Foreign Currency Flows and the Jamaican Economy

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Developing Sustainable Balance of Payments in Small Countries

Andre Haughton

Abstract

Chapter 1 analyzes Jamaica's foreign currency flow with the rest of the world and puts the research into proper context. It explores the rationale for each exchange rate regime and their impact on the progression of the nation's economy. Since gaining independence from Britain in 1962, Jamaica has employed five main types of exchange rate strategies. Each was designed to achieve specific objectives of the government, taking the local and global economic environment into account. Jamaica's exchange rate regime moved from a currency board to a crawling peg to a dual exchange rate, then to an auction and allocation system and finally to a free-floating exchange rate system.

Notes

1. ‘Inflow and outflow of Foreign Fund’,

www.bankofengland.co.uk/archive/Documents/historicpubs/qb/1962/qb62q293102.pdf.

2. Details on the PetroCaribe debt, the latest EFF with the IMF and other foreign currency debt obligations are discussed in Chapter 3.

3. Jamaica's interest rate policy is discussed in Chapter 9. Jamaica is normally a high interest rate regime, with an interest rate as a high as 35 percent in the early 1990s. It is only recently, with the latest IMF agreement, that interest rates began to fall consistently.

4. Jamaica's relationship with the IMF and other multilateral lending institutions is examined in Chapter 2.

5. See IMF Country Report on Jamaica 2013 for more details.

6. The Cambio is a retail outlet that buys and sells foreign currency.

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