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*However, that maybe, it is useless to speculate on
what might have happened. Time is irreversible,
and even if we made a fresh start tomorrow, the
time lost could never be entirely regained*

Nicholas Kaldor

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MACROECONOMIC STABILITY AND GROWTH:
A POLICY ANALYSIS

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ABSTRACT: A basic economic-policy problem facing the developing economies today is centered on the task of achieving and maintaining meaningful macroeconomic stability while seeking to bring about and sustain a high level of overall economic growth, in the context of an international environment of increasing interdependence among countries. In this situation, the specific policy-mix adopted is a critical factor, which can determine the difference between success and failure. This paper discusses some analytical issues involved in assessing the economic performance of a developing economy and the appropriateness of the economic policy-model being pursued. These issues concern, in particular, the concept of "macroeconomic stability", the specific economic conditions required for its attainment, and the consistency of the associated policy-mix. The analysis is made with reference to the particular case of the Jamaican economy, but is of more general relevance. This case is marked by the achievement in recent years of apparent "stability" in some variables, i.e. the price level and nominal exchange rate, but with growth at near zero or negative rates. Key features of the policy-mix adopted by the policy-makers are identified as a major factor in the uneven performance of this economy.

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1. Introduction

A basic economic-policy problem facing the developing economies today is centered on the task of achieving and maintaining meaningful macroeconomic stability while seeking to bring about and sustain a high level of overall economic growth. This problem occurs in the contemporary international environment of increasing globalization, through trade, investment, finance, and information flows, with consequent heightening of interdependence among countries and the possibility for "contagion" among countries. This environment imposes new conditions and requirements on the conduct of economic policy. While all countries, including the most advanced, must cope with this policy-problem and in the same international environment, the developing economies are, on the whole, in an especially fragile position. In this context, the specific policy-mix adopted is a critical factor, which can determine the difference between success and failure.

Some of the developing economies have managed successfully to steer a delicate path between the twin objectives of stability and growth, creating as a result a performance record that can be classified as "growth with stability." Others have been less successful, some exhibiting, at the extreme, chronic instability without growth, while in between lie countries with a record of mixed performance. Although there is significant differentiation among countries in terms of both economic structure and performance, nevertheless the underlying policy issues have common features which deserve a general treatment. Much can also be learned from detailed study of particular cases and specific policy episodes.

Accordingly, this paper discusses some analytical issues involved in assessing the performance of a developing economy and the appropriateness of the economic policy-model being pursued. These issues concern, in particular, the concept of "macroeconomic stability", the specific economic conditions required for its attainment, and the consistency of the associated policy-mix.

The analysis takes as its reference point the particular case of the Jamaican economy, but is of more general relevance. This case is of special interest because the policy-makers claim to have achieved in recent years an apparent "stability", marked by sharply reduced inflation, relative stability of the nominal exchange rate, and a high level of net international reserves. Nevertheless, at the same time, overall growth has remained at near zero or negative rates and the measured rate of unemployment has been increasing. The analysis presented here identifies key features of the policy-mix adopted by the policy-makers as a major factor in the uneven performance of this economy.

2. The Economic Requirements for Macroeconomic Balance

Using commonly accepted economic reasoning, it can be deduced that *there are at least seven conditions that must be satisfied in order for an economy to be in a state of macroeconomic balance or equilibrium.* These balancing conditions may be briefly and simply stated as follows.

First, define:

w	=	money wage rate
p	=	domestic price level
p_f	=	world price level
e	=	nominal exchange rate
i	=	nominal rate of interest
r	=	country-specific risk premium
i^*	=	world rate of interest
G	=	government expenditure
T	=	government revenue
B	=	government net borrowing
M	=	money supply
V	=	velocity of circulation
Y	=	level of aggregate output
N	=	employment of labour
n	=	growth rate of labour supply
σ	=	domestic labour-productivity
σ_f	=	world labour-productivity
Δ	=	change in a variable during specified time period
t	=	time

With these definitions, the following are the relevant balancing conditions:²

Condition I. Wage-Productivity Balance

$$\left(\Delta \frac{w}{w} - \Delta \frac{p}{p}\right) = \Delta \frac{\sigma}{\sigma} \Rightarrow \text{Growth of real-wages equals labour-productivity growth.}$$

² Room is deliberately left open for specifying the functions and parameters describing the underlying behavioural relationships, except that there is an implicit assumption of linearity. Existence of non-linearities would pose special problems.

Condition II. Capital Market (Saving-Investment) Balance

$$(i_t - \Delta \frac{P}{P}) = i^* + r_t$$

⇒ Real interest rate equals world interest rate plus country risk premium.

Condition III. Fiscal Balance

$$G_t = T_t + B_t \Rightarrow \text{Government expenditure equals taxes plus net borrowing.}$$

Condition IV. Monetary Balance

$$M_t V_t = P_t Y_t \Rightarrow \text{Money supply equals demand.}$$

Condition V. International Balance

$$\left(\Delta \frac{P}{P} - \Delta \frac{e}{e} \right) = \Delta \frac{P_f}{P_f} + \left(\Delta \frac{\sigma}{\sigma} - \Delta \frac{\sigma_f}{\sigma_f} \right)$$

Domestic inflation minus currency ⇒ depreciation equals foreign inflation plus differential productivity growth.

Condition VI. Employment Balance

$$N_t = L_0(1 + n)^t \Rightarrow \text{Labour employment equals labour supply.}$$

Condition VII. Infrastructure Balance

⇒ A qualitative condition on the state of physical and social infrastructure.

3. Interpretation of the Balancing Conditions

Note that *these conditions are strictly interdependent*. This is a necessary consequence of the fundamental interdependence among different components of the economic structure. Correspondingly, we may think of these conditions as requirements for consistency among the different components.

Because of such interdependence, violation of any one condition has a necessary feedback on all the remaining conditions and, therefore, requires adjustments all-round in order for balance to be achieved.

It follows that: if, and only if, all conditions hold simultaneously, it could be said that the economy as a whole is in balance. *When such a state of full balance holds, that could be meaningfully described as a state of "macroeconomic stability", but not otherwise.*³

Furthermore, it is an essential characteristic of this state, as constructed here, that there is growth at a positive rate.⁴ Therefore, *there is no necessary opposition or inconsistency between "macroeconomic stability" and growth*. In this respect, the policy objective of *growth with stability* can be both feasible and desirable.

Of course, if the initial values of the variables are not in balance, additional consideration must be given to the specifics of the adjustment process, as regards the direction, speed, timing, sequencing, and costs of adjustment, as well as the control variables (instruments) and targets to be adopted by the relevant authorities.

These are some of the essential areas of concern in economic policy. They are also at the heart of current concerns regarding appropriateness of the economic policy-model being pursued in the developing economies. For concreteness, the following analysis takes as its reference point the specific context of the Jamaican economy in recent years. It takes as given the central element of the current policy-mix as commonly proposed by the Jamaican authorities, namely: a commitment to defend the dual targets of a particular inflation-rate trajectory and nominal exchange-rate anchor.

4. The Role of Economic Policy

In general, a key feature of structural interdependence in the economy, which appears immediately from inspection of the conditions presented above, is the role

³ Even so, this would be a rather loose concept of "stability" when viewed from the standpoint of rigorous economic analysis.

⁴ It can be proved readily, by construction of a special case of the implicit model underlying these equations, that, in a state of full balance, the rate of growth of the economy is equal to $n + \Delta\sigma/\sigma$.

played by the price level or rate of inflation. Specifically, it enters directly or indirectly into all of the balancing conditions.⁵

Because of this key role of the inflation rate (plus other possible policy objectives), economic policy might seek to control or influence that variable, by targeting it at a certain level. Indeed, the monetary authorities may consider that to be their bounden duty and set about doing this, guided by a narrow interpretation of condition **IV**, by deploying the chief instrument available to them, i.e. management of money supply, **M**, through open market operations involving buying and selling government securities.

Equally, however, because the inflation rate does have a key role, it is crucial that the inflation target be set at the "right" level. That is to say, *the targeted rate of inflation must be fully consistent with all the relevant balancing conditions*. If it is not, and if the monetary authorities are indeed successful in hitting their set target, that would necessarily put out of balance the rest of the conditions. In that case, *success in achieving the inflation target cannot be considered success in achieving "macroeconomic stability"*.

Now, suppose the monetary authorities seek to set not only an inflation target but, in addition, a target level of the nominal exchange rate (or its rate of change). That they would then be seeking to control *two* different targets with *one* instrument. *That policy-mix would therefore involve an essential inconsistency*. If the policy is to be successfully implemented, that inconsistency would have to be resolved by making adjustments in other conditions.⁶ What are some of the possible adjustments?

Typically, since open market operations must be financed ultimately out of the government budget, these adjustments would fall directly on the budget and be made at the expense of other budget components. The budget then becomes a passive residual in condition **III** that is subordinated to the requirements of monetary policy.

Alternatively, an active fiscal policy could be made to compensate for the effects of monetary policy by running an appropriate fiscal surplus (adjustment

⁵ As specified here, conditions **III**, **VI** and **VII** do not explicitly contain the price level or inflation rate. However, **III** must certainly be influenced by that variable, at least through **I** which affects the size of the government's wage bill. Moreover, as long as there is positive net borrowing by government, it must be indirectly influenced by way of **II** which governs the interest rate on government debt. Similarly, **VI** must depend on the real wage rate (**D**), level of investment demand (**II**), and government spending (**III**). **VII** obviously depends on **III**.

⁶ Use of monetary reserves in foreign currency may be deployed to help in this process. But it does not suffice to resolve the basic policy inconsistency, because the reserves are an adjunct to domestic money supply and the authorities may seek to "sterilize" any change in reserves. Besides, the level of available reserves may not be sufficient to sustain a persistent imbalance.

through condition **III**) in sync with the recurrent financial costs of the monetary programme. Resolution of the problem by this means would, in turn, require imposing a necessary discipline on the part of the fiscal authorities. It also presupposes that there exists systematic coordination between monetary and fiscal policy so as to satisfy conditions **III**, **IV** and **V**.

However, even if an attempt is made to resolve the problem by one or other of these adjustments, *this adjustment by itself would not be sufficient to make the policy-mix sustainable*. This is because the inflation and exchange rate targets set by the policy may entail imbalances in other conditions as well.

Specifically, the following imbalances are likely to co-exist, the meaning and implications of which are identified in each case.

Wage-Productivity Imbalance

$$\Delta \frac{w}{w} > \Delta \frac{\sigma}{\sigma} + \Delta \frac{p}{p}$$

Increase of money wages exceeds the sum of productivity growth and the inflation target.

This imbalance occurs because money-wage increases follow a different logic, i.e. the logic of labour-market institutions and industrial relations, and productivity is stagnant and resistant to change. The imbalance pushes up the wage bill of the public sector and creates pressure on the fiscal balance, making it necessary to coordinate wage adjustment with fiscal adjustment. Attendant cost pressures on producers in the private sector undermine profitability and international competitiveness of firms in production of tradeable-goods.

Adoption of an across-the-board incomes policy may be required for adjustment. In addition, the adjustment must face the problem of productivity growth and develop corrective measures. However, productivity change is typically a slow process. Hence, to accelerate the speed of adjustment, emphasis would have to be placed on incomes policy. The success of this solution would obviously depend on structuring a viable consensus among the relevant economic players.

Capital Market Imbalance

$$(i_t - \Delta \frac{p}{p}) > i^* + r_t$$

At the targeted inflation rate, the real interest rate (nominal rate minus inflation rate) exceeds the real return to capital investment.

This imbalance arises from pressure on the domestic capital market due to the scale of government borrowing required to finance the fiscal deficit and associated costs of "mopping up liquidity". It is also associated with weaknesses in financial intermediation linked to the cost structure and management of banking institutions and failures of the regulatory system.

Its effects pervade the whole economy, with significant negative consequences for achieving growth. It raises the cost of capital to all investors. It creates a strong market incentive for investment in interest-bearing assets and biases the allocation of capital (saving and investment) towards such instruments and away from investment in production (a crowding-in effect). It also serves to crowd out private borrowers. For these reasons, growth of employment and real output is thereby retarded.

Inflows of capital from abroad, typically of a short-term nature, occur in response to the incentive of a high interest rate. Such inflows, being highly sensitive to interest-rate changes and differentials between countries, may contribute a high degree of volatility to any adjustment in this imbalance.

There is no sustainable resolution of this imbalance without attacking the problem of reducing government debt.

International Imbalance

$$\left(\Delta \frac{P}{e} - \Delta \frac{e}{e} \right) > \Delta \frac{P_f}{P} + \left(\Delta \frac{\sigma}{\sigma} - \Delta \frac{\sigma_f}{\sigma_f} \right)$$

Domestic inflation above the rate of currency depreciation exceeds foreign inflation plus the differential in productivity growth.

This imbalance arises from the fact that the policy-mix based on targeting both variables, the inflation rate and exchange rate, creates a tight lock-in effect at the international level. Changes in the foreign price level and productivity are exogenously given. Therefore, there is little or no room to maneuver within these constraints. Consequently, domestic conditions are bound to get out of alignment with international conditions.

The effect of this imbalance is necessarily to create a disadvantage in competitiveness of tradeable-goods production, which underpins a persistent negative gap between exports and imports in the foreign trade account and works to the

detriment of a strategy of export-led growth. Inflow of capital needed to meet the trade gap is facilitated by the high rate of interest associated with the capital market imbalance. Hence, given the policy commitment to the exchange-rate/inflation-rate targets, the policy regime is boxed into the corner of having to maintain the high rate of interest so as to defend those targets, even though at a high cost in terms of growth.

Productivity change could serve to moderate the pressure on international competitiveness but, since it is a slow process, it would have little effect on adjustment in the short run.

Employment Imbalance

$$N_t < L_t(1+n)$$

Job creation falls short of growing labour supply.

Employment depends on the level of production and investment in new productive capacity. The fallout from the preceding imbalances necessarily involves cutback in production levels and restructuring of firms and a low rate of investment. This results in layoffs of workers, unemployment, both open and disguised, and an imbalance between job creation and growth of the labour supply.

Infrastructure Imbalance

The very nature of this imbalance makes it less measurable and definable in terms of a single variable than the others enumerated above. For that reason, it is not stated here in quantitative terms. Nevertheless, it is no less important. The quality of physical and social infrastructure is a crucial input into economic activity in every sector of the economy. It determines directly and indirectly operating costs and transaction costs of doing business as well as the incentive for new investment, to say nothing of the quality of life among the citizens.

This imbalance has to do with the deterioration in public infrastructure and social capital that occurs when resources of the public sector are diminished or diverted to other uses (e.g. debt service) and managerial capacity within public institutions is weak. This situation is likely to occur and be reinforced in a context in which the other imbalances identified above exist and persist.

5. Diagnosis of the Jamaican Case

At the present time, the Jamaican economy is far from being in a balanced state. In fact, it is characterized by *fundamental imbalances*, in the sense that none of

the conditions of macroeconomic balance identified above can be shown to be satisfied, although full credit is due for the remarkable recent achievements in reducing inflation and stabilizing the nominal value of the currency.⁷

There are, no doubt, many causes that could be mounted to explain this unbalanced situation. No attempt is made here to examine all the possible causes. Rather, I take as given the central element of the current policy-mix as commonly proposed, namely: a commitment to defend the dual targets of a particular inflation-rate trajectory and nominal exchange-rate anchor. The analysis presented above allows us to infer that:

- (a) *there is an essential inconsistency within this particular policy-mix, and*
- (b) *successful implementation of this policy-mix itself contributes to perpetuation of the prevailing imbalances in the economy.*

Given this particular policy commitment and its derived effects on the economy as a whole, the policy regime is necessarily boxed into a tight corner. This is so for the following reasons.

- At the international level, there is little or no room to maneuver within the existing constraints prescribed by the policy-mix, so that misalignment must occur between domestic and international costs and prices.
- Internally, the policy-mix rests crucially on maintaining a high interest-rate structure arising from the capital-market imbalance that the policy itself helps to create. The effect of high interest rates pervades the whole economy, with significant negative consequences for achieving growth.
- The government budget becomes a captive residual because of the cost of servicing, at the existing interest rates, the growing national debt associated with the fiscal deficit and recurrent costs of "mopping up liquidity".
- Wage and salary increases above the combined inflation target and rate of productivity growth drive internal costs and prices of producers of tradable goods out of line with international competitiveness, whilst increasing the burden on the fiscal budget of overhead labour-costs for operating the large government bureaucracy.
- The critical area of physical and social infrastructure suffers inevitable neglect, because resources of the public sector are diminished or diverted to debt service or inefficiently used, further compounding the deterioration in international competitiveness.
- The sluggishness of productivity growth, both at the firm level and in the

⁷ For some of the relevant data, see the accompanying tables derived from official publications.

■ performance of public sector agencies, acts as a barrier to expansion of production.

Due to the fallout in terms of restructuring at the firm level combined with an overall low rate of investment in production, imbalance occurs in the labour-market in the form of persistent unemployment, open and disguised. There is no easy, painless way out of this tight corner.

It is not possible here to go into the practical details and mechanics of the required economic adjustment. Proposals and suggestions on what is to be done at this level already exist in abundance. The analysis presented here does serve to identify sharply some broad features of the required adjustment which should be the focus of attention.

However, these questions should properly be addressed, in a holistic and integrated manner. As indicated in this analysis, it is clear that *no piecemeal approach will do*. Adjustment strictly requires repositioning of interdependent elements of the overall policy, tight coordination, and capable management.

Table 1. Jamaica: Macroeconomic Variables, 1980-1997

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Nominal Exchange Rate (\$/US\$)	1.8	1.8	1.8	1.9	3.9	5.6	5.5	5.5	5.5	5.8	7.2	12.1	23.0	24.9	33.1	35.1	37.0	35.6
Real Effective Exchange Rate Index (1990=100)	152.7	162.8	168.7	159.4	111.6	97.6	104.9	105.5	104.6	112.2	100.0	90.1	79.8	89.2	88.1	93.6	109.0	125.6
Annual Avg. Inflation Rate (%)	27.4	12.8	6.4	11.6	27.7	25.9	15.0	6.6	8.3	14.4	21.9	51.1	77.2	22.1	35.0	35.0	26.4	9.7
Treasury Bill Rate (%)	10	9.8	8.6	12.4	13.3	19.0	20.9	18.2	18.5	19.1	26.2	25.6	34.4	28.9	34.0	25.4	31.7	19.0
Loan Rate (%) 2	15.6	16.1	16.4	17.0	18.5	24.9	27.3	25.4	25.2	25.2	30.5	31.5	44.8	43.7	49.5	43.6	44.2	36.3
Deposit Rate (%) 3	9.5	10.6	10.7	13.6	15.9	19.6	18.8	15.6	15.8	15.9	23.9	24.7	33.6	27.6	36.4	23.2	25.3	13.9
Interest Rate Spread (Loan/Deposit) %	164.0	152.3	153.5	124.8	116.8	127.3	145.7	162.7	159.4	158.1	127.7	127.7	133.2	158.4	135.8	187.8	175.0	261.6
Real Loan Rate (%) 4	-11.8	3.3	10.1	5.3	-9.2	-1.0	12.3	18.9	16.9	10.9	8.6	-19.6	-32.4	21.6	14.4	23.7	17.8	26.3
Real GDP Growth (%)	-5.7	2.6	1.2	2.3	-0.9	-4.6	1.7	7.8	2.9	6.8	5.5	0.7	1.5	1.4	1.1	0.5	-1.8	-2.4
Real Per Capita GDP Growth (%)	-6.6	2.0	0.8	0.0	-2.6	-5.9	0.4	7.6	2.8	5.5	4.6	-0.1	0.5	0.5	0.0	-0.8	-2.7	-3.4
Export Growth (%)	16.5	3.0	-10.3	-2.8	3.5	-8.0	11.5	15.7	26.8	4.9	7.5	-3.4	2.0	9.5	8.7	14.8	-0.3	1.3
Merchandise Trade Balance (% of GDP)	-7.4	-16.2	-18.2	-16.1	-19.7	-27.4	-14.9	-17.3	-16.0	-21.4	-18.5	-19.5	-22.7	-29.3	-26.2	-30.0	-28.0	-27.7
Current Account Balance (% of GDP)	-13.0	-11.3	-11.8	-12.0	-22.4	-14.1	-2.2	-5.1	+0.9	-7.3	-7.7	-7.3	-22.7	-29.3	-26.2	-30.0	-28.0	-27.7
GFCF/GDP (%)	14.5	18.0	19.9	20.5	21.2	22.1	17.5	21.3	25.0	27.9	27.4	26.2	31.1	32.2	31.0	32.2	32.0	32.0
Unemployment Rate (%)	27.3	25.9	27.0	26.3	25.6	25.5	23.6	21.0	18.9	18.0	15.3	15.4	15.7	16.3	15.4	16.2	16.0	16.5

Sources: (a) International Monetary Fund, *International Financial Statistics Yearbook 1997*; (b) Bank of Jamaica, *Balance of Payments, National Income and Product*; (c) Planning Institute of Jamaica, *Economic and Social Survey Jamaica 1997*; (d) STATIN, *National Income and Product*.

Notes: 1 As defined by International Monetary Fund; indices weighted foreign currency basket per unit of local currency, adjusted for relative price changes. An increase indicates appreciation. 2 Average weighted commercial bank loan rate as defined by Bank of Jamaica. 3 Average weighted commercial bank deposit rate as defined by Bank of Jamaica. 4 Average weighted commercial bank loan rate minus inflation rate.

Table 2. Jamaica: Central Government Fiscal Operations & Internal Debt Indicators Fiscal Years 1991/92 - 1997/98

	91/92 ^a	92/93 ^a	93/94 ^a	94/95 ^a	95/96 ^a	96/97 ^a	Apr-Dec 96/97 ^a	Apr-Dec 97/98 ^a
Fiscal Surplus/Deficit (\$m)	1,959.3	3,169.5	3,615.9	4,793.4	3,074.2	-14,965.2	-13,782.5	-20,527.3
(ratio to GDP, %)	3.8	4.0	3.4	3.4	1.7	-7.2	-9.0	-12.4
Overall Surplus/Deficit (\$m) 1	2,061.1	3,254.8	7,136.7	13,648.0	-764.3	9,800.0	1,524.5	-7,539.6
(ratio to GDP, %)	4.0	4.1	6.6	9.6	-0.4	4.7	1.0	-4.6
Debt Servicing (\$m) 2	8,234.4	14,860.1	16,084.5	33,049.6	33,130.1	51,356.1	39,675.6	42,009.4
(ratio to GDP, %)	15.8	18.6	14.9	23.3	18.6	24.8	26.0	25.4
Internal Debt (\$m) 3	12,077.5	20,462.4	31,410.5	50,149.0	57,674.8	85,191.3	na	99,410.0
(ratio to GDP, %)	23.2	25.6	29.1	35.4	32.3	41.1	na	49.2
Internal Debt (% of total debt) 3	15.5	26.2	33.6	35.5	36.2	45.3	na	46.4

Source: Planning Institute of Jamaica, *Economic and Social Survey Jamaica 1997*.

Note: a - actual; r - revised; p - preliminary

1 includes loan receipts and amortization payments.

2 interest payments plus amortization payments.

3 internal debt stock as at February 28, 1998.

4 ratio to GDP calculated on the assumption of zero nominal GDP growth for January and February 1998.

Table 5. Jamaica: Commercial Bank Loans & Advances by Sectors and Sub-Sectors, 1990-97
Ratio to Sectoral GDP (%)

	1990 Dec.	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1997 Dec.
Agriculture	44.6	30.6	19.3	17.6	17.1	12.2	13.3	14.1
Mining	1.1	1.0	1.1	1.9	2.5	3.0	2.7	1.8
Manufacturing	25.8	22.2	14.9	16.7	15.9	21.1	21.5	16.3
Construction & Land Dev.	57.4	42.4	26.4	26.9	29.7	26.4	19.9	16.0
Financial Institutions	9.3	10.7	5.3	11.2	10.0	15.4	22.8	40.7
Transport, Storage, Communication	41.5	28.6	19.8	20.6	21.3	24.9	17.4	15.5
Electricity, Gas, Water	4.2	1.6	13.0	7.1	7.0	2.3	4.9	2.2
Government Services	30.2	20.3	16.9	13.1	25.0	22.1	22.7	32.7
Distribution	5.8	6.9	4.9	7.3	6.8	9.1	8.8	7.4
Tourism & Entertainment	112.8	78.7	71.1	90.9	104.8	111.3	114.8	93.5
Professional & Other Services	23.9	50.2	33.5	57.4	47.5	50.6	46.7	44.7
Personal	22.2	43.3	46.8	67.2	66.9	78.5	78.0	67.9
TOTAL	29.5	26.5	19.2	23.6	24.4	27.0	26.9	26.7

Source: Calculated from data in Table 1 and in STATIN, National Income and Product, Preliminary Report 1997.
Notes: * For these loan categories, Sectoral GDP is defined to include "Real Estate & Business Services" plus "Miscellaneous Services" as defined by STATIN in National Income and Product.

(excluding Recreational & Cultural Services and Hotels)

Table 4. Jamaica: Balance of Payments, 1980-1997

US\$ millions	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997*
Merchandise Trade (% of GDP)	-196.9	-483.4	-599.3	-582.1	-468.8	-575.0	-378.3	-525.1	-566.5	-872.9	-784.9	-677.9	-721.8	-1,113.8	-1,014.0	-1,395.0	-1,529.4	-1,719.1
Goods & Services (% of GDP)	-257.1	-461.1	-539.5	-537.5	-411.7	-517.0	-203.7	-325.4	-173.5	-620.4	-599.4	-508.6	-328.9	-571.1	-461.5	-778.0	-775.7	-971.7
Current Account (% of GDP)	-347.9	-336.8	-389.1	-436.0	-532.3	-295.8	-153.8	-55.6	-153.8	-321.2	-297.5	-328.0	-252.2	-194.2	+13.8	-214.7	-139.3	-330.0

Source: * Provisional
Bank of Jamaica, Balance of Payments Department; STATIN: National Income and Product.

Table 3. Jamaica: External Public Debt Indicators, 1992 - 1997

	1992	1993	1994	1995	1996	1997 ^a
Total External Debt (US\$m)	3,678.0	3,687.2	3,651.8	3,451.9	3,231.9	3,277.7
Total External Debt (% of GDP)	111.5	123.4	94.2	83.1	56.0	53.5*
Debt Service/XGS (Actual)	27.1	22.6	20.0	18.8	18.0	19.7

Source: Planning Institute of Jamaica, Economic and Social Survey Jamaica 1997.
Note: p = preliminary; * estimated at an assumed exchange rate of J\$36 : US\$1.

Table 6. Selected Countries: Ratio of Public Debt to GDP (%), 1988 - 1996

Country	Data Coverage	Total Public Debt to GDP			Internal Public Debt to GDP			External Public Debt to GDP		
		88-90 Average	91-95 Average	1996	88-90 Average	91-95 Average	1996	88-90 Average	91-95 Average	1996
Belize	1988-1991/93	29.4	29.1	...	10.3	8.7	...	18.4	19.9	...
Chile	1988-1996	50.2	30.0	16.2	31.0	18.0	11.4	19.2	12.0	4.7
El Salvador	1993-1996	...	31.1	26.1	...	11.8	8.0	...	19.2	18.1
India	1988-1995	51.9	52.2	...	45.9	46.7	...	6.0	5.4	...
Indonesia	1988-1996	47.7	35.9	32.1	2.1	1.2	0.0	45.6	34.7	32.1
Jamaica	1988-1996	125.0	104.6	90.6	38.5	29.1	41.1	86.5	75.5	49.5
Malaysia	1988-1995	89.2	59.0	...	64.6	46.9	...	24.5	12.0	...
Mauritius	1988-1996	45.6	36.0	38.9	38.9	24.8	26.4	19.4	11.1	12.6
Paraguay	1988-1993	16.6	12.5	...	1.4	0.6	...	15.2	11.9	...
Peru	1990-1995/96	162.5	57.6	...	5.4	1.4	...	157.1	56.2	43.8
Philippines	1988-1996	51.4	57.4	52.8	30.2	35.6	33.9	21.2	21.9	18.9
Singapore	1988-1995	78.5	76.1	...	78.3	76.1	...	0.2	0.0	...
Sri Lanka	1988-1995	102.2	96.2	44.2	42.0	57.9	...	54.2	...	...
Thailand	1988-1995	24.6	8.9	17.7	5.5	6.9	...	3.3	...	...
Trinidad & Tobago	1993-1995	...	55.6	...	21.5	...	...	34.1	...	...
Turkey	1988-1995	38.7	35.9	18.7	17.3	19.9	...	18.6	...	...
Uruguay	1988-1994	34.2	25.8	...	9.1	6.9	...	25.1	18.9	...

Source: Calculated from data in International Monetary Fund: Government Finance Statistics 1997. Data for Jamaica are based on Mo&P: Memorandum on the Budget 1997/98 and 1998/99, and STATIN: National Income and Product. Notes: ... not available. Data are on a fiscal year basis.