

FISCAL POLICY 1999/2000

Fiscal budget for the year 1999/2000, projected a 47.57% reduction of the fiscal deficit from J\$18,262.68Mn. However, the fall was 28.3% to a balance of J\$13,076.99Mn.

Both total revenue and total expenditure rose above projected figures and further above 1998/99 results. Revenue increased by 1.09% and 20.8% respectively and expenditure by 4.57% over budget and 11.07% over 1998/99 expenditure outcome.

The government managed to acquire loan receipts of J\$70,274.52Mn, 3% over the budgeted J\$68,221.40Mn, and 15% above loan receipts of 1998/99 of J\$60,913.01Mn.

Total debt servicing increased by 43% over fiscal year 98/99 and was 1.59% less than projected. Amortization accounted for 56.95% of the J\$97,335.21Mn debt payment for 1999/00, with interest level at J\$41,901.65Mn.

Overall balance fell by 80.93% over the previous year to J\$1763.97Mn, compared with the projected deficit of J\$3771.97Mn.

Revenue

Total revenue rose 20.84% above recorded figures for 1998/99 and is expected to increase by 21.55% over the next fiscal year. Tax revenue is expected to increase by 14.8% over the 1999/00 outcome, 3.64 more than the actual percentage increase from 1998/99. General Consumption Tax, (GCT), fell from J\$20.559Bn for 1998/99 to J\$17.733Bn for 1999/00 but is expected to rise to J\$24.678Bn even in the presence of strict inflation control and an increasing unemployment rate (16% in October 1999 against 15.5% in October 1998).

This leaves the question of what the government is up to since lower inflation reduces the inflationary influence on the GCT level. This suggests a reduction in earnings from this tax

category. It should be interesting to know also how many more persons are expected to consumed when the unemployment rate is increasing. Is the government then implying that inflation rates will increase or the employment statistics are in line for a total make over through greatly increased opportunities. At next question should then be raised, why then is the estimate for income tax revenue for 2000/01, less than the actual recorded figure for 1999/00 (\$32.184Bn in 1999/00 against J\$31.960Bn in 2000/01).

The bauxite levy was greatly affected by the accident at the Gramercy Refinery in Louisiana, USA in July 1999. Revenue fell by 0.54% over the actual figure in 1998/99. The figure for 1999/00 was 17.97% less than budget but is expected to rise 86.9% in the next fiscal year. It is not clear how this great increase will come about.

The government expects revenue from post offices to increase by 507.8% from J\$605.36Bn to J\$3679.527Bn. How realistic is this when revenue from post offices only increased by 5.46% when the figures are compared for 1998/99 and 1999/00. It is also important to note that actual revenue from this category for 1999/00 fell short of expectation by 13.39%. Although a tax revenue, the stamp duty figures are some what ridiculously related. Stamp duties are expected to experience a 25.3% increase after actual figures fell 5.9% below 1998/99 and 14.4% below budget. The problem with this expectation is the availability of options. If the internet and information technology is made available to an increasing number of persons isn't it easier to assume that the use of electronic mail will increase in lieu of postage since the option is faster.

Expenditure

Total expenditure increased 11.07% over total actual expenditure for 1998/99 and 4.57% over the budget for 1999/00. Recurrent expenditure represents 90% of total expenditure and of this, interest payment accounts for 45.1%. The recurrent expenditure rose by 11.64% over the recorded figure for 1998/99 and 6.46% over the budget. It is proposed by the government that the balance will increase by 2.8% in the next fiscal year.

Recurrent expenditure consists of programmes and wages and interest, both domestic and foreign (of which domestic interest payments constitutes the bulk - 83.86% of interest for fiscal year 1999/00). Unless there is a substantial reduction in interest rates and the undertaking of an expansionary policy, domestic interest payments cannot be expected to fall by 5.79% in 2000/01, after increasing by 24.5% over 1998/99 and 16.5% above budget. Interest payment on external debt is expected to be 22.78 above external interest paid in 1999/00.

Programmes and wages amounted to J\$51,017.3Mn at the end of fiscal year 1999/00. This is 5% above the previous year and 45% above budget. Programmes and wages are proposed to increase by 6.1% in the coming fiscal year.

Capital programmes are expected to increase by 70% after falling 11.24% short of budget and resting at 5.65% above the figure recorded for 1998/99. This expected surge in capital spending is backed by the 2000/01 budget for Ministries such as the Ministry of Industry, Commerce and Technology which is slated to incur an increase of 3624% on government funded projects and 350% for multilateral/bilateral funded projects. There are also expansion plans for the Ministry of Transport and Works, the Ministry of Agriculture, the Office of the Deputy Prime Minister and Ministry of Land and Environment as well as the Ministry of Local Government, Youth and Community Development.

The government has budgeted J\$200Mn for capital projects in the Ministry of Tourism and Sports. This is after a 1999/2000 capital expenditure of J\$174.2Mn, almost half of the 1998/99 spending of J\$300Mn and less than the budgeted J\$200Mn. This Ministry after incurring recurrent expenditure of J\$1.7Bn in 1999/00 (32% over budget and 26% over recurrent expenditure for 1998/99) is budgeted to incur J\$1.498Bn in recurrent expenditure for fiscal year 2000/01. Is this efficiency or under budgeting since Jamaica has been experiencing a large amount of negative publicity throughout the fiscal year with crime escalating immensely.

The Ministry of National Security and Justice is estimated to account for J\$2.32Bn of total recurrent expenditure for 2000/01. This constitutes a 3.4% increase over actual recurrent expenditure in 1999/00 (which was 12% over budget and 11.56% above 1998/99 actual. The actual figure for 1999/00 was J\$405.48Mn. This was 62% above budget and 50.9% above 1998/99 figures. If so much more had been spent in this Ministry for the fiscal year 1999/00 and relative injustice has gone above the roof, why has the budget been cut so drastically. Should the public assume that the government does not care about the level of crime in the Jamaican society; or that officials are so desperate in achieving a balanced budget and a seemingly favourable economic stance and position, that all figures and accounts are ridiculously massaged and manipulated rather than be allowed to portray a true and realistic picture of the year to come.

Outlook

The fiscal deficit is reported to have contracted by 28.39% to J\$13,076.99Mn in 1999/00, from J\$18262.68Mn the previous year. This was largely due to several international loans being treated as reserve in the accounts. The minister proposes that the fiscal deficit will contract by 77.2% in the next fiscal year. This will take a great miracle since expected revenue are grossly over stated and expenditure under budgeted.

For the next year, debt servicing is budgeted to take up 58% of total expenditure, while Industry, Commerce and Technology will account for 2%. Of recurrent expenditure, interest payments are 43%, Transport and Works 1%. Seventy-nine percent of capital expenditure is to be _____, while Health and Education each for 1% and National Security and Justice)%.

From all indication the 2000/01 fiscal balance and overall balance will not be deficits of less than J\$3,000Mn. The figures proposed suggest an increase in inflation and the provocation of social unrest. Debt servicing is already the greatest portion of Jamaica's expenditure and most certainly the level of debts will increase in the coming year.

Violence is taking over the island and if the security forces are not adequately equip to deal with this, then the economy will indeed suffer. The Tourist Industry is not the only sector of the economy which will be affected but added to the relatively high interest rates which prevail, capital investment will be affected as well.

Ref: Fiscal Policy (Econ Dept)

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