a special rate of J$1.00 = US$0.80 for other transactions. In October of that year, the Special rate was adjusted to a new parity of J$1.00 = US$0.78.

The monetary measures introduced during the year to deal with the situation included maintenance of the voluntary liquid assets ratio at 40 percent, a further increase in the level of interest rates by about 2.0 percent and restrictions on the level of consumer oriented credit to the level outstanding at December 1979. A new Deposit Scheme for external payment arrears was also introduced in February 1980. However, against the background of the large fiscal deficit, the monetary policy objectives for the year were largely unrealised.

1981 to Present

Monetary policy since 1981 has concentrated on stricter regulation of the growth of money supply and domestic credit expansion to achieve consistency with the targets set for real growth, price inflation and the balance of payments position. However, as the availability of foreign exchange became more acute, monetary policy was concentrated more on supporting the exchange rate policy of the Bank. Against this background, Bank of Jamaica made more frequent use of all its available policy instruments, including variations in the cash and liquid assets ratios of the commercial banks, increases in the minimum savings deposit rates and other interest rates, selective and quantitative controls on credit expansion, expansion of its own rediscounting facilities and various deposit schemes intended partly to regulate variations in bank liquidity.

In 1981 Jamaica commenced a new three year E.F.F. Agreement with the IMF. During the year the 40 percent voluntary liquid assets ratio was maintained and a new Deposit Scheme for external payment arrears was implemented. Under this scheme, importers were required to deposit the Jamaican dollar equivalent of their foreign exchange requirements prior to making applications for foreign exchange approval. As a result of this scheme, external arrears were reduced by US$49 million by December 1981. These measures helped to put upward pressure on interest rates so that the weighted deposit rates of the commercial banks rose to 11.43 percent from 8.97 percent in 1980. Bank of Jamaica rediscounting rates were also brought more in line with other market rates as part of the overall policy on interest rate. With price inflation being kept under reasonable control, positive real rates of interest were realised on certain categories of deposits for the first time in many years. During the year, the Bank also introduced new guidelines for consumer oriented credit to take into account seasonal variations in the demand for credit.

The monetary policy objectives remained basically the same in 1982. In March of that year, external payments arrears had been eliminated well before the scheduled date at December 1982, but the continuing foreign exchange shortage meant that importers had to utilize relatively long credit lines with a resultant build-up of liquidity in the banking system. This had the effect of putting downward pressures on interest rates, including the Treasury Bill rate which fell to a low of 7.14 percent in September 1982. Liquidity tightened however during the latter part of the year, so that the Treasury Bill rate rose to 9.26 percent by December 1982. Other deposit rates also rose in the period with the Treasury Bill rate being used as a mechanism for triggering changes in the overall level of interest rates at that time. Selective credit controls continued to be utilized during the year to channel funds into productive activity. The ceiling on consumer oriented credit was allowed to expand by 3 percent in the first half of the year and 2 percent in the second. In spite of the measures taken in 1982, the balance of payments position deteriorated sharply by March 1983. Consequently, a large improvement of US$125 million was targeted for the fiscal year 1983/84 under the new IMF Agreement. As part of the adjustment effort a dual exchange rate (parallel market) system was established in an attempt to increase the mobilization of foreign exchange resources by about US$528 million during the year. Actual inflows amounted to only US$300 million, however, and by November 1983 this scheme was abandoned. Part of the reason for the failure of the dual exchange rate system was the large gap which existed between the two exchange rates. This created substantial administrative problems in separating the two markets. The two rates were unified in November 1983 and a new system of determining the exchange rate by auction established. The new rate was initially set to fluctuate between J$3.00 = US$1.00 and J$3.30 = US$1.00.

The monetary policy measures accompanying the new exchange rate policy included continued constraint on the build up of bank liquidity. Consequently, the new statutory limit on the liquid assets ratio was set at 36 percent as against 29½ percent previously, while the voluntary limit of 40 percent was maintained. With tight liquidity, interest rates in the banking system continued to increase, and the Treasury Bill rate reached a peak of 13.34 percent by June 1983, but there was a large increase in banking system credit to the Public Sector which rose by J$232.0 million in the six-month period from April to September 1983, and a further J$231.7 million in the last quarter of the calendar year. There was a suspension of the IMF programme in September 1983 due to a technical breach of one of the performance criteria, but the large increase in money supply during the year (J$624.3 million) indicated continuing pressure on the exchange rate.

In 1984, monetary policy became more firmly linked to exchange rate policy under the newly instituted Foreign Exchange Auction system. Major emphasis was placed in the monetary programme on

The widening of the gap between the basic and special rates and the absence of any special monetary measures to support the new exchange rate policy led to the termination of the new system in 1978 when the Jamaican currency was twice devalued. A new parity of J$1.55 = US$1.00 was established with programmed mini-devaluations of 1.5 percent monthly from June to October 1978 and 1 percent monthly from November 1978. The devaluation of the currency and the set of demand management measures implemented under the three-year Extended Fund Facility arrangement with the IMF which was concluded during the year were successful in bringing about a marginal improvement in Bank of Jamaica's external reserves in the period April to December 1978, but there was an overall deterioration of about US$167.0 million for the calendar year. During 1978, there was also an amendment in the Bank of Jamaica Law to raise the statutory liquid assets ratio to 40 percent and to reduce the period of notice for such changes from 30 to 15 days. A new Deposit Scheme with an exchange rate guarantee was also introduced which helped to mop up excess liquidity in the banking system.

Monetary policy objectives in 1979 continued to focus on protecting the balance of payments, but the large fiscal deficit of the Central Government created difficulty in the attainment of this objective. During the fiscal year, Bank of Jamaica credit to Central Government rose by J$381.4 million and mainly as a consequence nearly all the performance criteria under the IMF Agreement were breached at December 31, 1979. This led to an interruption of the three-year Extended Fund programme. The mini-devaluations were discontinued during the year and a uniform rate of J$1.78 = US$1.00 was established. Several monetary policy measures were also introduced including a voluntary increase in the liquid assets ratio to 40 percent, while a 2 percent upward movement in the level of interest rates was initiated by increases in Bank rate, the savings deposit rate and the mortgage lending rate of the Building Societies.

The deterioration of the external accounts continued in 1980. A large fiscal deficit had been projected for the year based on substantial external funding. However, with the termination of the IMF Agreement in March 1980, such external inflows were no longer possible. Consequently, increased reliance was placed on the domestic banking system to finance the budget deficit. During the fiscal year, Bank of Jamaica credit expansion to the Central Government reached a new peak of J$518.1 million. This level of deficit financing aggravated inflationary factors and put increased pressures on the external accounts with the result that the external reserves of Bank of Jamaica fell by US$192.2 million during the year.

Conclusion

The current efforts at structural adjustment and the establishment of a more market oriented economic system indicate that monetary policy should move in a new direction in the future. In previous years, particularly between 1976 and 1983, the Bank of Jamaica has made a major contribution to the financing of the government's fiscal deficit. This has often created some confusion between fiscal and monetary policy, thereby weakening the effectiveness of the latter. The present efforts to reduce the fiscal deficit should therefore mean a corresponding reduction of Bank of Jamaica credit to the Central Government. This will simultaneously permit the Bank to take new policy initiatives in improving the effectiveness of its monetary policy, such as the issue of its own paper. This would provide a basis for the introduction of open market operations, the absence of which was a major weakness in the implementation of monetary policy in the past and which was related to the sharp fluctuations in the movements of commercial bank liquidity.

Future developments should also include greater reliance on base money management as a fundamental tool of monetary policy. This would follow logically from the reduced role of the Central Bank in the financing of the Government deficit.

With the new exchange rate policy in place, and the requirements for greater discipline in the implementation of monetary policy than before, the developments referred to above would signal a significant departure in monetary policy from the experiences of the past twenty-five years.

Extracted from The Central Bank and the Jamaican Economy 1960-1985 (A Bank of Jamaica Publication)

APPENDIX II

MOVEMENTS IN THE J$ EXCHANGE RATE

MOVEMENTS IN THE J$ EXCHANGE RATE

DATE	PREVIOUS RATE	REVISED RATE	% CHANGE IN J$ VS. US$	COMMENTS
21/11/67	US$2.80 = £J1	US$2.40 = £J1	– 14.3	*Following devaluation of Pound ste* on 18/11/67.
8/9/69	US$2.40 = £J1	US$1.20 = J$1.00	–	Following decimalization and swite *J$ at £ 1 = J$2.00.*
Dec. 1971	US$1.20 = J$1.00 US$1.00 = J$0.83	US$1.303 = J$1.00 US$1.00 = J$0.77	+ 8.58	Realignment of currencies and reva tion of the Pound sterling by 8.58% against US$.
17/1/73	*US$1.303 = J$1.00 or* US$1.00 = J$0.767	US$1.10 = J$1.00 *or* US$1.00 = J$0.909	– 18.5	Active devaluation designed to corr imbalance in the external sector.
22/4/77	US$1.10 = J$1.00 or US$1.00 = J$0.909	Basic US$1.10 = J$1.00 or US$1.00 = J$0.909		*Adoption of dual exchange rate sys*
		Special *US$0.80 = J$1.00 or* US$1.00 = J$1.25	– 37.5	
24/10/77	Basic US$1.10 = J$1.00 or US$1.00 = J$0.909	–	–	
	Special US$0.80 = J$1.00 or US$1.00 = J$1.25	Special US$0.78 = J$1.00 or US$1.00 = J$1.28	– 2.4	Minor adjustment in special rate.

5/7/85	US$0.17 = J$1.00 US$1.00 = J$5.67	US$0.17 = J$1.00 US$1.00 = J$5.71	- 0.7
10/7/85	US$0.17 = J$1.00 US$1.00 = J$5.71	US$0.17 = J$1.00 US$1.00 = J$5.75	- 0.7
12/7/85	US$0.17 = J$1.00 US$1.00 = J$5.75	US$0.17 = J$1.00 US$1.00 = J$5.78	- 0.5
9/8/85	US$0.17 = J$1.00 US$1.00 = J$5.78	US$0.17 = J$1.00 US$1.00 = J$5.77	+ 0.2
28/8/85	US$0.17 = J$1.00 US$1.00 = J$5.77	US$0.17 = J$1.00 US$1.00 = J$5.78	- 0.2
4/9/85	US$0.17 = J$1.00 US$1.00 = J$5.78	US$0.17 = J$1.00 US$1.00 = J$5.80	- 0.3
6/9/85	US$0.17 = J$1.00 US$1.00 = J$5.80	US$0.17 = J$1.00 US$1.00 = J$5.81	- 0.2
11/9/85	US$0.17 = J$1.00 US$1.00 = J$5.81	US$0.17 = J$1.00 US$1.00 = J$5.83	- 0.3
13/9/85	US$0.17 = J$1.00 US$1.00 = J$5.83	US$0.17 = J$1.00 US$1.00 = J$5.85	- 0.3
18/9/85	US$0.17 = J$1.00 US$1.00 = J$5.85	US$0.17 = J$1.00 US$1.00 = J$5.87	- 0.3

Notes: The rates quoted above refer to the selling rate of the Jamaican dollar
The buying rate is J$0.04 below the quoted selling price
(–) denotes the depreciation of the Jamaican dollar.
(+) denotes the appreciation of the Jamaican dollar

Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78
Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.76	Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.80
Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78
Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.80	Parallel Rate US$0.36= J$1.00 US$1.00 = J$2.75
Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78
Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.75	Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.76

PREVIOUS RATE	REVISED RATE	% CHANGE IN J$ VS US$	COMMENTS
Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78		Introduction of Caricom rate of exchange.
Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.76	Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.76		
	Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25	26.4	
Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78		Minor downward adjustment in parallel rates.
Parallel Rate US$0.36 = J$1.00 US$1.00 = J$2.76	Parallel Rate US$0.37 = J$1.00 US$1.00 = J$2.71	1.8	
Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25	Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25		
Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78		
Parallel Rate US$0.37 = J$1.00 US$1.00 = J$2.71	Parallel Rate US$0.37 = J$1.00 US$1.00 = J$2.71		
Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25	Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25		

[illegible] 84	US$0.31 = J$1.00 US$1.00 = J$3.25	US$0.29 = J$1.00 US$1.00 = J$3.40 (L)	– 4.2	New Parity Order adjusting limits of foreign exchange band.
	US$0.28 = J$1.00 US$1.00 = J$3.55	US$0.27 = J$1.00 US$1.00 = J$3.70 (U)		Upper limit is equal to actual selling rate in exchange transactions.
[illegible] 84	US$0.29 = J$1.00 US$1.00 = J$3.40	US$0.28 = J$1.00 (L) US$1.00 = J$3.55	– 4.0	New Parity Order adjusting limits of foreign exchange band.
	US$0.27 = J$1.00 US$1.00 = J$3.70	US$0.26 = J$1.00 US$1.00 = J$3.85 (U)		Upper limit is equal to actual selling rate in exchange transactions.
[illegible] 84	US$0.28 = J$1.00 US$1.00 = J$3.55	US$0.27 = J$1.00 US$1.00 = J$3.70 (L)		New Parity Order adjusting limits of foreign exchange band.
	US$0.26 = J$1.00 US$1.00 = J$3.85	US$0.25 = J$1.00 US$1.00 = J$4.00 (U)	– 3.9	Upper limit is equal to actual selling rate in exchange transactions.
[illegible] 84	US$0.27 = J$1.00 US$1.00 = J$3.70	US$0.26 = J$1.00 US$1.00 = J$3.85 (L)		New Parity Order adjusting limits of foreign exchange band.
	US$0.25 = J$1.00 US$1.00 = J$4.00	US$0.24 = J$1.00 US$1.00 = J$4.15 (U)		
	US$0.25 = J$1.00 US$1.00 = J$4.00	US$0.25 = J$1.00 US$1.00 = J$4.00 (A)		Actual selling rate differs from upper limit.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$4.00	US$0.24 = J$1.00 US$1.00 = J$4.05 (A)	– 1.2	No adjustment in band. Change in actual selling rate.
[illegible] 84	US$0.24 = J$1.00 US$1.00 = J$4.05	US$0.24 = J$1.00 (A) US$1.00 = J$4.15	– 2.5	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.25 = J$1.00 US$1.00 = J$4.00 (A)	+ 3.6	No adjustment in band, but change in actual selling rate.

[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$4.00	US$0.25 = J$1.00 US$1.00 = J$3.89 (A)	+ 2.7	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.89	US$0.25 = J$1.00 US$1.00 = J$3.94 (A)	– 1.3	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.94	US$0.25 = J$1.00 US$1.00 = J$3.89 (A)	+ 1.3	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.89	US$0.25 = J$1.00 US$1.00 = J$3.94 (A)	– 1.3	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.94	US$0.25 = J$1.00 US$1.00 = J$3.89 (A)	+ 1.3	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.89	US$0.25 = J$1.00 US$1.00 = J$3.94 (A)	– 1.3	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.94	US$0.25 = J$1.00 US$1.00 = J$4.00	– 1.5	No adjustment in band, but change in actual selling rate.

Parallel Rate = Average selling rate of commercial banks.

U - Upper limit, L - Lower limit A - Actual selling rate.

[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$4.00	US$0.25 = J$1.00 US$1.00 = J$3.89	+ 2.7	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.25 = J$1.00 US$1.00 = J$3.89	US$0.24 = J$1.00 US$1.00 = J$4.04	– 3.9	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.24 = J$1.00 US$1.00 = J$4.04	US$0.24 = J$1.00 US$1.00 = J$4.09	– 1.2	No adjustment in band, but change in actual selling rate.
[illegible] 84	US$0.24 = J$1.00 US$1.00 = J$4.09	US$0.24 = J$1.00 US$1.00 = J$4.14	– 1.2	No adjustment in band, but change in actual selling rate.

[illegible]	Official Rate US$[illegible] = J$1.00 US$1.00 = J$1.78 Parallel Rate US$0.37 = J$1.00 US$1.00 = J$2.71 Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78 Parallel Rate US$0.37 = J$1.00 US$1.00 = J$2.71 Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25		
[illegible] 83	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78 Parallel Rate US$0.37 = J$1.78 US$1.00 = J$2.71 Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78 Parallel Rate US$0.34 = J$1.00 US$1.00 = J$2.96 Caricom Rate US$0.44 = J$1.00 US$1.00 = J$2.25	- 9.2	Adjustment in operations of parallel market whereby all commercial banks trade at a single rate determined on a weekly basis. Margin of J$0.05 between buying and selling rate. Upward adjustment in parallel rate.
[illegible]11/83	Official Rate US$0.56 = J$1.00 US$1.00 = J$1.78	Official Rate US$0.32 = J$1.00 US$1.00 = J$3.15 (A) US$0.33 = J$1.00 US$1.00 = J$3.00 (L) US$0.30 = J$1.00 US$1.00 = J$3.30 (U)	- 77.0	Unification of official, parallel and Caricom rates within prescribed band, with a range of J$0.15 on either side of mid-point. Band will be reviewed fortnightly.
[illegible]12/83	US$0.32 = J$1.00 US$1.00 = J$3.15 US$0.33 = J$1.00 US$1.00 = J$3.00 US$0.30 = J$1.00 US$1.00 = J$3.30	US$0.30 = J$1.00 US$1.00 = J$3.30 (A) US$0.33 = J$1.00 US$1.00 = J$3.00 (L) US$0.30 = J$1.00 US$1.00 = J$3.30 (U)	- 4.8	No adjustment in band, but change in actual selling rate.
[illegible]/1/84	Official Rate US$0.30 = J$1.00 US$1.00 = J$3.30 US$0.33 = J$1.00 US$1.00 = J$3.00 US$0.30 = J$1.00 US$1.00 = J$3.30	Official Rate US$0.29 = J$1.00 US$1.00 = J$3.40 (A) US$0.32 = J$1.00 US$1.00 = J$3.10 (L) US$0.29 = J$1.00 US$1.00 = J$3.40 (U)	- 3.0	Review and adjustment of band. Upper limit is equal to selling rate in exchange transactions.
[illegible]1/84	US$0.29 = J$1.00 US$1.00 = J$3.40 US$0.32 = J$1.00 US$1.00 = J$3.10 US$0.29 = J$1.00 US$1.00 = J$3.40	US$0.30 = J$1.00 US$1.00 = J$3.30 (A) US$0.31 = J$1.00 US$1.00 = J$3.25 (L) US$0.28 = J$1.00 US$1.00 = J$3.55 (U)	+ 2.9	Review and adjustment of band. Actual selling rate declines within new band.
[illegible] 84	US$0.31 = J$1.00 US$1.00 = J$3.25 US$0.28 = J$1.00 US$1.00 = J$3.55 US$0.30 = J$1.00 US$1.00 = J$3.30	US$0.31 = J$1.00 US$1.00 = J$3.25 (L) US$0.28 = J$1.00 US$1.00 = J$3.55 (U) US$0.28 = J$1.00 US$1.00 = J$3.55(A)	- 7.6	Introduction of a new foreign exchange system. Exchange rate determined by auction held twice weekly. Bids are conducted within a prescribed band as set by Parity Orders. Upper limit is equal to actual selling rate in exchange transactions.

8/84	US$0.24 = J$1.00 US$1.00 = J$4.14	US$0.24 = J$1.00 US$1.00 = J$4.15	0.2	No adjustment in band, but change in actual selling rate.
22/8/84	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.25 = J$1.00 US$1.00 = J$3.89	+ 6.3	No adjustment in band, but change in actual selling rate.
24/8/84	US$0.25 = J$1.00 US$1.00 = J$3.89	US$0.24 = J$1.00 US$1.00 = J$4.04	– 3.9	No adjustment in band, but change in actual selling rate.
29/8/84	US$0.24 = J$1.00 US$1.00 =J$4.04	US$0.24 = J$1.00 US$1.00 = J$4.15	– 2.7	No adjustment in band, but change in actual aselling rate.
5/9/84	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.25 = J$1.00 US$1.00 = J$3.89	+ 6.3	No adjustment in band, but change in actual selling rate.
7/9/84	US$0.25 = J$1.00 US$1.00 = J$3.89	US$0.24 = J$1.00 US$1.00 = J$4.15	– 6.7	No adjustment in band, but change in actual selling rate.
19/9/84	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.23 = J$1.00 (A) US$1.00 = J$4.30	– 3.6	New Parity Order adjusting limits of foreign exchange band.
	US$0.26 = J$1.00 US$1.00 = J$3.85	US$0.25 = J$1.00 US$1.00 = J$4.00 (L)		
	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.23 = J$1.00 (U) US$1.00 = J$4.30		
21/9/84	US$0.23 = J$1.00 US$1.00 = J$4.30	US$0.24 = J$1.00 US$1.00 = J$4.15	+ 3.5	No adjustment in band, but change in actual selling rate.
26/9/84	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.23 = J$1.00 US$1.00 = J$4.30	– 3.6	No adjustment in band, but change in actual selling rate.
3/10/84	US$0.23 = J$1.00 US$1.00 = J$4.30	US$0.24 = J$1.00 US$1.00 = J$4.15	+ 3.5	No adjustment in band, but change in actual selling rate.
10/84	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.23 = J$1.00 US$1.00 = J$4.30	– 3.6	No adjustment in band, but change in actual selling rate.
10/84	US$0.23 = J$1.00 US$1.00 = J$4.30	US$0.23 = J$1.00 US$1.00 = J$4.40 (A)	2.3	New Parity Order adjusting limits of foreign exchange band.
	US$0.25 = J$1.00 US$1.00 = J$4.00	US$0.24 = J$1.00 US$1.00 = J$4.15 (L)		
	US$0.23 = J$1.00 US$1.00 = J$4.30	US$0.22 = J$1.00 US$1.00 = J$4.45 (U)		
10/84	US$0.23 = J$1.00 US$1.00 = J$4.40	US$0.22 = J$1.00 US$1.00 = J$4.45	– 1.1	No adjustment in band, but change in actual selling rate.
10/84	US$0.22 = J$1.00 US$1.00 = J$4.45	US$0.22 = J$1.00 US$1.00 = J$4.60 (A)	– 3.4	New Parity Order adjusting limits of foreign exchange band.
	US$0.24 = J$1.00 US$1.00 = J$4.15	US$0.23 = J$1.00 US$1.00 = J$4.30 (L)		
	US$0.22 = J$1.00 US$1.00 = J$4.45	US$0.22 = J$1.00 US$1.00 = J$4.60 (U)		
11/84	US$0.22 = J$1.00 US$1.00 = J$4.60	US$0.21 = J$1.00 US$1.00 = J$4.75 (A)	– 3.3	
	US$0.23 = J$1.00 US$1.00 = J$4.30	US$0.22 = J$1.00 US$1.00 = J$4.45 (L)		New Parity Order adjusting limits of foreign exchange band.
	US$0.22 = J$1.00 US$1.00 = J$4.60	US$0.21 = J$1.00 US$1.00 = J$4.75 (U)		

1/3/85	US$0.20 = J$1.00 US$1.00 = J$5.06	US$0.20 = J$1.00 US$1.00 = J$5.10	– 0.8
6/3/85	US$0.20 = J$1.00 US$1.00 = J$5.10	US$0.19 = J$1.00 US$1.00 = J$5.19	– 1.8
8/3/85	US$0.19 = J$1.00 US$1.00 = J$5.19	US$0.19 = J$1.00 US$1.00 = J$5.29	– 1.2
13/3/85	US$0.19 = J$1.00 US$1.00 = J$5.29	US$0.19 = J$1.00 US$1.00 = J$5.40	– 2.1
15/3/85	US$0.19 = J$1.00 US$1.00 = J$5.40	US$0.18 = J$1.00 US$1.00 = J$5.50	– 1.9
20/3/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.19 = J$1.00 US$1.00 = J$5.30	+ 3.6
22/3/85	US$0.19 = J$1.00 US$1.00 = J$5.30	US$0.19 = J$1.00 US$1.00 = J$5.37	– 1.3
27/3/85	US$0.19 = J$1.00 US$1.00 = J$5.37	US$0.18 = J$1.00 US$1.00 = J$5.48	– 2.0
29/3/85	US$0.18 = J$1.00 US$1.00 = J$5.48	US$0.18 = J$1.00 US$1.00 = J$5.50	– 0.4
17/4/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.18 = J$1.00 US$1.00 = J$5.46	+ 0.7
19/4/85	US$0.18 = J$1.00 US$1.00 = J$5.46	US$0.18 = J$1.00 US$1.00 = J$5.50	– 0.7
3/5/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.18 = J$1.00 US$1.00 = J$5.51	– 0.2
8/5/85	US$0.18 = J$1.00 US$1.00 = J$5.51	US$0.18 = J$1.00 US$1.00 = J$5.53	– 0.4
10/5/85	US$0.18 = J$1.00 US$1.00 = J$5.53	US$0.18 = J$1.00 US$1.00 = J$5.50	+ 0.5
15/5/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.18 = J$1.00 US$1.00 = J$5.51	– 0.2
22/5/85	US$0.18 = J$1.00 US$1.00 = J$5.51	US$0.18 = J$1.00 US$1.00 = J$5.52	– 0.2
5/6/85	US$0.18 = J$1.00 US$1.00 = J$5.52	US$0.18 = J$1.00 US$1.00 = J$5.54	– 0.4
7/6/85	US$0.18 = J$1.00 US$1.00 = J$5.54	US$0.17 = J$1.00 US$1.00 = J$5.56	– 0.4
12/6/85	US$0.17 = J$1.00 US$1.00 = J$5.56	US$0.17 = J$1.00 US$1.00 = J$5.58	– 0.4
19/6/85	US$0.17 = J$1.00 US$1.00 = J$5.58	US$0.17 = J$1.00 US$1.00 = J$5.60	– 0.4

Notes: The rates quoted above refer to the selling rate of the Jamaican dollar.
The buying rate is J$0.04 below the quoted selling price.
(-) denotes the depreciation of the Jamaican dollar.
(+) denotes the appreciation of the Jamaican dollar.

21/6/85	US$0.17 = J$1.00 US$1.00 = J$5.60	US$0.17 = J$1.00 US$1.00 = J$5.62	– 0.4
28/6/85	US$0.17 = J$1.00 US$1.00 = J$5.62	US$0.17 = J$1.00 US$1.00 = J$5.64	– 0.4
3/7/85	US$0.17 = J$1.00 US$1.00 = J$5.64	US$0.17 = J$1.00 US$1.00 = J$5.67	– 0.5

Extracted from the Central Bank and the Jamaican Economy 1960-1985 (A Bank of Jamaica Publication)

22/11/84	US\$0.21 = J\$1.00 US\$1.00 = J\$4.75	US\$0.20 = J\$1.00 US\$1.00 = J\$4.90 (A)	3.2	New Parity Order adjusting li *of foreign* exchange band.
	US\$0.22 = J\$1.00 US\$1.00 = J\$4.45	US\$0.22 = J\$1.00 US\$1.00 = J\$4.60 (L)		
	US\$0.21 = J\$1.00 US\$1.00 = J\$4.75	US\$0.20 = J\$1.00 US\$1.00 = J\$4.90 (U)		
29/11/84	US\$0.20 = J\$1.00 US\$1.00 = J\$4.90	US\$0.21 = J\$1.00 (A) US\$1.00 = J\$4.86	+ 0.8	Modification of foreign excha auction system *allowing* J\$ to float freely rather than in a pr band.
[illegible]/12/84	US\$0.21 = J\$1.00 US\$1.00 = J\$4.86	US\$0.25 = J\$1.00 *US\$1.00 = J\$4.00*	+ 17.7	
[illegible]/12/84	US\$0.25 = J\$1.00 US\$1.00 = J\$4.00	US\$0.23 = J\$1.00 US\$1.00 = J\$4.40	– 10.0	
14/12/84	US\$0.23 = J\$1.00 US\$1.00 = J\$4.40	US\$0.22 = J\$1.00 US\$1.00 = J\$4.60	– 4.6	
19/12/84	US\$0.22 = J\$1.00 US\$1.00 = J\$4.60	US\$0.21 = J\$1.00 US\$1.00 = J\$4.85	– 5.4	
31/12/84	US\$0.21 = J\$1.00 US\$1.00 = J\$4.85	US\$0.20 = J\$1.00 US\$1.00 = J\$4.95	– 2.1	
4/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$4.95	US\$0.20 = J\$1.00 US\$1.00 = J\$4.90	+ 1.0	
[illegible]/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$4.90	US\$0.20 = J\$1.00 US\$1.00 = J\$4.95	– 1.0	
11/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$4.95	US\$0.20 = J\$1.00 US\$1.00 = J\$4.97	– 0.4	
16/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$4.97	US\$0.20 = J\$1.00 US\$1.00 = J\$5.00	– 0.6	
23/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$5.00	US\$0.20 = J\$1.00 US\$1.00 = J\$5.05	– 1.0	
25/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$5.05	US\$0.20 = J\$1.00 US\$1.00 = J\$5.10	– 1.0	
29/1/85	US\$0.20 = J\$1.00 US\$1.00 = J\$5.10	US\$0.19 = J\$1.00 US\$1.00 = J\$5.15	– 1.0	
1/2/85	US\$0.19 = J\$1.00 US\$1.00 = J\$5.15	US\$0.19 = J\$1.00 US\$1.00 = J\$5.20	– 1.0	
[illegible]/2/85	US\$0.19 = J\$1.00 US\$1.00 = J\$5.20	US\$0.19 = J\$1.00 US\$1.00 = J\$5.26	– 1.2	
[illegible]/2/85	US\$0.19 = J\$1.00 US\$1.00 = J\$5.26	US\$0.19 = J\$1.00 US\$1.00 = J\$5.33	– 1.3	
[illegible]/2/85	US\$0.19 = J\$1.00 US\$1.00 = J\$5.33	US\$0.18 = J\$1.00 US\$1.00 = J\$5.42	– 1.7	
[illegible]/2/85	US\$0.18 = J\$1.00 US\$1.00 = J\$5.42	US\$0.18 = J\$1.00 US\$1.00 = J\$5.54	– 2.2	
19/2/85	US\$0.18 = J\$1.00 US\$1.00 = J\$5.54	US\$0.18 = J\$1.00 US\$1.00 = J\$5.48	+ 1.1	
27/2/85	US\$0.18 = J\$1.00 US\$1.00 = J\$5.48	US\$0.20 = J\$1.00 US\$1.00 = J\$5.06	+ 7.7	

1/3/85	US$0.20 = J$1.00 US$1.00 = J$5.06	US$0.20 = J$1.00 US$1.00 = J$5.10	− 0.8
6/3/85	US$0.20 = J$1.00 US$1.00 = J$5.10	US$0.19 = J$1.00 US$1.00 = J$5.19	− 1.8
8/3/85	US$0.19 = J$1.00 US$1.00 = J$5.19	US$0.19 = J$1.00 US$1.00 = J$5.29	− 1.2
13/3/85	US$0.19 = J$1.00 US$1.00 = J$5.29	US$0.19 = J$1.00 US$1.00 = J$5.40	− 2.1
15/3/85	US$0.19 = J$1.00 US$1.00 = J$5.40	US$0.18 = J$1.00 US$1.00 = J$5.50	− 1.9
20/3/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.19 = J$1.00 US$1.00 = J$5.30	+ 3.6
22/3/85	US$0.19 = J$1.00 US$1.00 = J$5.30	US$0.19 = J$1.00 US$1.00 = J$5.37	− 1.3
27/3/85	US$0.19 = J$1.00 US$1.00 = J$5.37	US$0.18 = J$1.00 US$1.00 = J$5.48	− 2.0
29/3/85	US$0.18 = J$1.00 US$1.00 = J$5.48	US$0.18 = J$1.00 US$1.00 = J$5.50	− 0.4
17/4/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.18 = J$1.00 US$1.00 = J$5.46	+ 0.7
19/4/85	US$0.18 = J$1.00 US$1.00 = J$5.46	US$0.18 = J$1.00 US$1.00 = J$5.50	− 0.7
3/5/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.18 = J$1.00 US$1.00 = J$5.51	− 0.2
8/5/85	US$0.18 = J$1.00 US$1.00 = J$5.51	US$0.18 = J$1.00 US$1.00 = J$5.53	− 0.4
10/5/85	US$0.18 = J$1.00 US$1.00 = J$5.53	US$0.18 = J$1.00 US$1.00 = J$5.50	+ 0.5
15/5/85	US$0.18 = J$1.00 US$1.00 = J$5.50	US$0.18 = J$1.00 US$1.00 = J$5.51	− 0.2
22/5/85	US$0.18 = J$1.00 US$1.00 = J$5.51	US$0.18 = J$1.00 US$1.00 = J$5.52	− 0.2
5/6/85	US$0.18 = J$1.00 US$1.00 = J$5.52	US$0.18 = J$1.00 US$1.00 = J$5.54	− 0.4
7/6/85	US$0.18 = J$1.00 US$1.00 = J$5.54	US$0.17 = J$1.00 US$1.00 = J$5.56	− 0.4
12/6/85	US$0.17 = J$1.00 US$1.00 = J$5.56	US$0.17 = J$1.00 US$1.00 = J$5.58	− 0.4
19/6/85	US$0.17 = J$1.00 US$1.00 = J$5.58	US$0.17 = J$1.00 US$1.00 = J$5.60	− 0.4

Notes: The rates quoted above refer to the selling rate of the Jamaican dollar.
The buying rate is J$0.04 below the quoted selling price.
(-) denotes the depreciation of the Jamaican dollar.
(+) denotes the appreciation of the Jamaican dollar.

21/6/85	US$0.17 = J$1.00 US$1.00 = J$5.60	US$0.17 = J$1.00 US$1.00 = J$5.62	− 0.4
28/6/85	US$0.17 = J$1.00 US$1.00 = J$5.62	US$0.17 = J$1.00 US$1.00 = J$5.64	− 0.4
3/7/85	US$0.17 = J$1.00 US$1.00 = J$5.64	US$0.17 = J$1.00 US$1.00 = J$5.67	− 0.5

Extracted from the Central Bank and the Jamaican Economy 1960-1985
(A Bank of Jamaica Publication)

COMMERCIAL BANKS
MONTHLY SUMMARY OF ASSETS AND LIABILITIES

A S S E T S

J$000

End of Period	Cash	Balances with BoJ	Foreign Assets	Loans and Advances: To Private Sector	Loans and Advances: To Gov't*	Loans and Advances: Total	Jamaica Government: Treasury Bills	Jamaica Government: Other Securities	Cheques in Course of Collection	Other Assets	Total
1973	20,222	37,290	42,385	503,091	7,031	510,122	27,198	39,969	40,297	49,190	766,673
1974	21,756	48,343	38,841	573,878	6,892	580,770	33,301	35,599	73,766	74,781	907,157
1975	26,156	43,925	31,539	672,741	22,363	695,104	44,931	37,130	53,093	78,997	1,010,875
1976	23,894	70,650	27,941	666,167	35,323	701,990	57,988	39,514	44,301	99,822	1,066,100
1977	30,647	62,357	31,788	524,493	134,240	658,733	97,069	151,845	63,501	87,959	1,183,899
1974											
Mar.	10,158	31,916	49,456	508,960	7,899	516,859	24,171	39,054	45,837	54,463	772,70[illegible]
June	9,565	35,841	46,376	522,246	8,801	531,047	31,263	40,192	37,283	56,554	787,121
Sept.	10,090	39,144	35,617	530,619	7,928	538,547	35,277	39,398	51,280	66,403	815,756
Dec.	21,756	48,343	38,841	573,878	6,892	580,770	33,301	35,599	73,766	74,781	907,157
1975											
Mar.	12,424	50,673	57,935	600,403	7,762	608,165	43,535	36,923	38,243	76,928	934,726
June	12,191	48,779	42,003	613,802	15,973	629,775	54,828	37,191	61,009	68,891	954,667
Sept.	14,179	59,132	41,070	636,126	23,468	659,594	40,424	36,972	53,393	76,076	981,630
Dec.	26,156	43,925	31,539	672,741	22,363	695,104	44,931	37,130	53,093	78,997	1,010,875
1976											
Mar.	19,238	47,876	24,888	672,427	33,390	705,817	34,748	40,401	41,264	82,748	996,980
June	17,541	59,247	27,365	682,479	34,200	716,679	36,272	39,499	54,136	89,179	1,039,929
Sept.	16,973	63,173	20,760	669,839	35,512	705,351	56,423	39,251	40,940	85,408	1,028,279
Dec.	23,894	70,650	27,941	666,167	35,823	701,990	57,988	39,514	44,301	99,822	1,066,100
1977											
Mar.	17,871	124,279	17,949	572,265	96,992	669,257	92,283	39,222	47,580	101,563	1,110,009
June	16,611	73,438	25,244	560,453	82,865	643,318	103,569	139,646	57,416	106,416	1,165,650
Sept.	13,824	60,679	20,749	527,977	118,102	646,079	99,604	150,240	46,089	101,888	1,139,153
Dec.	30,647	62,357	31,788	524,493	134,240	658,733	97,069	151,845	63,501	87,959	1,183,899
1978											
Jan.	21,424	104,514	32,125	519,848	131,690	651,538	105,069	170,980	56,315	77,627	1,219,582
Feb.	17,250	121,292	36,320	521,900	141,950	663,850	64,268	174,110	62,682	88,080	1,227,7[illegible]
Mar.	20,266	108,887	33,459	534,710	126,834	661,544	131,096	171,433	50,510	109,238	1,287,4[illegible]
Apr.	15,592	80,545	35,373	538,993	138,942	676,935	108,793	175,861	66,161	87,752	1,247,038
May	22,052	80,568	35,500	528,797	143,966	672,763	124,390	184,011	57,143	96,216	1,273,543
June	15,358	91,159	45,573	579,278	138,895	718,173	130,697	181,243	71,911	94,796	1,349,909
July	18,742	99,609	40,546	554,723	137,145	691,868	142,669	185,207	100,690	96,711	1,376,131
Aug.	21,274	106,813	44,803	569,633	133,780	703,413	139,993	186,017	75,635	98,526	1,376,473
Sept.	14,663	130,357	49,070	585,691	140,362	726,073	126,846	137,264	89,597	105,451	1,399,3[illegible]
Oct.	50,093	139,853	46,294	598,011	177,712	755,723	106,147	178,999	87,342	97,734	1,442,019
Nov.	26,330	166,493	51,417	615,764	131,677	755,441	117,238	177,800	58,314	109,935	1,462,976
Dec.	37,975	159,968	51,024	621,897	145,573	767,570	139,47[illegible]	177,820	94,228	120,609	1,538,6[illegible]
1979											
Jan.	24,919	124,447	57,630	627,198	142,355	769,553	161,159	184,784	34,368	117,490	1,476,369
Feb.	21,956	160,353	57,106	641,326	144,415	785,731	134,764	184,739	37,060	113,245	1,493,205
Mar.	22,100	177,547	47,959	646,558	141,759	790,415	175,636	165,344	42,539	121,171	1,550,511
Apr.	19,359	205,773	52,875	664,358	142,233	806,591	145,643	138,729	46,762	104,276	1,563,9[illegible]
May	23,744	[illegible]	50,476	669,82[illegible]	140,343	810,172	171,589	198,641	29,436	109,137	[illegible]
June	17,709	123,464	71,766	683,020	142,301	825,321	175,770	198,257	33,651	112,506	1,538,451
July	23,388	119,673	49,160	719,312	112,785	832,097	146,936	210,570	38,045	114,175	1,532,048
Aug.	19,864	102,677	51,921	720,264	115,538	835,802	137,268	231,969	34,770	107,764	1,512,033
Sept.	18,303	134,657	44,932	748,727	109,294	858,021	130,978	223,475	54,963	125,319	1,592,152
Oct.	23,504	124,309	41,290	710,639	139,347	849,985	120,074	227,580	45,540	121,010	1,553,302

'Adjusted

*Includes Central & Local Government and Other Public Entities.

COMMERCIAL BANKS
MONTHLY SUMMARY OF ASSETS AND LIABILITIES

L I A B I L I T I E S

$'000

End of Period	DEPOSITS: Demand Govt.	Demand Other	Savings	Time	Total	Foreign Liabs.	Disc. & advs. from BoJ	Loans and Advs. from Other Insts.	Chques in course of payment	Other Liabs.	Total
1973	6,107	137,198	248,794	145,665	537,074	74,669	29,075	20,414	29,033	74,709	[illegible]
1974	9,766	163,174	268,394	195,973	637,309	60,402	975	58,062	[illegible]	85,383	[illegible]
1975	9,519	194,995	331,232	214,863	750,629	55,236	6,642	57,822	43,924	[illegible]	[illegible]
1976	9,993	192,457	349,634	252,698	804,702	56,124	7,825	48,628	41,172	107,569	[illegible]
1977	13,195	287,969	451,440	163,748	916,352	58,051	206	32,292	62,075	[illegible]	[illegible]
1974											
Mar.	6,800	137,795	248,409	147,939	540,943	67,292	4,950	42,883	36,071	80,565	772,70[illegible]
June	7,935	137,447	252,435	160,002	557,819	69,767	2,763	43,999	29,151	83,628	787,12[illegible]
Sept.	10,351	152,922	254,377	166,763	584,413	50,384	1,660	49,461	37,831	92,417	815,756
Dec.	9,768	163,174	268,394	195,973	637,309	60,402	975	58,062	65,006	85,383	[illegible]
1975											
Mar.	11,421	224,014	284,147	211,401	673,383	66,543	4,414	61,061	25,858	92,466	[illegible]
June	13,229	182,847	308,566	202,442	707,084	63,655	1,631	55,609	43,672	61,062	954,66[illegible]
Sept.	10,853	188,427	319,024	206,613	724,917	55,741	7,968	65,811	38,119	92,126	[illegible]
Dec.	9,519	194,995	331,232	214,863	750,629	55,236	6,642	57,823	43,924	96,621	[illegible]
1976											
Mar.	10,608	172,241	337,556	225,038	745,443	60,333	12,303	47,720	34,351	[illegible]	996,90[illegible]
June	11,636	172,520	341,057	243,932	769,145	59,183	11,649	53,051	43,538	103,264	1,039,929
Sept.	11,740	164,633	343,414	251,235	771,022	54,378	7,695	53,406	38,626	103,152	1,028,279
Dec.	9,993	192,457	349,634	252,698	804,782	56,124	7,825	48,628	41,172	107,569	1,066,10[illegible]
1977											
Mar.	14,387	225,301	363,365	251,526	854,653	52,530	7,341	47,917	39,075	108,460	1,110,00[illegible]
June	15,474	236,178	410,389	226,138	892,389	61,329	6,871	48,542	46,631	[illegible]	[illegible]
Sept.	13,682	254,074	431,121	185,214	884,091	60,684	181	46,991	42,555	[illegible]	[illegible]
Dec.	13,195	287,969	451,440	163,748	916,352	58,051	206	32,292	62,075	[illegible]	[illegible]
1978											
Jan.	13,729	307,528	457,330	166,670	945,257	50,904	146	48,740	57,1[illegible]	107,[illegible]	1,319,5[illegible]
Feb.	25,514	296,337	461,898	158,917	942,666	62,215	74	50,314	66,502	111,982	[illegible]
Mar.	27,055	347,339	468,346	152,621	995,352	58,031	60	50,587	60,627	122,764	1,287,4[illegible]
Apr.	18,782	300,022	478,755	149,161	946,720	65,356	48	54,461	64,663	115,750	1,247,018
May	14,065	332,174	485,971	149,628	971,838	66,255	78	50,183	55,750	129,440	1,273,542
June	14,719	313,574	486,834	211,289	1,026,416	69,911	5,278	47,732	70,575	128,897	1,349,909
July	15,856	306,744	488,259	223,403	1,034,262	65,793	6,903	41,335	92,589	135,239	1,376,1[illegible]
Aug.	15,123	328,736	490,046	221,529	1,055,434	60,341	6,850	40,825	73,977	139,046	1,376,4[illegible]
Sept.	10,190	332,788	491,591	225,997	1,068,566	63,339	6,845	42,650	78,296	133,625	1,329,321
Oct.	19,492	324,407	509,867	239,805	1,093,571	60,318	6,853	42,104	86,976	150,193	1,442,015
Nov.	17,827	321,213	517,209	256,943	1,113,281	57,165	18,477	44,714	77,938	151,401	1,462,975
Dec.	17,211	375,334	518,983	259,007	1,170,535	66,041	2,937	43,340	82,469	167,279	1,538,621
1979											
Jan.	20,068	340,011	531,574	244,575	1,136,228	62,704	26,847	47,748	37,652	165,203	1,476,389
Feb.	23,075	331,667	537,016	256,776	1,148,534	57,904	40,420	48,174	33,360	166,805	1,495,205
Mar.	23,969	356,552	543,201	287,191	1,210,913	57,301	18,806	49,074	46,761	176,656	1,558,511
Apr.	22,849	356,211	555,610	276,090	1,210,760	66,523	33,678	49,743	40,269	165,020	1,565,993
May	17,961	345,291	562,178	264,831	1,190,261	58,061	21,314	50,450	34,637	159,199	1,573,922
June	23,188	334,267	564,564	266,234	1,188,253	58,026	30,641	47,979	32,686	180,086	1,538,451
July	29,147	342,568	568,081	254,227	1,194,023	57,140	17,235	48,840	37,064	177,756	1,532,048
Aug.	29,361	325,893	568,655	247,864	1,171,773	54,875	25,367	49,060	34,396	176,564	1,512,035
Sept.	30,203	358,459	572,373	255,862	1,216,897	65,178	29,377	53,059	40,467	187,174	1,592,152
Oct.	29,544	330,366	580,599	260,947	1,199,496	59,282	31,641	50,211	40,259	173,504	1,554,39[illegible]

*Includes Special Deposits from June 1978.

COMMERCIAL BANKS
MONTHLY SUMMARY OF ASSETS AND LIABILITIES
ASSETS

J$000

End of Period	Cash	Balances with BoJ	Foreign Assets	LOANS AND ADVANCES To Private Sector	To Govt	Total	JAMAICA GOVERNMENT Treasury Bills	Securities	Cheques in Course of Collection	Other Assets	Total
1980	42,249	349,523	65,349	869,903	220,442	1,090,345	124,619	233,163	61,235	133,370	2,100,353
1981	41,427	260,362	78,811	1,200,291	294,787	1,495,078	288,942	244,283	56,048	168,716	2,634,167
1982	32,649	58,449	105,388	1,615,231	347,827	1,963,058	418,750	275,644	66,764	209,697	3,150,399
1983*	58,545	313,435	264,708	2,065,424	382,023	2,447,447	425,190	360,855	59,959	389,524	4,319,663
1984	83,668	931,611	273,355	2,348,954	396,853	2,745,807	284,800	447,075	142,604	517,094	5,426,014
1982											
Mar.	30,053	234,568	107,252	1,237,025	292,808	1,529,833	327,720	243,888	61,437	168,554	2,703,305
June	29,789	205,312	105,777	1,352,035	306,376	1,658,411	412,701	250,268	54,551	165,699	2,887,908
Sept.	33,167	135,495	110,399	1,473,189	329,321	1,802,510	368,926	302,880	53,191	196,518	3,001,078
Dec.	32,649	58,449	105,388	1,615,231	347,827	1,963,058	418,750	275,644	66,764	209,697	3,150,399
1983											
Mar.	32,655	71,280	177,575	1,715,092	369,745	2,084,837	410,410	257,316	63,574	245,531	3,343,178
June	35,518	125,493	190,106	1,802,346	367,609	2,169,955	443,274	265,016	60,358	295,937	3,585,657
Sept.	30,276	157,[illegible]	[illegible]	1,916,418	386,142	2,302,560	428,182	338,930	59,385	423,648	3,979,992
Dec.	58,545	313,435	264,708	2,065,424	382,023	2,447,447	425,190	360,855	59,959	389,524	4,319,663
1984											
Mar.	33,691	487,137	304,552	2,212,509	410,952	2,623,461	400,044	378,232	74,169	479,743	4,781,049
June	34,309	698,271	319,193	2,223,188	393,136	2,616,324	348,657	392,765	68,657	464,130	4,842,810
Sept	31,105	582,336	227,897	2,274,673	394,165	2,668,838	562,236	439,342	116,167	470,124	5,108,045
Dec	83,668	931,611	273,355	2,348,954	396,853	2,745,807	284,800	447,075	142,604	517,094	5,426,014
1985											
Mar	39,784	524,406	264,313	2,485,699	390,809	2,876,508	414,184	463,328	134,209	527,678	5,644,504
June	44,715	1,037,702	319,164	2,435,616	399,572	2,835,188	633,564	477,221	160,012	573,773	6,069,343
Sept.	47,222	1,107,062	326,903	2,292,332	536,244	2,828,576	769,021	451,917	141,107	588,950	6,251,770
Dec.	87,132	1,217,074	335,145	2,473,727	572,604	3,046,331	558,769	469,233	170,967	717,657	6,622,350
1986											
Jan.	51,905	1,266,876	267,882	2,506,018	594,906	3,100,924	514,956	469,626	111,627	708,519	6,792,315
Feb.	46,186	1,213,249	291,289	2,532,436	624,649	3,157,085	506,287	469,764	113,854	736,464	6,834,176
Mar.	50,824	1,258,316	297,778	2,600,750	669,524	3,270,274	724,200	466,536	142,160	704,400	6,914,466
Apr.	63,235	1,323,951	287,348	2,572,766	716,443	3,289,209	756,337	468,763	185,806	749,399	7,154,048
May	54,726	1,421,549	288,108	2,610,860	729,880	3,340,740	778,783	424,035	123,110	1,321,271	7,651,322
June	60,993	1,476,040	310,076	2,562,664	830,481	3,383,145	789,841	397,478	154,451	783,495	7,355,519
July	65,299	1,509,580	301,188	2,655,986	811,736	3,467,722	751,494	420,570	177,783	857,459	7,551,095
Aug	54,480	1,619,333	326,561	2,721,270	805,787	3,527,057	717,181	441,645	98,650	859,975	7,644,885
Sept.	62,809	1,650,665	286,412	2,747,509	805,045	3,552,554	744,643	440,447	128,378	946,365	7,812,273
Oct.	55,813	1,653,195	318,742	2,753,005	815,535	3,568,540	774,642	440,914	97,170	792,004	7,701,020
Nov.	60,614	1,579,647	313,370	2,888,160	822,560	3,710,720	794,420	440,930	88,388	835,303	7,823,392
Dec.	104,255	1,767,296	327,289	2,982,327	839,338	3,821,565	777,979	459,170	112,013	870,336	8,240,202
1987											
Jan.	72,326	1,878,536	319,641	3,021,330	875,930	3,897,250	813,388	473,204	84,945	794,376	8,333,716
Feb.	66,159	1,923,130	313,724	3,098,667	834,466	3,933,133	713,680	474,963	170,974	877,395	8,473,158
Mar.	78,807	1,989,595	324,756	3,174,008	856,802	4,030,810	713,193	476,540	214,643	929,786	8,756,130
Apr.	80,822	1,999,313	335,297	3,253,119	865,279	4,118,398	701,953	479,461	156,848	752,923	8,625,015
May	70,893	1,996,600	343,186	3,275,816	877,666	4,153,482	712,068	578,938	148,163	807,390	8,810,720
June	74,844	2,031,474	320,004	3,400,254	903,571	4,302,825	697,395	599,927	135,140	757,839	8,919,448
July	67,690	1,813,843	288,106	3,502,918	914,851	4,417,769	762,027	573,848	161,855	764,928	8,850,066
Aug.	83,179	1,881,911	381,147	3,514,415	893,151	4,407,566	747,035	577,012	183,512	811,276	9,072,636
Sept.	78,312	2,021,541	312,698	3,639,490	908,739	4,548,229	766,249	589,395	151,148	759,190	9,226,762
Oct.	69,493	1,980,242	310,455	3,751,119	912,056	4,663,175	732,001	577,350	147,099	839,876	9,319,591
Nov.	79,763	2,142,674	316,415	3,830,968	922,644	4,753,612	777,591	534,377	216,490	781,144	9,622,066
Dec.	113,135	1,881,863	346,205	3,938,410	957,442	4,895,852	792,154	570,346	237,271	778,540	9,600,366
1988											
Jan.	81,470	2,036,443	384,783	4,032,687	953,707	4,986,394	763,998	570,320	163,874	826,527	9,814,001
Feb.	102,740	2,252,298	351,869	4,144,723	920,767	5,065,490	748,231	558,371	278,370	874,001	10,231,370
Mar	79,043	2,277,420	298,954	4,260,045	956,635	5,216,680	799,622	514,748	385,575	916,670	10,488,712
Apr.	78,312	2,444,552	323,374	4,427,044	686,365	5,113,409	939,588	575,831	195,095	911,937	10,585,098

*Adjusted
+Includes Central & Local Government and Other Public Entities

COMMERCIAL BANKS
MONTHLY SUMMARY OF ASSETS AND LIABILITIES
L I A B I L I T I E S

J$000

End of Period	DEPOSITS Government	Demand	Savings	Time*	Total	Foreign Liabilities	Discount & Advances From BoJ	Loans & Advs. From Other Institutions	Cheques in Course of Payment	Other Liabilities	T
1980	34,493	437,992	735,957	443,754	1,652,196	52,921	64,100	55,455	54,233	221,448	2,10
1981	44,493	461,189	873,205	723,713	2,102,600	75,787	2,000	54,443	79,603	319,734	2,63
1982	43,582	534,225	1,084,475	908,429	2,570,711	52,071	3,400	33,500	75,841	414,876	3,15
1983	88,366	584,985	1,202,915	1,378,541	3,254,807	37,343	975	53,200	144,832	828,506	4,31
1984	101,193	755,046	1,400,319	1,733,169	3,989,727	61,437	26,265	117,097	104,560	1,126,928	5,42
1982											
Mar	58,885	500,209	921,090	~~672,420~~	2,152,604	69,703	2,000	48,261	97,546	333,191	2,70.
June	49,202	569,274	999,467	725,334	2,343,277	59,539	.	51,287	70,813	362,992	2,88
Sept	42,170	455,393	1,048,243	844,578	2,390,884	65,515	2,000	45,192	90,002	407,588	3,00
Dec	43,582	534,225	1,084,475	908,429	2,570,711	52,071	3,400	33,500	75,841	444,876	3,15
1983											
Mar	48,198	486,100	1,109,783	1,065,216	2,709,297	43,935	3,077	48,422	80,221	458,226	3,34
June	61,475	483,483	1,113,140	1,239,016	2,897,114	43,097	2,833	[illegible]	69,913	522,802	3,585
Sept	69,481	508,893	1,147,565	1,316,958	3,042,897	89,605	2,833	38,143	~~74,057~~	734,657	3,975
Dec	88,366	584,985	1,202,915	1,378,541	3,254,807	37,343	975	53,200	144,832	828,506	4,315
1984											
Mar	86,509	549,059	1,261,882	1,598,767	3,496,217	58,814	2,825	62,104	128,344	1,032,745	4,781
June	97,728	551,836	1,312,010	1,636,043	3,597,617	60,314	2,041	65,972	95,351	1,021,515	4,842
Sept	108,367	587,355	1,320,211	1,798,485	3,814,418	79,352	18,498	87,610	158,268	949,899	5,108
Dec	101,193	755,046	1,400,319	1,733,169	3,989,727	61,437	26,265	117,097	104,560	1,126,928	5,426
1985											
Mar	118,896	708,094	1,511,276	1,883,305	4,221,571	51,798	19,263	90,007	119,770	1,142,095	5,644
June	129,794	752,211	1,698,324	1,907,745	4,488,074	114,333	13,246	94,050	119,455	1,240,185	6,069
Sept	135,540	792,133	1,934,931	1,793,087	4,655,690	157,236	15,570	92,707	110,321	1,250,246	6,281
Dec.	140,614	839,152	2,162,210	1,754,112	4,896,088	141,535	23,351	84,565	144,931	1,331,880	6,622
1986											
Jan	145,010	869,880	2,252,525	1,817,942	5,085,357	125,434	16,618	142,159	99,056	1,323,691	6,79
Feb	151,624	841,519	2,267,697	1,802,407	5,063,247	142,679	15,012	152,434	94,301	1,366,502	6,834
Mar	121,700	867,286	2,310,609	1,671,766	4,971,361	176,206	29,649	170,426	228,451	1,338,395	6,914
Apr	162,718	926,559	2,386,817	1,825,483	5,301,577	161,547	21,369	187,004	155,153	1,327,398	7,154
May	153,628	983,567	2,450,649	1,727,959	5,315,803	170,421	22,706	171,890	138,020	1,832,482	7,651
June	200,629	1,053,043	2,489,991	1,714,912	5,458,575	171,391	16,119	149,302	113,990	1,446,142	7,355
July	174,200	1,111,584	2,556,623	1,657,341	5,499,748	171,583	6,972	198,007	204,727	1,470,058	7,551
Aug.	161,648	1,148,180	2,599,333	1,692,766	5,601,927	168,474	6,023	186,481	145,233	1,536,747	7,644
Sept	175,313	1,155,685	2,658,766	1,688,342	5,678,106	157,249	11,763	179,795	214,554	1,570,806	7,812
Oct	195,077	1,164,006	2,721,175	1,744,489	5,824,747	177,373	11,937	184,344	154,512	1,348,107	7,701
Nov	157,518	1,175,950	2,762,307	1,833,157	5,928,932	158,480	7,837	181,016	174,595	1,372,532	7,823
Dec	152,492	1,291,971	2,820,906	1,938,143	6,203,812	185,783	42,021	161,289	219,266	1,428,331	8,240.
1987											
Jan	155,126	1,205,168	2,934,893	2,020,746	6,315,933	202,451	25,886	218,441	180,013	1,390,992	8,333
Feb.	212,301	1,216,311	2,974,476	1,873,352	6,276,440	223,543	12,937	227,371	201,944	1,530,933	8,473.
Mar	181,649	1,314,576	3,042,225	1,817,565	6,356,015	175,361	17,512	244,092	417,615	1,547,535	8,758.
Apr	200,209	1,265,664	3,146,603	1,880,113	6,492,589	184,649	16,609	239,315	197,068	1,494,785	8,625.
May	200,066	1,231,990	3,196,436	2,026,168	6,654,660	196,240	18,126	235,015	210,661	1,496,018	8,810.
June	196,427	1,405,769	3,237,588	1,950,411	6,790,195	142,422	31,841	221,951	274,945	1,458,094	8,919.
July	220,845	1,191,219	3,296,594	2,014,744	6,723,402	107,177	34,155	220,509	196,708	1,568,115	8,850.
Aug	221,319	1,290,716	3,334,955	1,947,290	6,794,280	244,745	16,612	210,642	209,757	1,596,602	9,072.
Sept	226,612	1,304,552	3,383,107	1,954,483	6,868,754	198,873	17,810	195,711	242,635	1,702,979	9,226.
Oct	222,555	1,280,590	3,474,255	1,968,558	6,945,958	262,337	24,621	232,722	231,282	1,622,671	9,319.
Nov	259,424	1,436,333	3,524,175	1,980,072	7,200,004	268,510	18,298	238,215	218,347	1,678,692	9,622.
Dec	205,536	1,367,249	3,603,439	1,949,126	7,125,350	224,676	21,168	221,928	311,448	1,695,796	9,600.
1988											
Jan	216,749	1,377,678	3,719,299	1,872,770	7,186,496	267,139	53,251	239,339	301,209	1,766,577	9,814.
Feb	244,210	1,573,378	3,768,203	1,983,991	7,569,782	215,105	47,227	234,632	264,052	1,900,572	10,231.
Mar	228,482	1,524,795	3,845,994	1,839,316	7,438,587	249,199	56,281	238,865	429,093	2,076,687	10,488.
Apr	234,600	1,627,873	3,909,704	1,977,545	7,749,722	268,184	64,764	364,436	237,023	1,900,969	10,585.

*Includes Special Deposits from June 1978 - December 1982 and from January 1984.

APPENDIX IV

MERCHANT BANKS

ASSETS AND LIABILITIES

MERCHANT BANKS
SUMMARY OF ASSETS AND LIABILITIES

J$000

End of Period	LIABILITIES						ASSETS				
	Capital and Reserves	Foreign Liabilities	Time Deposits	Balances due to Banks & Insts. in Ja.	Other Liabilities	Total	Cash and Deposits with banks and Insts. in Jamaica	Foreign Assets	Loans and Advances	Jamaica Govt. Secs.	Other Assets
1973	2,673	22,200	45,280	2,409	4,175	76,737	17,157	13	55,322	-	4,245
1974	2,489	40,890	95,409	4,084	6,880	149,752	50,291	576	92,611	-	6,274
1975	5,944	57,488	48,916	30,546	1,411	144,305	45,000	655	86,842	-	11,808
1976	5,691	44,946	47,164	27,368	2,076	127,245	37,652	777	75,831	-	12,985
1977	5,350	35,341	34,552	31,639	3,555	110,437	32,975	2,182	60,499	2,056	12,725
1974											
Mar.	2,473	27,564	77,499	1,305	4,134	112,975	35,726	628	73,382	-	4,239
June	2,473	29,733	83,986	1,982	7,456	125,630	36,458	551	83,688	-	4,933
Sept.	2,473	36,077	92,717	4,134	5,746	141,147	42,283	827	91,737	-	6,300
Dec.	2,489	40,890	95,409	4,084	6,880	149,752	50,291	576	92,611	-	6,274
1975											
Mar.	2,492	44,332	92,122	5,489	7,974	152,409	51,338	1,038	94,125	-	5,908
June	4,274	53,985	64,320	18,160	1,888	142,627	44,830	2,705	88,220	480	6,392
Sept.	5,002	55,736	61,807	19,937	2,126	144,608	44,330	3,621	90,555	-	6,102
Dec.	5,944	57,488	48,916	30,546	1,411	144,305	45,000	655	86,842	-	11,808
1976											
Mar.	5,548	59,203	42,631	27,122	1,056	135,560	34,640	1,123	87,786	-	12,011
June	5,640	57,794	44,644	26,064	2,028	136,170	43,599	582	79,462	-	12,527
Sept.	5,600	56,953	42,756	25,675	1,488	132,472	38,898	1,330	78,457	-	13,787
Dec.	5,691	44,946	47,164	27,368	2,076	127,245	37,652	777	75,831	-	12,985
1977											
Mar.	5,493	41,643	39,354	34,795	1,364	122,649	34,339	433	74,487	-	13,390
June	5,193	53,111	36,347	36,924	1,632	133,207	33,860	1,133	85,178	-	13,046
Sept.	5,297	51,882	36,240	37,707	3,155	134,281	35,602	1,166	83,074	552	13,087
Dec.	5,350	35,341	34,532	31,639	3,555	110,437	32,975	2,182	60,499	2,056	12,725
1978											
Jan.	5,178	39,198	29,390	30,981	3,222	107,969	33,345	1,201	59,426	1,877	12,[illegible]
Feb.	5,454	37,133	26,992	26,669	2,636	98,884	32,990	911	50,088	1,883	13,012
Mar.	5,191	36,188	24,911	28,119	2,452	96,861	32,119	789	49,201	1,959	12,7[illegible]
Apr.	5,258	34,322	26,340	26,809	2,626	[illegible],355	32,494	571	47,666	1,984	[illegible]
May	5,284	47,570	24,351	27,875	[illegible]	107,741	31,381	833	60,925	2,152	[illegible],472
June	5,224	46,800	20,715	35,828	2,602	[illegible]	28,659	595	59,508	2,229	20,[illegible]
July	5,250	47,996	[illegible]	33,333	2,877	111,298	23,160	1,402	64,185	2,452	20,191
Aug.	5,272	48,542	24,344	32,751	3,271	114,180	25,130	1,564	64,092	2,433	20,961
Sept.	5,321	46,199	22,131	36,336	3,581	113,568	25,565	3,093	63,511	1,891	20,509
Oct.	5,074	46,112	29,122	33,633	3,755	117,696	30,152	1,379	63,956	1,693	20,516
Nov.	5,101	46,832	30,554	36,432	3,955	122,874	36,443	855	63,736	1,257	20,563
Dec.	5,196	53,096	32,[illegible]	35,264	4,993	131,092	37,012	1,[illegible]20	70,574	1,785	20,514
1979											
Jan.	5,470	54,703	31,017	28,230	4,490	123,990	36,735	1,528	69,989	2,876	12,861
Feb.	5,449	55,720	37,334	26,128	4,975	129,606	41,092	2,350	71,058	2,872	12,234
Mar.	5,430	54,069	[illegible],830	31,107	5,212	127,648	36,583	[illegible]	73,634	3,074	12,230
Apr.	5,431	54,014	[illegible]	29,524	4,864	124,203	32,939	2,327	73,896	3,012	12,329
May	5,549	53,818	33,620	26,797	4,490	124,274	32,678	1,337	73,303	4,823	12,053
June	6,030	53,910	32,603	27,520	4,950	125,013	33,215	1,388	73,110	3,114	14,186
July	6,114	53,764	31,200	27,227	4,666	122,971	33,016	1,718	72,402	4,053	11,782
Aug.	6,177	53,842	30,575	29,234	4,380	124,208	32,119	2,311	72,348	4,102	13,328
Sept.	6,251	53,196	32,672	31,461	4,608	128,188	32,990	1,923	74,276	5,782	13,217
Oct.	6,539	53,053	31,582	30,780	4,481	126,435	31,302	1,813	74,331	5,958	12,951

MERCHANT BANKS
SUMMARY OF ASSETS AND LIABILITIES

J$000

	LIABILITIES						ASSETS				
End of Period	Capital and Reserves	Foreign Liabilities	Time Deposits	Balances Due To Banks & Institutions In Jamaica	Other Liabilities	Total	Cash & Deposits With Banks & Institutions In Jamaica	Foreign Assets	Loans & Advances	Jamaica Govt. Securities	Other Assets
1982	6,917	22,415	51,304	22,923	6,208	109,767	23,299	983	65,601	4,606	15,278
1983	7,849	15,347	71,878	19,843	10,302	125,219	37,551	1,276	57,967	67	28,358
1981											
Mar.	6,296	13,726	27,862	37,165	7,054	92,103	42,641	414	29,944	513	18,591
June	6,397	24,977	31,015	34,514	7,799	104,702	40,908	645	41,078	2,732	19,339
Sept.	6,498	24,348	42,801	34,456	7,618	115,721	56,741	1,058	38,958	2,373	16,591
Dec.	6,626	22,805	35,324	21,439	6,529	92,723	36,480	714	38,074	800	16,655
1982											
Mar.	5,701	21,581	37,848	26,270	5,176	96,576	31,137	1,360	53,571	382	10,126
June	5,142	20,758	45,489	25,763	4,976	102,128	33,850	608	54,928	167	12,575
Sept.	5,456	21,727	47,727	23,275	6,303	104,488	35,623	517	53,979	166	14,203
Dec.	6,917	22,415	51,304	22,923	6,208	109,767	23,299	983	65,601	4,606	15,278
1983											
Mar.	6,868	22,167	57,438	30,586	7,380	124,439	37,003	436	70,484	133	16,383
June	7,184	21,523	64,301	29,636	7,725	130,371	40,286	705	67,333	100	21,947
Sept.	8,646	17,599	73,702	22,276	10,193	132,416	42,777	885	61,458	100	27,196
Dec.	7,849	15,347	71,878	19,843	10,302	125,219	37,551	1,276	57,967	67	28,358
1984											
Mar	8,361	16,447	87,993	38,850	13,513	165,164	49,516	180	65,494	67	49,907
June	13,556	17,359	117,147	35,330	13,595	196,987	54,875	205	67,554	33	74,320
Sept.	13,712	-	130,171	38,814	19,935	202,632	63,865	-	49,741	33	88,993
Dec.	20,584	-	129,056	46,054	25,400	221,094	80,399	-	51,461	-	89,234
1985											
Mar.	20,702	-	146,268	48,830	21,451	237,251	85,942	-	54,222	-	95,617
June	22,525	-	171,912	56,302	13,371	264,111	79,944	-	70,559	-	113,607
Sept.	24,055	-	190,776	54,149	15,354	284,334	80,232	2,234	75,059	1,935	134,874
Dec.	29,655	-	232,919	61,332	24,121	348,027	67,100	2,117	106,252	9,218	163,340
1986											
Jan.	30,310	-	251,231	66,648	24,220	372,409	80,685	2,117	114,502	8,727	166,378
Feb.	33,464	-	249,974	66,023	42,918	392,379	84,409	2,205	126,357	9,468	169,940
Mar.	33,950	-	258,702	68,419	39,772	400,843	90,063	-	143,029	7,138	160,613
Apr.	33,761	-	267,873	71,918	31,308	404,860	83,265	-	143,016	20,496	158,083
May	34,319	77	288,781	72,030	29,039	424,246	94,960	-	146,135	12,709	170,442
June	36,564	-	297,269	68,557	30,636	433,026	73,026	-	163,759	14,310	181,931
July	36,047	-	374,926	21,652	33,816	466,441	112,159	-	169,557	5,647	179,078
Aug.	37,131	-	383,193	29,212	44,710	494,246	122,777	-	177,044	91,931	185,232
Sept.	44,941	-	493,066	38,702	73,506	648,215	107,956	-	271,179	26,812	242,268
Oct.	41,708		467,832	31,411	87,976	628,927	95,444	2,649	271,780	62,214	196,840
Nov.	42,151		453,135	43,379	88,194	626,858	77,158	-	290,070	47,758	211,512
Dec.	39,174		483,952	36,301	77,002	636,429	65,702	2,558	275,568	95,733	196,868
1987											
Jan.	50,413	116	623,066	61,482	116,207	851,284	183,699	2,638	389,411	48,246	227,290
Feb.	50,287	116	623,821	52,115	109,124	835,463	154,960	2,638	411,465	46,984	219,416
Mar.	55,590	116	646,789	67,985	107,199	877,679	164,334	2,516	433,388	66,319	211,122
Apr.	56,272	116	670,932	38,709	125,581	891,610	138,605	2,516	476,510	68,169	205,810
May	55,534	366	736,663	42,053	128,466	963,082	184,718	-	496,461	66,135	215,768
June	57,001	250	785,639	49,932	98,949	991,771	155,305	-	510,943	81,649	243,874
July	67,612		788,217	60,612	123,862	1,060,313	145,915	-	565,847	105,292	243,259
Aug.	69,755	-	877,007	44,888	122,142	1,113,792	187,370	-	579,140	93,169	254,113
Sept.	68,820	210	915,078	43,570	136,259	1,163,937	155,471	-	602,706	178,824	226,936
Oct.	68,874		929,136	53,413	143,891	1,195,314	161,192	-	603,451	169,629	261,042
Nov.	70,952		934,296	62,467	154,361	1,222,076	160,425	2,745	620,092	169,242	269,572
Dec.	69,637		934,419	58,405	138,076	1,200,557	124,292	-	674,796	162,481	238,988
1988											
Jan.	76,134	-	982,126	69,650	124,728	1,252,638	144,385	-	693,512	176,204	238,537
Feb.	75,779	-	1,020,240	72,444	128,640	1,297,103	168,909	-	716,680	150,619	260,895
Mar.	72,657		1,005,542	125,906	145,718	1,349,823	126,308	2,069	777,472	159,671	284,303
Apr.	76,902	150	1,185,121	71,352	131,814	1,465,339	162,038	82	806,380	186,964	309,875

LIFE INSURANCE COMPANIES

CONSOLIDATED BALANCE SHEET AS AT 31ST DECEMBER, 1985

	Ordinary Long-Term Companies	Industrial Companies	Total
	$	$	$
Assets			
Fixed Assets	50,417,019	2,296,609	52,713,628
Goodwill	804,000	132,807	936,807
Investments	1,289,820,206	17,201,731	1,307,021,937
Investments in or Amounts due from Related Companies	28,546,447	1,332,267	29,878,714
Long-Term Receivables	..	87,450	87,450
Due from Agents, Brokers and Policyholders	32,064,610	4,233,206	36,297,816
Due from Reinsurers	4,677,668	138,521	4,816,189
Due from other Insurance Companies	233,901	..	233,901
Other Accounts Receivable	33,668,497	904,871	34,573,368
Deposits, Bank and Cash Balances	153,786,376	4,013,121	157,799,497
Head Office Account	..	6,026,765	6,026,765
Other Assets	54,690,166	1,238,282	55,928,448
Total Assets	1,648,708,890	37,605,630	1,686,314,520
Liabilities			
Ordinary Long-Term Fund	714,852,502	13,705,940	728,558,442
Equity Fund	85,082,272	104,693	85,186,965
Long Term Personal Accident/Health Fund	..	..	..
Annuity Fund	32,282,069	..	32,282,069
Pension Fund	354,066,266	919,849	354,986,115
Industrial Insurance Fund	..	8,878,650	8,878,650
Short-Term Personal Accident/Health Fund	1,554,422	148,203	1,702,625
Outstanding Claims	33,682,021	630,045	34,312,066
Due to Policyholders, Brokers and Agents	26,095,709	184,361	26,280,070
Due to Reinsurers	6,876,167	..	6,876,167
Due to Related Companies	1,121,959	342,628	1,464,587
Taxation	9,327,336	..	9,327,336
Other Payables	176,369,702	1,225,229	177,594,931
Other Liabilities	147,396,116	1,077,485	148,473,601
Total	1,588,706,541	27,217,083	1,615,923,624
Net Worth/Surplus			
Paid-Up Capital	15,371,002	2,849,825	18,220,827
Undistributed Profits	20,077,658	(1,386,081)	18,691,577
Head Office Account	9,534,385	..	9,534,385
Other Net Worth Items	15,019,304	8,924,803	23,944,107
Total Networth	60,002,349	10,388,547	70,390,896
Total Liabilities	1,648,708,890	37,605,630	1,686,314,520

SERIAL	MONOGRAPH	NON-CONVENTIONAL	THESIS	CONFERENCE	BIBLIOGRAPHIC LEVEL	ANALYTIC	MONOGRAPHIC	COLLECTIVE	SERIAL
S	M	V	T	C	m	a	m	c	s
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Institutional Author (200) R	11	
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MONOGRAPHIC LEVEL

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21 Vol. Nº. (25)		

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11 Institutional Author (200) R

12 Title (250) R — Merchant Banks assets and liabilities, appendix IV

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APPENDIX VI

Note on Development Banking

Development banking commenced in Jamaica in the early 1960s, with the establishment of the Development Finance corporation (DFC). The DFC attempted to offer financing to the housing, manufacturing, construction and agricultural sectors. However, because it was not equipped either financially or managerially to perform the financing functions required on an efficient basis, it ran into difficulties from over-extending itself. It ran out of funds, and was unable to attract external funding, and consequently had to be discontinued in its then present form. In 1969 it was transformed into the Jamaica Development Bank (JDB), taking over the "good accounts" of the DFC, with the "bad accounts" being administered by the Ministry of Finance.

In the early 1970s, the JDB played a critical role in financing the tourism and manufacturing sectors. It later upgraded its financing arm in agriculture. But, by the end of the 1970s, the JDB had becoma a discredited institution, unable to attract any external financing because of the state of its balance sheet and the numerous bad loans on its books.

Throughout the 1970s also, attempts were made to assist the small business sector by the creation of the Small Industry Development Company (SIDCO). Again, this company ran into problems. A venture capital company was established; but, it made very few investments, primarily because the funding of this institution was inadequate. It was unable to stand on its own as it had no interest income from loans, and finally, it proved not to be a viable entity, and had little impact on the productive sector.

Another scheme was devised in an attempt to encourage the commercial banks to increase lending to the productive sector. The Bank of Jamaica would assume 50% of the risk and the commercial banks the other 50% on loans made to the productive sector. This scheme was only partially successful because there was very limited participation from the commercial banks. In fact only two banks, Royal Bank and Workers Bank took any active part.

Given the experiences of the 60s and the 70s, the Seaga Government when elected, focussed its attention on providing development financing. But there was no commercially viable government operated entity which would have attracted external development funding. A new strategy therefore had to be devised for a new development finance institution, with a balance sheet strong enough to attract substantial external flows. Moreover, a distinction was drawn between the financing of agriculture as against the financing of industry and tourism. This led to the establishment of the Agricultural Credit Board (ACB) and the National Development Bank (JDB).

It was felt that on a cost effective basis, it would be more efficient to utilise existing financial institutions as a conduit through which funds would be channelled from the development bank to the productive sector.Approved Financial institutions (AFIs) would deal with the ACB and the NDB and would take the risks. Also, because of the relationship with