



News Release
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JAMAICA: BALANCE OF PAYMENTS DEVELOPMENTS **March 2005 & FY 2004/05**

March 2005

The current account of the Balance of Payments improved by US\$25.7MN to a surplus of US\$27.7 million in March 2005, relative to March 2004. This improvement reflected respective expansions of US\$29.4MN and US\$24.7MN in the surpluses on the current transfers and services accounts, which was complemented by a decline of US\$19.9MN in the deficit on the income account. These changes were partly offset by an increase of US\$48.4MN in the merchandise trade deficit. Within the financial account, net private investment inflows of US\$67.7MN were recorded, which, when combined with the current account surplus, was more than enough to finance the deficit on the capital account and official investment outflows. In this context, there was a build up of US\$69.6MN in the net international reserves of the Bank of Jamaica for the month.

Merchandise Trade

A contraction of US\$28.0MN in the value of exports (f.o.b.), coupled with an increase of US\$20.4MN in the value of imports, accounted for the expansion in the merchandise trade deficit for the review month. The decline in exports primarily reflected reduced earnings from sugar and bananas. Receipts from sugar fell by US\$14.3MN, associated with a contraction of 23.6 per cent in export volume. There was no export of banana in the review month, relative to the corresponding month in 2004. The higher expenditure on imports was primarily attributed to manufactured goods and chemical imports, which grew by US\$18.3MN and US\$11.1MN, respectively, relative to March 2004.

Services

The growth in the surplus on the services account principally reflected higher net receipts of US\$22.9MN on the travel sub-account. Gross inflows to the travel sector grew by US\$20.9MN, influenced by respective increases of 16.7 per cent and 13.5 per cent in cruise visitors and stop over arrivals to the Island.

Income

The reduction in the deficit on the income account stemmed primarily from a fall of US\$17.7MN in net investment income outflows. The lower net outflows were influenced by a contraction in the imputed profit remittances of the direct investment companies.

Current Transfers

Increased net inflows of US\$23.3MN to the private sector were responsible for the improvement in the current transfers account in March 2005. The growth in net private sector inflows reflected an expansion in gross inflows of US\$44.3MN, which was partially offset by growth of US\$21.0MN in gross outflows. Commercial banks and building societies recorded increases of US\$15.5MN and US\$12.4MN in gross inflows, respectively, relative to March 2004.

Capital & Financial Accounts

Deficits of US\$1.2MN and US\$26.5MN were recorded on the capital account and financial accounts in the review month, respectively. However, within the financial account, net private investment inflows of US\$67.7MN were recorded. These inflows, combined with the surplus on the current account, were more than sufficient to finance the deficit on the capital account and official investment outflows. Consequently, there was a build up of US\$69.6MN in the net international reserves of the Bank of Jamaica during the review month.

Fiscal Year (FY) 2004/05

The current account deficit improved by US\$18.2MN to US\$532.7MN (or approximately 6.1 per cent of GDP) for fiscal year (FY) 2004/05, relative to FY2003/04. This improvement reflected respective increases of US\$267.1MN and US\$19.0MN in net receipts from current transfers and services, which were largely offset by expansions of US\$255.4MN and US\$12.5MN in the deficits on the goods and income accounts, respectively. Net private and official investment inflows within the financial account were more than enough to offset the capital and current account deficits. In this context, there was a build up of US\$332.0MN in the net international reserves during the review period.

Merchandise Trade

The deterioration in the merchandise trade deficit for the fiscal year stemmed from an expansion of US\$330.0MN in payments for imports (f.o.b.), which was partly offset by a US\$74.6MN increase in the value of exports. The growth in expenditure on imports reflected higher spending on all categories, with the exception of free zone imports. In particular, spending on manufactured goods, mineral fuel and food expanded by US\$131.6MN, US\$90.4MN and US\$39.8MN, respectively. The higher value of exports largely reflected an expansion of US\$74.9MN in receipts from alumina exports, stemming from increases of 9.0 per cent and 1.1 per cent in alumina export price and volume, respectively.

Services

The expansion in the surplus on the services account largely reflected growth of US\$51.0MN in net travel receipts. This was partially offset by an increase of US\$31.1MN in net transportation payments. With respect to the travel sub-account, total visitor arrivals grew by 5.1 per cent for the fiscal year, relative to FY2003/04, influenced by an increase of 5.1 per cent in stopover visitor arrivals.

Income

Expansions in interest payments by both Central Government and private sources were the main factors contributing to the growth of US\$27.1MN in investment income outflows. The impact of these increases was partially offset by growth in investment income inflows, as well as receipts from Jamaicans working overseas.

Current Transfers

The improved surplus on the current transfers account was influenced primarily by growth of US\$202.7MN in net private inflows. This increase stemmed from an expansion of US\$363.7MN in gross inflows, which was partially offset by higher outflows of US\$161.0MN. Respective increases of US\$91.8MN and US\$56.8MN in inflows through remittance companies and commercial banks were largely responsible for the growth in gross inflows. The expansion in private remittance inflows reflected the enhanced marketing efforts of financial institutions and remittance companies, as well as the improved economic performance of the U.S.A., the main source of these inflows.

Capital & Financial Accounts

A surplus of US\$533.1MN was recorded on the financial account, while the capital account posted a US\$0.4MN deficit for the review period. Within the financial account, net official inflows of US\$177.3MN were recorded, which reflected Government's successful debt raising activities on the international capital market. In addition, net private investment inflows of US\$687.8MN contributed to the surplus on the financial account. These surpluses were more than sufficient to finance the deficits on the current and capital accounts. Consequently, there was a build up of US\$332.0MN in the net international reserves of the Bank of Jamaica. At the end of March, the gross reserves stood at US\$1 924.1MN, representing 24.2 weeks of imports and 17.0 weeks of imported goods and services.

The following table shows the balance of payments for March 2004, March 2005 and for the periods April to March 2003/04 and April to March 2004/05.

BALANCE OF PAYMENTS SUMMARY						
(US\$MN)						
	1/ Mar 2004	2/ Mar 2005		1/ Apr-Mar 2003/04	2/ Apr-Mar 2004/05	
			Change			Change
1. CURRENT ACCOUNT	2.0	27.7	25.7	-550.9	-532.7	18.2
A. GOODS and SERVICES	-74.6	-98.3	-23.7	-1224.5	-1460.9	-236.4
a. GOODS BALANCE	-149.6	-198.0	-48.4	-1821.0	-2076.4	-255.4
Exports (f.o.b.)	157.6	129.6	-28.0	1478.3	1552.9	74.6
Imports (f.o.b.)	307.2	327.6	20.4	3299.3	3629.3	330.0
b. SERVICES BALANCE	75.0	99.7	24.7	596.5	615.5	19.0
Transportation	-4.9	-3.5	1.4	-128.0	-159.1	-31.1
Travel	117.2	140.1	22.9	1144.6	1195.6	51.0
Other Services	-37.3	-36.9	0.4	-420.1	-421.0	-0.9
B. INCOME	-40.8	-20.9	19.9	-565.8	-578.3	-12.5
Compensation of employees	1.4	3.6	2.2	71.9	86.4	14.5
Investment Income	-42.2	-24.5	17.7	-637.6	-664.7	-27.1
C. CURRENT TRANSFERS	117.5	146.9	29.4	1239.4	1506.5	267.1
Official	9.4	15.5	6.1	106.3	170.7	64.4
Private	108.1	131.4	23.3	1133.1	1335.8	202.7
2. CAPITAL & FINANCIAL ACCOUNT	-2.0	-27.7	-25.7	550.9	532.7	-18.2
A. CAPITAL ACCOUNT	0.2	-1.2	-1.4	0.5	-0.4	-0.9
a. Capital Transfers	0.2	-1.2	-1.4	0.1	-0.4	-0.5
Official	1.2	0.0	-1.2	3.5	10.5	7.0
Private	-1.1	-1.2	-0.1	-3.4	-10.9	-7.5
b. Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.4	0.0	-0.4
B. FINANCIAL ACCOUNT	-2.2	-26.5	-24.3	550.4	533.1	-17.3
Other official investment	33.5	-24.6	-58.1	142.0	177.3	35.3
Other private investment 3/	59.1	67.7	8.6	637.3	687.8	50.5
Reserves	-94.7	-69.6		-228.9	-332.0	
1/ Revised						
2/ Provisional						
3/ Includes errors & omissions						

Bank of Jamaica