



News Release
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JAMAICA:
BALANCE OF PAYMENTS DEVELOPMENTS
May 2005

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The current account deficit of the Balance of Payments narrowed by US\$3.9MN to US\$64.4 million in May 2005, relative to May 2004. This improvement was attributed to respective expansions of US\$11.7MN and US\$7.8MN in the surpluses on the services and current transfers accounts, partly offset by increases of US\$11.7MN and US\$3.9MN in the deficits on the income and merchandise trade accounts, respectively. Within the financial account, net private investment inflows of US\$143.7MN were more than enough to finance the net official investment outflows as well as the deficits on the current and capital accounts. In this context, there was a build up of US\$64.1MN in the net international reserves of the Bank of Jamaica for the month.

Merchandise Trade

An increase of US\$5.0MN in the value of imports, partly offset by growth of US\$1.1MN in exports, accounted for the widening of the merchandise trade deficit for the review month. The growth in imports reflected respective expansions of US\$21.2MN and US\$4.2MN in payments for manufactured goods and food. This was partly offset by reductions of US\$8.7MN, US\$8.2MN and US\$3.7MN in spending on machinery and transport equipment, free zone imports, and mineral fuel, respectively. For exports, alumina receipts increased by US\$9.7MN, associated with expansions of 11.8 per cent and 4.0 per cent in volume and price, respectively. There were, however, offsetting declines of US\$5.7MN and US\$1.1MN in sugar and coffee exports, respectively.

Services

An increase of US\$9.1MN in net receipts on the travel sub-account and a reduction of US\$2.9MN in the deficit on the other services sub-account were responsible for the growth in the surplus on the services account. For the travel sub-account, gross inflows grew by US\$4.8MN, largely influenced by an increase of 15.6 per cent in cruise visitor

arrivals to the Island. This was, however, partly offset by the expenditure of Jamaicans travelling abroad, which was also estimated to have increased by US\$4.3 million. The decline in the other services sub-account was attributed to a fall in commission payments as a result of the lower stopover arrivals for the month.

Income

The expansion in the deficit on the income account stemmed mainly from an increase of US\$11.1MN in net investment income outflows. This primarily reflected growth in the imputed profit remittances of the direct investment companies.

Current Transfers

Increases of US\$6.3MN and US\$1.5 MN in net inflows to the private and official sectors influenced the improvement in the current transfers account in May 2005. The growth in net private sector inflows reflected an increase of US\$7.4MN in gross inflows, which was partially offset by an increase of US\$1.1MN in gross outflows. Remittance companies and building societies recorded respective increases of US\$10.3MN and US\$1.2MN in gross inflows for the month, relative to May 2004. Inflows through commercial banks, however, fell by US\$6.5MN.

Capital & Financial Accounts

A deficit of US\$0.7MN was recorded on the capital account for the review month, while the financial account registered a US\$65.1MN surplus. Within the financial account, net private investment inflows of US\$143.7MN were more than sufficient to finance the official investment outflow of US\$14.5MN and the deficits on the capital and current accounts. Consequently, there was a build up of US\$64.1MN in the net international reserves of the Bank of Jamaica during the review month.

April to May 2005

For the fiscal period April to May 2005, the current account balance widened by US\$64.9MN, relative to the corresponding period of 2004, to a deficit of US\$105.1MN. This deterioration reflected respective increases of US\$92.1MN and US\$11.1MN in the deficits on the goods and income accounts, which were partly offset by expansions of US\$30.5MN and US\$7.8MN in net receipts from current transfers and services, respectively. Within the financial account, net private investment inflows were more than

enough to offset the capital and current account deficits and net official outflows. In this context, there was a build up of US\$172.9MN in the net international reserves during the review period.

Merchandise Trade

An expansion of US\$101.9 MN in spending on imports (f.o.b.), partly countered by an increase of US\$9.8MN in the value of exports, accounted for the deterioration in the merchandise trade deficit for the review period. The growth in the value of imports reflected increased expenditure on all the import categories, with the exception of free zone purchases and the importation of animal and vegetable oils and fats. The higher value of exports primarily reflected respective expansions of US\$18.4MN and US\$8.4MN in receipts from alumina and sugar exports. Earnings from alumina exports benefited from increases of 8.4 per cent and 4.0 per cent in volume and price, while there were respective growth of 12.9 per cent and 11.1 per cent in the volume and price of sugar exports. Declines of US\$8.1MN and US\$2.1MN in non-traditional and free zone exports partially countered the overall growth in exports.

Services

The increase in the surplus on the services account reflected growth of US\$21.0MN in the surplus on the travel sub-account, as well as a US\$4.8MN decline in the deficit on the other services sub-account. An increase of US\$18.0MN in net transportation payments, associated with the growth in imports, partly offset this expansion. The improvement in the surplus on the travel sub-account reflected growth of US\$10.2M in gross inflows, complemented by a decline of US\$10.8MN in gross outflows. With respect to the inflows, an increase of 5.5 per cent in the average expenditure per person per day in stopover arrivals was recorded. The fall in the outflows was associated with a reduction in Jamaican expenditures while travelling abroad.

Income

An expansion in imputed profit remittances of the direct investment companies was the main factor influencing the growth of US\$10.8MN in net investment income outflows for the review period.

Current Transfers

Growth of US\$28.7MN in net private inflows was primarily responsible for the higher surplus on the current transfers account. This increase was attributed to an expansion of US\$39.5MN in gross inflows, which was partially offset by higher outflows of US\$10.8MN. Respective increases of US\$24.5MN and US\$9.6MN in inflows through remittance companies and commercial banks largely accounted for the growth in gross inflows.

Capital & Financial Accounts

A surplus of US\$106.9MN was recorded on the financial account for the review period, while the capital account registered a deficit of US\$1.8MN. Within the financial account, net private investment flows of US\$306.4MN were recorded. This was more than sufficient to finance the deficits on the current and capital accounts and official investment outflows. Consequently, there was a build up of US\$172.9MN in the net international reserves of the Bank of Jamaica. At the end of May, the gross reserves stood at US\$2 097.1MN, representing 26.4 weeks of imports and 18.5 weeks of imported goods and services.

The following table shows the balance of payments for May 2004, May 2005 and for the periods April to May 2004 and April to May 2005.

BALANCE OF PAYMENTS SUMMARY

(US\$MN)

	1/ May 2004	2/ May 2005	Change	1/ Apr-May 2004	2/ Apr-May 2005	Change
1. CURRENT ACCOUNT	-68.3	-64.4	3.9	-40.2	-105.1	-64.9
A. GOODS and SERVICES	-125.6	-117.8	7.8	-166.4	-250.7	-84.3
a. GOODS BALANCE	-155.9	-159.8	-3.9	-264.6	-356.7	-92.1
Exports (f.o.b.)	139.0	140.1	1.1	294.4	304.2	9.8
Imports (f.o.b.)	294.9	299.9	5.0	559.0	660.9	101.9
b. SERVICES BALANCE	30.3	42.0	11.7	98.2	106.0	7.8
Transportation	-14.0	-14.3	-0.3	-17.3	-35.3	-18.0
Travel	77.1	86.2	9.1	185.0	206.0	21.0
Other Services	-32.8	-29.9	2.9	-69.5	-64.7	4.8
B. INCOME	-50.9	-62.6	-11.7	-91.8	-102.9	-11.1
Compensation of employees	2.9	2.3	-0.6	5.1	4.8	-0.3
Investment Income	-53.8	-64.9	-11.1	-96.9	-107.7	-10.8
C. CURRENT TRANSFERS	108.2	116.0	7.8	218.0	248.5	30.5
Official	9.0	10.5	1.5	17.9	19.7	1.8
Private	99.2	105.5	6.3	200.1	228.8	28.7
2. CAPITAL & FINANCIAL ACCOUNT	68.3	64.4	-3.9	40.2	105.1	64.9
A. CAPITAL ACCOUNT	0.5	-0.7	-1.2	0.7	-1.8	-2.5
a. Capital Transfers	0.5	-0.7	-1.2	0.7	-1.8	-2.5
Official	1.2	0.1	-1.1	2.3	0.1	-2.2
Private	-0.7	-0.8	-0.1	-1.6	-1.9	-0.3
b. Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	67.8	65.1	-2.7	39.5	106.9	67.4
Other official investment	-19.7	-14.5	5.2	94.9	-26.6	-121.5
Other private investment 3/	61.5	143.7	82.2	91.6	306.4	214.8
Reserves	26.0	-64.1		-147.0	-172.9	

1/ Revised

2/ Provisional

3/ Includes errors & omissions

BANK OF JAMAICA