



## JAMAICA: BALANCE OF PAYMENTS<sup>1</sup> (August 2009)

- Provisional data for August 2009 show that there was a significant improvement in the current account deficit of Jamaica's Balance of Payments. This improvement was primarily due to a contraction in the merchandise trade deficit. With regard to financing, net inflows from official and private investment transactions were more than sufficient to finance the deficits on the current and capital accounts. In this context, the net international reserves (NIR) increased for the month.
- Influenced by lower payments for fuel imports, there was a decline in the merchandise trade deficit for the period January to August 2009. This was largely responsible for a contraction of the current account deficit over the period. Net official and private capital inflows were more than sufficient to offset the current account deficit. As a consequence, there was an increase in the NIR of the Bank of Jamaica for the period.

### August 2009

Provisional data indicate that the current account deficit narrowed by US\$195.8 million in August 2009, relative to the deficit in August 2008 (see Table). This improvement largely stemmed from a decline of US\$205.7 million (60.1 per cent) in spending on fuel imports, primarily reflecting the impact of a 39.0 per cent decrease in the average price of oil on the international market in August 2009, relative to August 2008. With the exception of food, and beverages & tobacco, all the other categories of imports also declined. The impact of the fall in imports on the merchandise trade deficit was partly offset by declines of US\$53.6 million (56.5 per cent), and US\$10.7 million (46.9 per cent) in earnings from alumina and mineral fuel exports, respectively.

There were also improvements in the services and current transfers sub-accounts. With regard to the services sub-account the improvement was principally due to the continued decline in net transportation payments, associated with the lower level of imports, as well as an increase in net travel receipts for the month. For current transfers, higher official grant inflows of US\$10.0 million were received from the European Union.

The main offsetting influence to the improvement of the above noted sub-accounts was an increase in the deficit on the income account. The expansion in the deficit was mainly attributed to higher interest payments on official external debt.

With regard to financing, net inflows from official and private investment transactions were more than sufficient to offset the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica increased by US\$285.3 million for the month.

### January - August 2009

There was a US\$1 647.3 million reduction in the current account deficit for the period January to August 2009, relative to the comparable period in 2008. An improvement in the merchandise trade deficit was the main source of the reduction, stemming primarily from a decline of US\$1 794.5 million (66.7 per cent) in the value of mineral fuel imports. All the other categories of imports, with the exception of miscellaneous commodities, also declined. The impact of the contraction in imports on the merchandise trade deficit was partly offset by lower earnings from major traditional exports, particularly alumina, as well as non-traditional exports, mainly ethanol.

For the review period, there was also an improvement in the services sub-accounts. The increase in the surplus on the services sub-account resulted from a fall in freight charges as well as a decline in insurance payments, related to the reduction in the value of imports. Earnings from travel also increased, albeit marginally.

The impact of the improvement in the merchandise trade and services sub-accounts on the current account deficit was, however, partly offset by an increase in the deficit on the income sub-account, as well as lower net current transfers. The deterioration in the income account was principally related to a contraction in inflows associated with compensation to employees. The decline in current transfers reflected a contraction of 14.6 per cent in gross remittance inflows.

In relation to financing, net official and private investment inflows were more than sufficient to finance the current account deficit. As a result, there was an increase of US\$161.3 million in the NIR during the review period.

BALANCE OF PAYMENTS SUMMARY US\$MN						
	August 2008	August <sup>1/</sup> 2009	Change	Jan-Aug- 2008	Jan-Aug- <sup>1/</sup> 2009	Change
<b>I. Current Account</b>	-265.1	-69.3	195.8	-2068.7	-421.4	1647.3
<b>a. Goods Balance</b>	-438.9	-253.3	185.6	-3487.2	-1963.7	1523.5
Exports (f.o.b.)	208.3	111.0	-97.2	2030.2	938.5	-1091.6
Imports (f.o.b.)	647.2	364.4	-282.8	5517.3	2902.2	-2615.1
<b>b. Services Balance</b>	12.2	46.9	34.7	351.1	616.4	265.3
Transportation	-52.3	-28.8	23.4	-443.9	-224.2	219.7
Travel	114.3	122.6	8.4	1242.7	1253.4	10.7
Other Services	-49.8	-46.9	2.9	-447.7	-412.8	34.9
<b>B. Income</b>	-11.0	-46.3	-35.4	-370.4	-395.4	-25.1
Compensation of employees	10.9	5.4	-5.5	35.6	19.0	-16.6
Investment Income	-21.9	-51.7	-29.9	-406.0	-414.4	-8.5
<b>C. Current Transfers</b>	172.6	183.5	10.9	1437.8	1321.4	-116.4
Official	8.1	20.9	12.7	68.5	87.4	18.9
Private	164.5	162.7	-1.8	1369.3	1234.0	-135.4
<b>2. Capital &amp; Financial Account</b>	265.1	69.3	-195.8	2068.7	421.4	-1647.3
<b>A. Capital Account</b>	-2.6	-2.4	0.1	21.4	20.8	-0.6
<b>a. Capital Transfers</b>	-2.6	-2.4	0.1	21.4	20.8	-0.6
Official	0.0	0.1	0.1	41.6	44.7	3.1
Private	-2.6	-2.5	0.0	-20.2	-23.9	-3.7
<b>b. Acq./disp. of non-produced non-fin'l assets</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>B. Financial Account</b>	267.7	71.7	-196.0	2047.3	400.6	-1646.7
Other Official Investment	135.6	314.8	179.2	530.6	168.9	-361.6
Other Private Investment <sup>2/</sup>	175.1	42.2	-132.9	1926.8	393.0	-1533.8
Reserves	-43.0	-285.3	-242.3	-410.1	-161.3	248.8

<sup>1/</sup> Provisional  
<sup>2/</sup> Includes errors & omissions

<sup>1</sup> For more details see Balance of Payments Monthly Statistical Update at: [http://www.boj.org.jm/publications\\_home.php](http://www.boj.org.jm/publications_home.php)