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MINISTRY PAPER NO. 38

DEVELOPMENTS IN INDUSTRY

The manufacturing sector of our economy maintained its position in 1966 as the largest contributor to gross domestic product, accounting for 14.9% (£47.3 million) of the total figure of £319.9 million. Output in most of the industrial groups showed significant increases in 1966 over the previous year. Exports of non-food manufactured goods continued the upward trend of recent years. Growth in the manufacturing sector this year is expected to show a substantial increase over 1966, due mainly to several new plants which commenced operations in 1966 and major enterprises which are expected to start production this year.

2. The manufacturing sector grew at a faster rate in 1966 than in 1965, the annual increases of both years being 7.5% and 5.3% respectively. The contribution to gross domestic product was £47.3 million last year, compared with £44 million in 1965, and £41.8 million in 1964. Last year substantial increases in output took place in such manufacturing groups as: metal products; cement and clay products; chemicals and chemical products; textiles, alcoholic beverages; food (excluding sugar); and printing, publishing, advertising and paper products. There were increases in production of varying significance in most of the remaining manufacturing groups with the exception of sugar and leather (excluding footwear) which showed virtually no change.

3. In 1964, there was a sharp increase of £10.1 million in Jamaica's overall fixed investment, the total figure at the end of that year being £55.9 million. The up-turn continued in 1965 and 1966, amounting to £62 million and £65.6 million respectively at the end of each year. This growth in fixed investment over the period 1964 to 1966 involved substantial capital outlays associated with major expansion programmes in existing industries, particularly in the mining and manufacturing sectors, as well as the establishment of several large new industrial enterprises.

4. Jamaica's external trade figures reflect the diversification and expansion taking place in the economy, particularly as regards industrial development. The value of chemical imports, for instance, increased by £0.7 million (7.9%) over the 1965 figure, to a total of £9.6 million. This rise was due to increased imports of chemicals (mainly caustic soda

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TABLE 7

## MAJOR ITEMS OF EXPORTS (£J MILLION)

	Calendar Year			Increase or Decrease (-)	
	1964	1965	1966	1964-65	1965-66
Total Domestic Exports +	75.9	75.2	79.0	-0.7	3.8
Bananas	6.0	6.1	6.3	0.1	0.2
Sugar (including Pref. Cert.)	19.9	16.0	16.4	-3.9	0.4
Rum	1.4	1.6	1.3	0.2	-0.3
Molasses	0.8	0.5	0.8	-0.3	0.3
Bauxite	15.7	17.8	18.4	2.1	0.6
Alumina	18.2	17.5	19.3	-0.7	1.8
Petroleum Products	1.0	2.7	3.1	1.7	0.4
Citrus and citrus products	2.5	3.2	2.8	0.7	-0.4
Coffee, cocoa, pimento ) ginger and their products)	2.3	1.9	2.5	-0.4	0.6
Clothing	2.4	2.4	2.4	-	-
Sub-total	70.5	70.0	73.3	-0.5	3.3
All other items	5.4	5.2	5.7	-0.2	0.5

+ Including Sugar Preference Certificates.

and other inorganic compounds), pharmaceuticals, and plastic and colouring materials. On the other hand, imports of perfumes, cosmetics and toilet preparations, washing preparations and nitrogenous fertilizer fell in response to increased local production.

5. The import value of manufactured goods in 1966 was £31.3 million, an increase of £3.5 million over the 1965 figure. This increase was due to larger imports of manufactures of metals, base metals, paper and paper products, leather and rubber products. Most of the items showing sizeable increases were in the categories of construction goods, intermediate products for use in manufacturing plants, and transport and storage equipment. These items include iron and steel bars, steel tubes, pipes and fittings, aluminium alloys for industrial use, wire cables, structural parts of iron and steel, metal containers for transport and storage, newsprint, paperboard and boxes, truck tyres, rubber fabricated materials and leather.

6. The growth of the local packaging and printing industry, in response to increased economic activity in the country, has resulted in larger imports of paper and wood. Growth in the local shoe industry and the temporary closing of one of the largest leather producing plants were mainly responsible for the rise in imports of leather. The growth in the volume of imports of rubber fabricated materials is linked with expanded activities in tyre retreading, furniture manufacture and the shoe industry.

7. It is significant to note that our import bill in 1966 for machinery and transport equipment was £27.6 million, approximately £4.8 million (21%) above the figure for 1965. The major part of this increase was accounted for by the rise of £3.8 million in imports of machinery (non-electrical); imports of electrical machinery grew by £1.3 million. On the other hand, imports of vehicles and transport equipment declined by £0.3 million.

8. As regards miscellaneous manufactured goods, there was a very small increase in the value of imports in 1966. This rise was accounted for chiefly by larger purchases abroad of sanitary plumbing, heating and lighting fixtures and fittings, measuring and controlling instruments, newspapers and periodicals and electrical refrigerators. However, imports of clothing (particularly stockings and hosiery), travel goods, furniture and articles of plastic declined under the impact of increased local production.

9. Jamaica's earnings from domestic exports last year amounted to £79 million, an increase of £4.1 million (5.5%) over the 1965 figure. This growth in export earnings last year included larger exports of mineral fuels, footwear, essential oils, toilet and cleansing preparations, clothing, as well as dyeing, tanning and colouring materials. Exports of a selected group of manufactured goods had increased to £8.5 million last year, from levels of £7.9 million in 1965 and £4.8 million in 1962.

#### Developments in the Industrial Incentives Programme

10. One of the main features of this programme during the past year was the intensification of efforts for decentralisation of industry into rural areas. While the majority of industries still continue to be established in the metropolitan area of Kingston and St. Andrew, there has been a steadily increasing number of factories locating in rural areas.

11. In January this year, the Industrial Incentives Law was amended to permit the granting of not only a higher level of tax incentives to approved industries but also an additional period for industries which locate in areas in special need of development. In effect, the tax holiday has been extended from six or seven years to ten years, for approved companies producing products declared under the Law on or after 28th May, 1963, with up to an additional five years for companies establishing in special development areas. With this new promotional tool, it is confidently expected that the decentralisation programme will proceed at an accelerated pace. Action is now far advanced to have the Export Industry Encouragement Law amended to bring it in line with the Industrial Incentives Law. The amending Bill will be tabled in the House very shortly.

#### Local Investment in Industry:

12. Another important aspect of last year's programme is the large number of local businessmen who have entered the manufacturing field, individually as well as in joint venture arrangements with overseas interests. In addition, a number of local and well-known international firms have successfully issued shares to the Jamaican public. In effect, Jamaicans are becoming increasingly involved in the ownership of manufacturing operations.

#### New Industries Established with Incentives:

13. During the twelve month period to 31st March this year, 27 new companies went into production, bringing the total number of companies operating..../

operating under the incentive laws at that date to 155. (29 such companies went into production during the calendar year 1966). The 27 companies include two of the largest industries to be established under the programme, with combined fixed capital investment of approximately £3 million. These are Goodyear (Jamaica) Ltd., producing motor vehicle tyres and tubes, and Antilles Chemical Company, producing complex fertilizers. Other new products which are now being produced locally with the benefit of incentives include machine tools and dies, ladies' stockings, springs and spring assemblies, metal castings, printers' ink, shoe polish and water heaters. Total fixed capital investment of the 27 companies is £3.8 million; the total initial new employment they are providing is 702.

14. At the 31st March this year, factory construction and/or installation of machinery was in progress for a further ten companies, with combined fixed capital investment of approximately £4 million. It is expected that the majority of these factories will commence production by the end of this year.

#### Activity of Companies Operating under Incentive Laws:

15. A survey conducted to determine the activity of approved companies during 1966 indicates that encouraging expansion has been taking place. Payroll of these companies increased by 25% between 1965 and 1966; total sales increased by 20.9% and export sales alone showed an increase of 22.4%.

It is expected that the 1967 position will show even greater increases, when the factories established last year have moved out of the low preliminary production stage. The most marked expansion was in the following industry groups - chemicals, metal fabricating, containers and packaging materials.

16. Combined fixed capital investment of all companies operating under the incentive laws was £15.2 million at the end of 1966; direct employment was being provided for approximately 9,200 workers.

#### Decentralisation of Industry:

17. Government's policy of decentralising industry into rural areas has continued apace. During the last financial year 5 new companies commenced operations outside the Corporate Area, bringing the total number of approved rural factories in operation at the end of March, 1967, to 28. Another company went into operation in June this year, at Highgate in St.

Mary.../

Mary. At 31st March two other rural factories were completed but had not yet commenced production. In addition, construction has started on five others. Details of the rural locations of approved companies are shown at

---- Appendix I.

Factory Building Programme:

18. During the past year, construction of 4 JIDC factories was completed at a cost of £323,000, involving 132,000 sq. ft. Three other JIDC factories, involving 83,000 sq. ft. at a cost of £188,000, were under construction at 31st March this year.

19. Services to Industry:

(i) Productivity Centre of JIDC:

The rendering of specific services to industry remained an important aspect of the industrial development programme. Last year, during the course of the budget debate on the 1966/67 Estimates, I tabled a Ministry Paper setting out details of the proposals for a Productivity Centre to be based initially on the Industrial Services Department which was created at the JIDC some years ago. The Plan of Operation for this UN Special Fund Project was signed in October, 1966, between the Government of Jamaica, the U.N. and I.L.O. The Centre is now in operation and is already offering industry more extensive services in the fields of industrial engineering, cost accounting, production management, worker training and market development. The UN Chief of Project arrived towards the end of last year and the majority of the UN experts are already in the Island. The recruitment of additional qualified local staff is well in hand and a broadly representative National Advisory Committee on Productivity, for which the project's Plan of Operation provides, will be appointed shortly. The Committee will advise on the means of relating project operations to the development programme of the country and will assist in co-ordinating the activities of the Government services connected with the project but the actual executive responsibility for the project will remain with the JIDC.

J A M A I C A  
BALANCE OF PAYMENTS - CURRENT ACCOUNT, 1960 - 1966

TABLE 4

£ million

I T E M	1960		1961		1962		1963		1964 (Provisional)		1965 (Provisional)		1966 (Provisional)	
	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments
Total Current Account	101.1	109.4	107.2	111.0	114.0	121.5	118.0	123.4	144.0	133.0	148.9	145.1	160.1	
A. Goods	58.8	67.1	63.6	68.2	68.9	74.4	71.0	78.1	91.0	77.4	91.0	81.0	100.9	
1. Merchandise (f.o.b.) (adjusted)	58.8	67.1	63.6	68.2	68.9	74.4	71.0	78.1	91.0	77.4	91.0	81.0	100.9	
2. Non-Monetary Gold	-	-	-	-	-	-	-	-	-	-	-	-	-	
E. Services	34.3	40.3	36.0	40.0	43.2	38.0	45.1	41.7	50.9	52.0	55.4	56.3	56.4	
3. Transporta- tion (including freight)	5.2	13.5	4.9	10.7	11.5	5.5	11.3	5.9	14.2	7.2	14.6	8.0	16.0	
4. Merchandise Insurance	-	0.7	-	0.7	0.7	-	0.8	-	1.0	-	1.0	-	1.1	
5. Travel	14.5	2.4	14.6	2.6	3.0	13.5	3.3	15.6	4.2	23.1	4.2	28.0	4.2	
6. Investment Income	2.3	13.2	2.3	14.8	14.9	2.3	15.5	2.5	16.9	3.0	13.3	2.9	19.4	
7. Government Transactions (not included elsewhere)	2.7	0.1	3.4	0.2	0.5	3.2	0.7	3.2	0.9	3.5	1.0	4.0	0.9	
8. Other Services: Non-Merchandise Insurance	9.6	10.4	10.8	11.0	12.6	13.5	13.5	14.5	13.7	15.2	16.3	13.4	14.8	
Other	(1.9)	6.2	2.5	6.6	7.5	3.6	8.3	4.2	8.9	4.3	9.4	4.4	9.6)	
Balance on Services	(7.7)	4.2	8.3	4.4	5.1	9.9	5.2	10.3	4.3	10.9	6.9	9.0	5.2)	
Balance on Goods & Services		6.0		4.0	6.5		7.1		9.2		3.4		0.1	
C. Transfer Payments	8.0	14.3	7.6	8.6	9.7	9.1	3.7	8.6	22.1	8.6	17.0	7.7	20.0	
9. Private	6.9	2.0	7.4	2.8	1.9	8.6	1.9	7.9	2.1	7.7	2.5	6.8	2.7	
10. Government*	1.1	0.8	0.2	0.9	1.2	0.6	1.5	0.7	1.7	0.9	1.9	0.9	0.6	
Balance on Transfer Payments	6.0	1.2	4.8	1.9	1.2	0.6	1.5	0.7	1.7	0.9	1.9	0.9	2.1	
Balance on Current Account	8.3	8.3	3.8	3.8	3.0	3.5	3.5	6.5	15.6	6.1	10.9	5.0	15.0	

\* The payments include government grants to the U.W.I.

BALANCE OF PAYMENTS - CURRENT ACCOUNT, 1960 - 1966

fJ million

I T E M	1960		1961		1962		1963		1964 (Provisional)		1965 (Provisional)		1966 (Provisional)	
	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments	Re- ceipts	Pay- ments
Total - Current Account	101.1	109.4	107.2	111.0	111.0	114.0	121.5	118.0	123.4	144.0	133.0	143.9	145.1	160.1
A. Goods	58.8	76.9	63.6	74.7	65.7	77.9	74.4	80.1	78.1	102.7	77.4	102.7	81.0	113.9
1. Merchandise (exports f.o.b. & imports c.i.f.f.) (adjusted)	58.8	76.9	63.6	74.7	65.7	77.9	74.4	80.1	78.1	102.7	77.4	102.7	81.0	113.9
2. Non-Monetary Gold	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Services	34.3	30.5	36.0	33.5	36.7	34.2	38.0	36.0	41.7	39.2	52.0	43.7	56.3	43.4
3. Transportation (excluding freight on imports)	5.2	4.4	4.9	4.9	5.3	3.2	5.5	3.0	5.9	3.6	7.2	3.9	8.0	4.1
4. Travel	14.5	2.4	14.6	2.6	13.1	3.0	13.5	3.3	15.6	4.2	23.1	4.2	28.0	4.2
5. Investment Income	2.3	13.2	2.3	14.8	2.3	14.9	2.3	15.5	2.5	16.8	3.0	18.3	2.9	19.4
6. Government Transactions (not included elsewhere)	2.7	0.1	3.4	0.2	3.3	0.5	3.2	0.7	3.2	0.9	3.5	1.0	4.0	0.9
7. Other Services: Non-Merchandise Insurance	9.6	10.4	10.8	11.0	12.7	12.6	13.5	13.5	14.5	13.7	15.2	16.3	13.4	14.8
Other	1.9	6.2	2.5	6.6	3.1	7.5	3.6	8.3	4.2	8.9	4.3	9.4	4.4	9.6
Other on Services	7.7	4.2	8.3	4.4	9.6	5.1	9.9	5.2	10.3	4.8	10.9	6.9	9.0	5.2
Balance on Goods & Services	3.8	14.3	2.5	4.4	2.5	5.1	2.0	5.2	2.5	4.8	3.3	6.9	12.9	9.6
C. Transfer Payments	8.0	2.0	7.6	8.6	8.6	9.7	9.1	3.7	8.6	22.1	8.6	17.0	7.7	20.0
8. Private	6.9	0.8	7.4	0.9	8.0	0.7	8.5	0.4	7.9	2.1	7.7	2.5	6.8	2.7
9. Government	1.1	1.2	0.2	1.9	0.6	1.2	0.6	1.5	0.7	1.7	0.9	1.9	0.9	2.1
Balance on Transfer Payments	6.0	8.3	4.3	3.8	6.7	3.0	7.2	3.5	6.5	15.6	6.1	10.9	5.0	15.0
Balance on Current Account	8.3	3.8	4.3	3.8	6.7	3.0	3.5	3.0	6.5	15.6	6.1	10.9	5.0	15.0



TABLE 6

CHANGES IN IMPORTS  
1964, 1965 and 1966

(&amp;J Million)

CHANGES IN IMPORTS	1964	1965	1966	Increase or Decrease (-)	
				1964-65	1965-66
TOTAL IMPORTS (unadjusted)	103.3	103.2	114.6	-0.1	11.4
FOOD (including animal feeds)	20.8	20.4	22.3	-0.4	1.9
Meat and Meat Preparations	3.1	3.2	3.7	0.1	0.5
Dairy Products	3.5	3.4	3.5	-0.1	0.1
Fish and Fish Preparations	3.0	2.9	3.6	-0.1	0.7
Cereals and cereal Preparations	7.3	7.7	8.0	0.4	0.3
Rice	2.1	2.5	2.9	0.4	-0.5
Corn (unmilled)	0.7	0.6	1.3	-0.1	0.7
Baking Flour	2.3	2.2	2.2	-0.1	-
Counter Flour	1.1	1.2	1.3	0.1	0.1
Fruit and Vegetables	1.8	1.4	1.6	-0.4	0.2
Animal Feeds	1.0	0.9	1.3	-0.1	0.4
<u>CRUDE MATERIALS INEDIBLE (EXCEPT FUELS)</u>	3.4	3.4	3.1	-	-0.3
Lumber	1.7	2.1	1.7	0.4	-0.4
<u>MINERAL FUELS AND LUBRICANTS</u>	11.6	9.0	9.6	-2.4	0.6
Crude Petroleum	5.3	7.1	7.1	1.8	-
Fuel Oils	3.7	0.5	0.8	-3.2	0.3
Gasolene (Motor Spirit)	0.7	0.1	-	-0.6	-0.1
Kerosene Oil	0.6	-	0.1	-0.6	0.1
Blending Agents	0.6	0.8	0.7	0.2	-0.1
<u>CHEMICALS</u>	9.1	8.9	9.6	-0.2	0.7
Fertilizers (manufactured)	2.0	1.6	1.7	-0.4	0.1
Chemical elements and compounds	1.8	1.9	2.2	0.1	0.3
<u>MANUFACTURED GOODS CLASSIFIED MAINLY BY TYPE OF MATERIALS</u>	26.2	27.8	31.3	1.6	3.5
Base metals	5.6	6.2	7.1	0.6	0.9
Other metal manufactures	3.7	3.6	5.1	-0.1	1.5
Paper, paperboard and manufactures	3.7	4.1	4.7	0.4	0.6
Textile yarn, fabrics, made-up textile articles, etc.	7.4	7.5	7.5	0.1	-
Silver, platinum and jewellery	0.3	0.4	0.4	0.1	-

CHANGES IN IMPORTS	1964	1965	1966	(£J million)	
				Increase or Decrease (-)	
				1964-65	1965-66
<u>MACHINERY AND TRANSPORT EQUIPMENT</u>	21.6	22.8	27.6	1.2	4.8
Non-electrical machinery	10.0	10.2	13.9	0.2	3.7
Tractors (other than steam)	2.0	1.6	1.2	-0.4	-0.4
Conveying, hoisting and excavating machinery	1.5	1.5	3.0	-	1.5
Industrial and Commercial machinery excluding sugar and distillery machinery	2.4	2.3	4.5	-0.1	2.2
Electric machinery and apparatus	3.7	4.2	5.4	0.5	1.2
Transport equipment	7.8	8.5	8.3	0.7	-0.2
Motor cars	3.2	4.0	3.6	0.8	-0.4
Buses, trucks, lorries including chassis with engine mounted	2.2	2.7	2.6	0.5	-0.1
<u>MISCELLANEOUS MANUFACTURED ARTICLES</u>	8.3	8.4	8.4	0.1	-