



JAMAICA: BALANCE OF PAYMENTS¹ (June 2009)

- Provisional data for June 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 outflows from official and private investment transactions added to the financing gap of the current account. In this context, the net international reserves (NIR) declined for the month.
- Influenced by lower payments for fuel imports, there was a decline in the merchandise trade deficit for the period January to June 2009. This was largely responsible for a contraction of the current account deficit over the period. Net private capital inflows were insufficient to offset net official capital outflows and the current account deficit. As a consequence, there was a decline in the NIR of the Bank of Jamaica for the period.

June 2009

Provisional data indicate that the current account deficit narrowed by US\$264.0 million in June 2009, relative to the deficit in June 2008 (see Table). This improvement largely stemmed from a decline of US\$275.6 million (78.1 per cent) in spending on fuel imports, largely reflecting the impact of a 48.0 per cent decrease in the average price of oil on the international market in June 2009, relative to June 2008. All the other categories of imports, with the exception of crude materials and miscellaneous commodities, declined. The impact of the fall in imports on the merchandise trade deficit was partly offset by declines of US\$101.5 million (77.7 per cent) and US\$35.8 million (67.8 per cent) in earnings from alumina exports and mineral fuel exports, respectively.

There was also an improvement in the services sub-account, which was primarily due to the continued decline in net transportation payments, associated with the lower level of imports. Additionally, there was a marginal increase in net travel receipts for the month.

The main offsetting influences to the improvement of the above noted sub-accounts were an increase in the deficit on the income account, as well as a reduction in net inflows from current transfers. With respect to the income sub-account, the expansion in the deficit was mainly attributed to higher interest payments on official external debt, while the decline in the surplus on current transfers resulted from a contraction of 10.2 per cent in gross remittance inflows.

With regard to financing, net outflows from official and private investment transactions added to the financing gap of the current account. As a result, the NIR of the Bank of Jamaica declined by US\$52.4 million for the month.

January - June 2009

There was a US\$1 171.2 million reduction in the current account deficit for the period January to June 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\$1 341.2 million (69.1 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 were also improvements in the services and income 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. The improvement in the income account was principally related to lower imputed profit remittances of direct investment companies, mainly attributed to the downturn in the mining sector.

The impact of the improvement in the merchandise trade, services and income sub-accounts on the current account deficit was partly offset by lower net current transfers, which reflected a contraction of 15.9 per cent in gross remittance inflows.

In relation to financing, net private investment inflows and the surplus on the capital account were insufficient to offset net official capital outflows as well as the deficit on the current account. As a result, there was a decline of US\$153.6 million in the NIR during the review period.

BALANCE OF PAYMENTS SUMMARY US\$MN						
	June 2008	June ^{1/} 2009	Change	Jan-June 2008	Jan-June ^{1/} 2009	Change
1. Current Account	-280.4	-16.4	264.0	-1373.1	-201.9	1171.2
a. Goods Balance	-460.4	-202.3	258.0	-2446.1	-1380.3	1065.8
Exports (f.o.b.)	285.5	122.1	-163.4	1575.2	698.4	-876.8
Imports (f.o.b.)	745.9	324.4	-421.5	4021.4	2078.8	-1942.6
b. Services Balance	22.6	79.8	57.2	290.8	480.5	189.7
Transportation	-66.2	-26.5	39.7	-317.1	-156.9	160.2
Travel	153.3	157.2	3.9	945.0	942.0	-3.0
Other Services	-64.5	-50.9	13.6	-337.1	-304.6	32.5
B. Income	-24.7	-64.1	-39.4	-296.3	-277.1	19.2
Compensation of employees	7.8	4.3	-3.5	19.5	8.4	-11.1
Investment Income	-32.5	-68.4	-36.0	-315.8	-285.5	30.3
C. Current Transfers	182.1	170.2	-11.8	1078.5	975.0	-103.5
Official	8.6	8.2	-0.4	51.3	57.6	6.3
Private	173.5	162.0	-11.4	1027.2	917.4	-109.8
2. Capital & Financial Account	280.4	16.4	-264.0	1373.1	201.9	-1171.2
A. Capital Account	-2.9	-2.8	0.0	14.7	25.7	11.0
a. Capital Transfers	-2.9	-2.8	0.0	14.7	25.7	11.0
Official	0.0	0.0	0.0	29.5	41.9	12.4
Private	-2.9	-2.8	0.0	-14.8	-16.1	-1.4
b. Acq./disp. of non-produced non-fin'l assets	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	283.2	19.2	-264.0	1358.4	176.1	-1182.2
Other Official Investment	132.0	-2.8	-134.8	225.0	-156.3	-381.3
Other Private Investment ^{2/}	120.8	-30.3	-151.1	1484.5	178.9	-1305.6
Reserves	30.4	52.4	22.0	-351.1	153.6	524.7

^{1/} Provisional
^{2/} Includes errors & omissions

¹ For more details see Balance of Payments Monthly Statistical Update at: http://www.boj.org.jm/publications_home.php