OVERVIEW OF ECONOMIC DEVELOPMENTS

The Governments priority for the past year was to stabilize the economy, following on the slippage in the exchange rate and significant price increases of the previous year.

The exchange rate was stabilized for the last nine months of the previous Fiscal Year at around J$22.20 to US$1.00.

Inflation was significantly reduced to 21.1 percent compared with 105.8 percent for the previous Fiscal Year. On a calendar year basis, the inflation rate was 40.2 percent compared with 80.2 percent for the previous calendar year.

With the stabilization objective paramount requiring stringent and fiscal and monetary policies, moderate growth was achieved of 1.2%. Employment levels were stable despite the transition to liberalization and the "right-sizing" of the Public Sector consistent with the economic model.

The Balance of Payments, which is really the acid test for the performance of the economy, given our openness and our recent exchange rate experience, recorded significant improvement. There were however, developments in the foreign exchange market towards the end of the Fiscal Year, which require attention so that the benefits obtained thus far from the policy changes can be maintained.

IMF PROGRAMME OVERVIEW 1992/93

In September 1992 Jamaica successfully concluded a 15 months stand-by arrangement with the International Monetary Fund, having observed the performance criteria set for June 1992. That arrangement had allowed for the purchase of 43.7 million Special Drawing Rights (S.D.R's)or the equivalent of (US$59.0mn.) during the period.

The performance criteria for March 1992 and June 1992 were all met with comfortable margins. The following table indicates performance of the Net International Reserves (N.I.R.), Net Domestic Assets and Public Sector Borrowing at both dates.

MARCH 1992	**OUT-TURN**	**TARGET**	**MARGIN**
NIR Improvement (US$mn.)	42.4	25.0	17.4
NDA Growth (J$mn.)	-575.4	-490.9	84.5
Public Sector Borrowing Requirement (J$mn.)	195.9	221.4	25.5
JUNE 1992			
NIR Improvement (US$mn.)	109.1	43.5	65.6
NDA Growth (J$mn.)	-665.4	-479.7	185.7
Public Sector Borrowing Requirement (J$mn.)	-106.6	-209.0	102.4

The Net International Reserves improved by US$42.4 million and US$109.1 million at March 1992 and June 1992 respectively. This performance exceeded the targets by US$17.4 million and US$65.6 million at the respective dates.

At March 1992 the Net Domestic Assets ceiling was surpassed by J$84.5 million while at June 1992 the relevant amount was J$185.7 million. This occurred despite the higher than projected levels of currency in circulation and was only achieved because of the over-performance of the Net International Reserves at both dates.

Public Sector Borrowing was contained within its respective targets at March 1992 and June 1992. The margins were J$25.5 million at March 1992 and J$102.4 million at June 1992.

The other performance criteria, which relate to external disbursements and the Central Government/Bank of Jamaica's use of financing, were all attained at both end March and end June 1992.

In December 1992, just two and one half months after the end of the stand-by arrangement, the IMF board endorsed the Government of Jamaica's economic programme for the medium term and supported the programme by the approval of a 3 year Extended Arrangement. This arrangement covers the period October 1, 1992 to September 30, 1995, and under it Jamaica is eligible to purchase 107.1 million SDR (US$158.4 million) provided the economy meets the quarterly performance criteria, which indicates that we are keeping to the path designed in the medium term programme.

The medium-term economic programme was structured to continue to provide the environment necessary for sustainable economic growth. Specifically, it was aimed at effecting reduction in the rate of inflation to bring it in line with Jamaica's major trading partners, improvement in growth performance, achievement of a viable external position, and continuation of the process to enhance the environment for Private Sector activities. Its focus was the attainment of the following main macro-economic objectives:-

- Real GDP of 2 percent in 1992/93 to rise to 3.5 percent by 1995/96.

- Inflation rate of 25 percent in 1992/93 (105.7% in 1991) to fall to 6.5 percent from 1993/94 onwards.

- Public Sector surplus of 0.1 percent of GDP in 1992/93 to increase to 3.5 percent in 1995/96.

- External Current Account deficit to decline to 1.3 percent of GDP in 1992/93 and to shift to a surplus of 1.2 percent of GDP by 1995/96.

- US$110.0 million improvement in the Net International Reserves in 1992/93 and an average increase of US$87.0 million per year form 1993/94 onwards. Total improvement of US$372.0 million over the 3 year period.

The improvement in the Net International Reserves is to be achieved through: improved export performance, borrowing from Multilateral agencies and other donors, and rescheduling of bilateral debt. However, rescheduling from the Paris Club creditors must be eliminated by the end of the 3 year period.

Consistent with these objectives, the Public Sector (inclusive of Bank of Jamaica) was targeted to generate a surplus of 0.1 percent in 1992/93. The surplus target will increase to 3.5 percent in 1995/96. Further, there will be the elimination of Bank of Jamaica losses for 1995/96 and beyond, and the Public Sector will limit its recourse to domestic financing in the event of a short-fall in external financing. The proceeds of privatization will be next to discharge debt obligations of the Government of Jamaica

A tight demand management programme is required for the achievement of these objectives. Programmed money growth was to be restricted to 24.3 percent in 1992/93, and from 1993/94 to 1995/96 it is projected to grow at the same rate as nominal GDP (9.3% in 1995/96). Private Sector credit was expected to reflect growth of 18.5 percent in 1992/93 and to reach an annual increase of 14.7 percent by 1995/96. This monetary programme was deemed consistent with the maintenance of price and exchange rate stability.

There was successful observance of all the performance criteria at December 1992. The period under review was April 1, 1992 to December 31,1992. The table below highlights performance of three main criteria.

	OUT-TURN	TARGET	MARGIN
NIR Improvement (US$ mn.)	130.8	17.6	113.2
NDA Growth (J$ mn.)	-2,345.4	-74.3	2,271.1
Public Sector Borrowing Requirements (J$ mn.)	-371.3	-11.4	359.9

At December 1992 the Net International Reserves target, exceeded the programme by US$113.2 million primarily as a result of increased purchases by the B.O.J. from the foreign exchange market.

The Net Domestic Assets target was surpassed by J$2,271.1 million consequent on the attainment of the NIR target.

The Public Sector borrowing requirement was within the programmed target by a margin of J$359.9 million.

All other performance criteria were attained with reasonable margins.

Complete information for end March 1993 is not available, but from all indications Jamaica shall meet the performance criteria for this period also.

MONETARY POLICY AND LIQUIDITY MANAGEMENT 1992/93

Monetary Policy and Liquidity Management during 1992/93 emphasized the use of restrictive monetary measures to control aggregate demand in order to achieve the desired level of Net International Reserves (N.I.R). As shown in the Table below, the money and credit aggregates exceeded year end programmed levels. Private sector Liabilities increased by J$11.1 billion or 49.6 percent as against the programmed growth of J$5.4 billion or 24.2 percent. Private Sector Credit increased by J$4.7 billion or 43.6 percent as against the programmed J$2.0 billion or 18.5 percent.

Money & Credit Out-turn

(Flows)

($ million)

	Q1	Q2	Q3	Q4	1992/93	PROG.
Prvt. Sector Liabilities	1,780.4	3,373.0	3,619.0	2,333.8	11,106.2	5,431.4
Prvt. Sector Credit	438.9	643.3	1,520.9	2,136.9	4,740.0	2,011.4

An analysis of the sources of money show that while banking system credit contributed to 67.7 percent of the increase in money supply, an improvement in the Net International Reserves accounted for 32.2 percent of money growth. Aggressive open market operations of the Public Sector however, absorbed approximately $2.4 billion of excess funds out of the system.

Open Market Operations

($ million)

	Q1	Q2	Q3	Q4	TOTAL
CD's	1,544.7	-2,811.0	-582.5	-82.3	-1,921.1
T'Bills	0.7	-0.2	-213.5	-917.3	-1,130.3
LRS	60.0	127.4	0.4	-1.7	186.1
LRS*	---	---	5,220.0	---	5,220.0
Total	1,615.4	-2,683.8	4,424.4	-1,001.3	2,354.7

NOTE: **Negative values denote an injection of funds**
***Special issue of LRS**

The stock of certificates of deposit was reduced form $5.3 billion at the start of 1992/93 to $3.4 billion by year end. At the same time, in order to off-set the potential liquidity build-up the Government offered new securities to the market. Two new instruments in the form of long term Government of Jamaica Local Registered Stocks were introduced around the middle of the year. These two issues, with a variable rate of interest, maturing in 1994 and 1997, attracted a total of $5.2 billion, the majority of which has been sterilized.

Interest rates were relatively high at the start of the Fiscal Year due to very restrictive monetary policy consequent on the liquidity build-up and the slippage in the exchange rate during the last quarter of FY 1991/92. Interest rates on Bank of Jamaica Certificates of Deposit and Government of Jamaica Treasury Bills increased to in excess of 50 percent in March, April and May of 1992.

With the objective of exchange rate stabilization achieved and with improvements in the Net International Reserves (N.I.R.) of the Bank of Jamaica, interest rates on public sector securities declined significantly. The Treasury Bill rate fell to 20.5 percent and the Certificates of Deposit to 21.4 percent at year end. Commercial Banks' lending rates similarly responded by falling from a system average of 56.42 percent to 43.1 percent by year end.

Supporting the aggressive monetary stance as reflected in the approach to open market operations, commercial bank and non-bank cash reserve ratios were significantly increased. In the case of the commercial banks, the ratio was progressively increased from 19 percent in March 1992 to 25 percent in July 1993, while that of institutions registered under the Financial Institutions Act (non-banks) moved by four percentage points to reach 14 percent by the end of the Fiscal Year.

The aggressive monetary stance utilizing tight liquidity management measures allowed for the level of Net International Reserves (N.I.R.) at year end amounting to - US$80.1 million, which was well within the programmed level of - US$140.5 million.

The legislative framework for the Financial System was modernized.

The Banking Act (1961) and the protection of Depositors Act (1966) were repealed and replaced respectively by the Banking Act (1992) and Financial Institution Act (1992). These laws provided a new framework for the observance of improved prudential standards for the financial sector.

The essence of the amendments provides the authorities with increased supervisory power especially, those related to institutions operating under the Financial Institutions Act (non-banks). Amendments relating to monetary policy allows for cash reserves and liquid asset ratios of non-banks to be fixed directly by the Bank of Jamaica instead of by ministerial order.

In case also, of any emergency need for curtailment of excess liquidity, the holding of "special deposits" by banks and non-banks over and above cash reserve and liquid assets has been included in the law. The new law also allows Bank of Jamaica to require that the cash reserve against foreign currency deposits be held in foreign currency.

The programme for 1993/94 seeks to continue the restrictive monetary policy to help achieve economic stability. During 1993/94 the net domestic assets of the Bank of Jamaica are programmed to be further reduced in tandem with an improvement in Public Sector finances.

The Government of Jamaica will issue short term debt instruments in the event that there are any increases in liquidity above programme. Interest rates will continue to be market determined.

Further, financial reform in this Fiscal Year will concentrate more on the development of a secondary market in Government instruments for mobilization of domestic savings to finance investment. The view is that a strong secondary market outside the ambit of the Central Bank will eliminate the Bank of Jamaica's encashment of securities through which temporary liquidity support is provided, and place the Bank in the position of true lender of last resort.

Jamaica Stock Exchange: Stock Market Analysis

The fiscal year ended March 31, 1993 was the best year, both in terms of primary and secondary market activity, in the twenty-four years life of the Jamaica Stock Exchange. The total volume of trade for the period was 565 million units valued at $7.54 billion. This reflects increases on the performance in the 1992 fiscal year, of 214% and 347% respectively. The stock market index, which stood at 27,809.94 at March 31,1993 was 288% above the March 1992 figure. The total market capitalisation at the end of the year was $85.45 billion up from $20.81 billion at the beginning.

The activity in the primary market was equally impressive, as approximately $1.2 billion was raised by companies. There were five rights issues, three initial public offers, one public offer, five private placement and one offer for sale.

For there to be continued growth and development of the stock market, there must be investors confidence, which is enhanced by increasing market transparency.

The passage in March of the Securities Act, 1993, is a step in this direction.

Trading on the stock market has in the past been solely regulated by the Jamaica Stock Exchange, a self-regulated organisation, which, as a private limited liability company, has no scope of sanction against members of the public, who carry out unacceptable market practices.

The Act, under which a Securities Commission is to be established to regulate the securities industry, enhances the level of protection offered to investors and calls for increased disclosure of information. The Commission has the power to carry out investigations of matters as it considers necessary or as may be referred to it by the Minister of Finance. Its investigative powers include the summoning of witnesses and the calling for and examination of documents.

The Act requires the licensing by the Commission of Securities dealers and investment advisers and the registration of their representatives, with requirements for the maintenance of registers of securities held. The issues of insider trading, the creation of false markets, and the use of false statements in the inducement of persons to deal in securities are among the many areas covered by the Act. Penalties for non-compliance with the provisions of this law vary from fines to imprisonment.

Besides the need for improved regulation, the tremendous growth in the market in the past few years has highlighted to need for the upgrading of the market infrastructure which has not kept pace with the mushrooming activity. This is evidenced by the lengthy time it takes for a purchaser of securities to get a certificate evidencing ownership and for a seller to be removed from the stock register.

In the short run, steps are being taken to reduce the current lengthy trail which transfer forms must follow before their execution. The Transfer Tax Act is to be amended to allow for the elimination of the submission of transfer forms arising from trading on the Jamaica Stock Exchange, to the Stamp Office for the certification of the exemption from Transfer Tax.

The Jamaica Stock Exchange is currently upgrading its organisational structure in order to increase efficiency and improve upon the level of service it offers. It is also presently embarking on a modernisation programme, which will be focused primarily on the computerisation of the Trade Clearance and Settlement process and the implementation of a Central Depository System, and secondarily on a automated Trading System. This however, will be a long-term project to be implemented on a phased basis.

The Commission to be appointed will work with interested parties in establishing regulations for the market, and examine the law, to effect improvements that may be required.

BALANCE OF PAYMENTS - FY 1992/93

1. OVERALL BALANCE

Based on latest available trade data for the period April to December 1992 the Balance of Payments recorded an overall surplus of US$164.9mn., as compared to a programmed surplus of US$51.8mn. This result also represented a reversal of the performance in April - December 1991, when a deficit of US$123.0mn. was recorded. Contributing to the April to December 1992 performance, when compared with the programme, was a substantially improved current account and increased net capital inflows. **(see Tables 1 & 2 attached)**

For the Fiscal Year 1992/93, Jamaica's Balance of Payments recorded an overall surplus of US$170.4mn. The 1992/93 out-turn reflected a US$60.4mn. improvement relative to the US$110.0mn. surplus targeted for 1992/93 in the current IMF Extended Fund Facility Programme (E.F.F.). The performance also reflected a significant improvement when compared to the US$42.4mn. surplus generated in Fiscal Year 1991/92. **(see Table 3 attached)**

2. MERCHANDISE TRADE ACCOUNT

a) Exports

Available data reveals that for the period April to December 1992, the value of total exports amounted to US$780.2mn. This was US$55.6mn. lower than the level which was programmed under the EFF, and US$26.5mn. below the corresponding 1991 level **(see Tables 1A & 2A).**

When compared with the programme, the lower than targeted export level for April to December 1992 was attributed to the major traditional group. Bauxite for example showed a shortfall of US$9.6mn. while earnings from alumina, sugar and bananas were lower by US$44.2mn.; US$9.7mn. and US$8.2mn. respectively. Exports to Caricom were also lower than targeted, but mainly as a result of the performance of the apparel industry the "other export group was US$35.3mn. above the programmed level.

Preliminary estimates for the Fiscal Year 1992/93 put total exports at US$1,069.1mn., US$70.1mn. below the programmed export level of US$1,139.2mn. The out-turn of the major traditional export commodities and exports to Caricom are estimated to have fallen below the levels targeted in the programme.

When compared with the programme, the April to December 1992 import level was US$58.2mn. below the US$1,352.5mn. targeted for the period, reflecting lower levels of bauxite fuel, other bauxite imports, raw materials and capital goods. Preliminary estimates also suggest a lower than programmed level of imports for the fiscal year as a whole, moving down from the targeted level of US$1,817.8mn. by US$58.5mn. to US$1759.3mn.

3. BALANCE OF TRADE

For the period April to December 1992, the Balance of Trade recorded a deficit of US$514.1mn., virtually in line with the programme deficit of US$516.7mn. for that period. Estimates for the fiscal year 1992/93 show a trade deficit of US$690.2mn. compared with the deficit of US$678.6mn. which was programmed.

4. SERVICES ACCOUNT (NET)

The Services Account in the April to December 1992 reveals a net surplus of US$333.0mn. an increase of US$87.9mn. when compared to the programmed level. Higher inflows of net tourist receipts, which exceeded the target by US$31.7mn. to amount to US$633.7mn., and significantly lower outflows of investment income were mainly responsible for the net services position.

The pattern of movements in investment income for April to December 1992 shows significant improvement when compared to the programme. Net outflow of US$274.8mn. as against the programme of US$333.3mn. mainly reflected a reduced level of interest paid on Central Government debts and a fall-off in imputed profits by the bauxite/alumina companies. The lower interest payments was influenced by declines in international interest rates, and the effect of some debt forgiveness.

The out-turn of the Services Account for the fiscal year 1992/93 is US$466.4mn. Net tourism receipts exceeded the programmed level by US$36.1mn. and net investment outflows was US$94.8mn. behind the level that was programmed.

5. TRANSFERS ACCOUNT (NET)

Net transfers for the Fiscal Year 1992/93 is estimated at US$270.6mn., showing a US$33.5mn. decline from the US$304.1mn. targeted in the Medium Term Programme. This is based on an estimated short-fall in the level of grants from traditional sources to the official sector.

6. CURRENT ACCOUNT

The April to December 1992 surplus of US$24.7mn. on the Current Account reflected a US$77.5mn. improvement relative to the US$52.8mn. deficit programmed for the period. The 1992/93 Fiscal Year Current Account position is estimated to show a surplus of US$46.8mn., which will be an improvement of US$80.8mn. as compared to the US$33.2mn. deficit targeted in the programme.

7. CAPITAL ACCOUNT

Net capital movements in April to December 1992 amounted to US$140.2mn. or US$35.6mn. higher than programmed. The main contributor to this improved performance, was private capital (including net errors and omissions) which was US$50.4mn. higher than programmed.

TABLE 1A

EXTERNAL TRADE: APRIL-DECEMBER 1992

(IN MILLIONS OF U.S. DOLLARS)

	PROGRAMME Q1 - Q3	PROVISIONAL Q1 - Q3	VARIANCE
EXPORTS	835.8	780.2	-55.6
BAUXITE	78.0	68.4	- 9.6
ALUMINA	393.0	348.8	-44.2
SUGAR	55.8	46.1	- 9.7
BANANAS	38.0	29.8	- 8.2
CARICOM	57.1	46.7	-10.4
OTHER	189.4	224.7	+35.3
RE-EXPORTS	24.5	15.7	- 8.8
IMPORTS	1352.5	1294.3	-58.2
BAUXITE-FUEL	60.0	39.8	-20.2
NON-BAUXITE FUEL	179.0	188.1	+ 9.1
OTHER BAUXITE	130.3	90.5	-39.8
CONSUMER GOODS	202.4	217.0	+14.6
RAW MATERIALS	567.3	560.5	- 6.8
CAPITAL GOODS	213.5	198.4	-15.1

TABLE 2

BALANCE OF PAYMENTS

(IN MILLIONS OF U.S. DOLLARS)

	APR-DEC. 1991/92	APR-DEC. 1992/93 [1/]	CHANGE
MERCHANDISE	-571.4	-541.1	57.3
Exports (f.o.b.)	806.7	780.2	-26.5
Imports (c.i.f.)	1378.1	1294.3	-83.8
SERVICES (NET)	166.4	333.0	166.6
Foreign Travel	540.5	633.7	93.2
Investment Income	-355.1	-274.8	80.3
Other	-19.0	-25.9	-6.9
GOODS AND SERVICES	-405.0	-181.1	223.9
TRANSFERS (NET)	179.8	205.8	26.0
Private	111.9	125.5	13.6
Official	67.9	80.3	12.4
CURRENT ACCOUNT	-225.2	24.7	249.9
NET CAPITAL MOVEMENTS	102.2	140.2	38.0
* Official	16.8	-95.9	-112.7
Official Short-Term	-42.8	19.8	62.6
Private (including net errors and omissions)	121.1	216.3	95.2
Divestment	7.1	0.0	-7.1
CHANGES IN RESERVES (BOJ) (INCREASE = MINUS)	123.0	-164.9	289.9

1/ Provisional

* Includes B.O.J. Non-Res. Liab.

TABLE 2A

EXTERNAL TRADE: APRIL-DECEMBER 1991 AND 1992

(IN MILLIONS OF U.S. DOLLARS)

	1991 APRIL-DECEMBER	1992 APRIL-DECEMBER	CHANGE
EXPORTS	806.7	780.2	-26.5
BAUXITE	85.8	68.4	-17.4
ALUMINA	406.4	348.8	-57.6
SUGAR	46.9	46.1	- 0.8
BANANAS	34.9	29.8	- 5.1
CARICOM	48.4	46.7	- 1.7
OTHER	163.0	224.7	61.7
RE-EXPORTS	21.3	15.7	- 5.6
IMPORTS	1378.1	1294.3	-83.8
BAUXITE-FUEL	64.7	39.8	-24.9
NON-BAUXITE FUEL	174.4	188.1	13.7
OTHER BAUXITE	136.9	90.5	-46.4
CONSUMER GOODS	190.0	217.0	27.0
RAW MATERIALS	581.5	560.5	-21.0
CAPITAL GOODS	230.6	198.4	-32.2

TABLE 3

BALANCE OF PAYMENTS: APRIL TO MARCH 1992/93

(IN MILLIONS OF US DOLLARS)

	PROGRAMME	PROVISIONAL 1/	VARIANCE
MERCHANDISE	-678.6	-690.2	-11.6
Exports (f.o.b.)	1139.2	1069.1	-70.1
Imports (c.i.f.)	1817.8	1759.3	-58.5
SERVICES (NET)	341.3	466.4	+125.1
Foreign Travel	836.7	872.8	+36.1
Investment Income	-465.6	-370.8	+94.8
Other	-29.8	-35.6	-5.8
GOODS AND SERVICES	-337.3	-223.8	+113.5
TRANSFERS (NET)	304.1	270.6	-33.5
Private	174.2	174.2	-
Official	129.9	96.4	-33.5
CURRENT ACCOUNT	-33.2	46.8	+80.0
NET CAPITAL MOVEMENTS	143.2	123.6	-19.6
Official	-123.8	-137.1	-13.3
Official Short-term	33.0	20.8	-12.2
Private 2/	234.0	239.9	+5.9
CHANGES IN RESERVES (INCREASE = MINUS)	-110.0	-170.4	+60.4

1/ Revised, based on the latest available data
2/ Includes Errors and Omissions

TABLE 3A

EXTERNAL TRADE: APRIL TO MARCH 1992/93

(IN MILLIONS OF US DOLLARS)

	PROG. 01-02	PROV/PROJ. 1/ 01- 02	VAR.
1. EXPORTS	1139.2	1069.1	-70.1
Bauxite	104.0	89.4	-14.6
Alumina	540.0	473.6	-66.4
Sugar	82.3	75.9	-6.4
Bananas	48.5	38.1	-10.4
Caricom	75.0	62.6	-12.4
Other	257.4	308.5	+51.1
Re-Exports	32.0	21.0	-11.0
2. IMPORTS	1817.8	1759.3	-58.5
Fuel - Bauxite	80.0	57.4	-22.6
Fuel - Non-bauxite	242.0	252.8	+10.8
Other Bauxite	180.0	129.0	-51.0
Consumer Goods	275.8	305.6	+29.8
Raw Materials	757.3	749.0	-8.3
Capital Goods	282.7	265.5	-17.2

1/ Revised based on latest available data

A Review of the Foreign Exchange Market

The liberalisation of the Foreign Exchange System was effected on September 25, 1991, when the operation of most of the provisions of the Exchange Control Act were suspended. However, three features of that Act were retained namely,

a) the prohibition against trading in foreign currency except by an authorised dealer;

b) provisions under which the Minister of Finance could issue directions to specified classes of persons as regards the acquisition of foreign currency, and provisions relating to offences.

In order to place liberalisation of the Foreign Exchange System on a more secure foundation, the Exchange Control Act was repealed effective August 17, 1992.

A review of the foreign exchange market in FY 1992/93 indicated the following broad features:

(a) Exchange Rate

The selling rate in the official market has remained stable at J$22.20 = US$1.00 for the last nine months of FY 1992/93. This followed several months of sharp depreciations when the rate peaked at J$28.26 - US$1.00 in the first half of April 1992. The Jamaica dollar then appreciated steadily from the second half of April through May and June and then stabilised thereafter.

The appreciation of the Jamaica dollar was supported by tighter money and credit policies from the beginning of 1992 and the Private Sector led initiative. These policies included the imposition of higher penalty rates on commercial banks in respect of breaches of the cash reserves and liquid asset ratios, as well as tightening of the statutory liquid asset reserve ratio involving the re-introduction of a non-cash portion. There appears to be some slippage in the tightness of the system in the last few months.

b) **Purchases**

During the year, the authorised dealers purchased a total of US$1,024.2 million or 27.5 percent more than the US$803.6 million purchased in FY 1991/92. Average daily purchases which amounted to US$4.8 million in the first quarter of FY 1992/93, fell steadily thereafter to a low of US$3.4 million in the final quarter or the tourist high season as compared with a figure of US$4.1 million in the corresponding period of FY 1991/92.

The table below shows comparative purchases by the interbank market:

US$ mn'

	1991/92	1992/93	Variance $	Variance %
Q1	192.5	296.6	104.1	54.1
Q2	147.9	282.4	134.5	90.9
Q3	212.7	238.2	25.5	12.0
Q4	250.5	207.0	-43.5	-17.4
TOTAL	803.6	1024.2	220.6	27.4

Details on purchases by the Bank of Jamaica in FY 1992/93 are given in the table below:

1) Includes direct purchases, bauxite and other.

<u>US$ mn'</u>

	Agents	Commer-cial Banks	1) Other
Q1	36.41	57.86	126.03
Q2	44.47	73.58	87.64
Q3	53.24	51.44	93.80
Q4	29.79	50.57	89.14
TOTAL	**163.91**	**233.45**	**396.61**

In January 1992, authorised dealers agreed to sell 28 percent of purchases by the Inter-bank System to the Bank of Jamaica to assist it in meeting official obligations, particularly debt service payments. Of the total purchases, the Bank's agents contributed some 21 percent in FY 1992/93. However, the Agency Scheme was suspended on february 8, 1993, and an enquiry held to investigate certain breaches of the terms and conditions of the contract between the agents and the Bank of Jamaica.

Net balances in local foreign currency accounts stood at an estimated US$377 million at the end of march 1993 compared with US$245 million a year earlier.

The trend in aggregate gross lodgements and withdrawals (a crude indicator of activity) is shown below for FY 1992/93:

US$ mn'

	Lodgements	Withdrawals	Aggregate
Q1	274.6	247.6	522.2
Q2	320.4	273.5	593.9
Q3	394.0	360.7	754.7
Q4	407.9	358.6	766.5

d) **Stabilisation Fund**

In June 1992, authorised dealers agreed to sell to the Bank of Jamaica 5 percent to their daily purchases of foreign exchange to be placed in a Stabilisation Fund for exchange rate support. The understanding was that these dealers could have access to 50 percent of the amount they sold to the Bank of Jamaica when the need arose. In late November 1992, with the Fund standing at US$20.6 million and a high level of demand for foreign exchange due to seasonal factors, authorised dealers requested and were sold US$10.3 million form the Fund. It was agreed at that time that the Fund would begin to be replenished on February 1, 1993. However, due to lower levels of purchases than anticipated, contribution to the Fund has been postponed.