



News Release  
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## JAMAICA: BALANCE OF PAYMENTS<sup>1</sup> (May 2008)

- Provisional data show a deterioration in the current account deficit of Jamaica's Balance of Payments for May 2008. This was primarily due to an expansion in the merchandise trade deficit. Net private and official capital inflows 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.
- Driven primarily by higher payments for fuel and manufactured goods imports, there were increases in the merchandise trade and current account deficits for the period January to May 2008. Within the capital and financial account, net private capital inflows were more than sufficient to finance the current account deficit, as well as net official investment outflows. As a consequence, there was an increase in the NIR of the Bank of Jamaica for the period.

### May 2008

Provisional data indicate that the current account deficit widened by US\$167.9 million in May 2008, relative to the deficit in May 2007 (see Table). This deterioration was largely associated with increased spending of US\$179.0 million (130.8 per cent), US\$31.3 million (66.8 per cent) and US\$21.2 million (32.1 per cent) in the values of fuel, miscellaneous manufactured goods and chemicals imports, respectively. The higher spending on fuel-related imports was partly associated with significant increases in the price of oil on the international market.

The impact on the current account of the growth in imports was partly offset by a 6.1 per cent increase in earnings from merchandise exports, primarily reflecting an expansion of US\$16.1 million (74.0 per cent) in the value of mineral fuel exports. However, the growth in export earnings was partly offset by a decline in the value of alumina exports. This decline was associated with a 19.1 per cent fall in export volume, the consequence of a temporary delay in the shipping schedule of one company.

There was growth of US\$15.4 million in net current transfers in May 2008, which was associated with respective increases of 13.1 per cent and 4.4 per cent in remittance inflows through remittance companies and commercial banks.

Within the capital and financial account, net private and official capital inflows were more than sufficient to finance the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica increased by US\$96.4 million for the month.

### January - May 2008

The current account deficit for the period January to May 2008 widened by US\$676.2 million, relative to the comparable period in 2007. A deterioration in the merchandise trade deficit was the main source of the widening, stemming from significant increases of US\$596.3 million (86.0 per cent), US\$92.2 million (29.2 per cent) and US\$40.7 million (12.8 per cent) in the values of mineral fuels, chemicals and manufactured goods imports, respectively. The impact of the expansion in imports was partly offset by increased earnings from goods procured in ports, re-exports and major traditional exports, particularly alumina and non-traditional exports.

There was also a deterioration on the services account for the review period, driven by increased transportation costs associated with the growth in imports. An improvement on the travel sub-account, which reflected an expansion of 9.5 per cent in stopover visitor arrivals, partly offset the impact of the increased payments for transportation.

An expansion in the deficit on the income account during the period primarily emanated from increased interest payments by the government as well as a decline in investment income inflows.

Higher net current transfers in the review period reflected growth of 12.4 per cent in gross remittance inflows.

Within the capital and financial account, net private capital inflows were more than sufficient to finance the current account deficit, as well as net official investment outflows. In this context, there was an increase of US\$381.5 million in the NIR over the review period. At end-May 2008, the gross reserves of the Bank of Jamaica stood at US\$2 281.7 million.

| BALANCE OF PAYMENTS SUMMARY<br>US\$M                  |               |                        |               |                 |                              |               |
|-------------------------------------------------------|---------------|------------------------|---------------|-----------------|------------------------------|---------------|
|                                                       | May 2007      | May <sup>1/</sup> 2008 | Change        | Jan - May 2007  | Jan - May <sup>1/</sup> 2008 | Change        |
| <b>1. Current Account</b>                             | <b>-154.7</b> | <b>-322.5</b>          | <b>-167.9</b> | <b>-490.4</b>   | <b>-1 166.6</b>              | <b>-676.2</b> |
| <b>a. Goods Balance</b>                               | <b>-278.6</b> | <b>-446.9</b>          | <b>-168.3</b> | <b>-1 272.5</b> | <b>-1 935.4</b>              | <b>-662.9</b> |
| Exports (f.o.b.)                                      | 220.6         | 234.0                  | 13.4          | 995.6           | 1 087.0                      | 91.4          |
| Imports (f.o.b.)                                      | 499.2         | 680.9                  | 181.7         | 2 268.0         | 3 022.4                      | 754.4         |
| <b>b. Services Balance</b>                            | <b>13.0</b>   | <b>7.0</b>             | <b>-6.0</b>   | <b>231.0</b>    | <b>205.7</b>                 | <b>-25.3</b>  |
| Transportation                                        | -51.6         | -61.6                  | -10.0         | -199.5          | -249.4                       | -49.9         |
| Travel                                                | 113.0         | 116.4                  | 3.4           | 695.8           | 715.3                        | 19.5          |
| Other Services                                        | -48.4         | -47.8                  | 0.6           | -265.3          | -260.1                       | 5.2           |
| <b>B. Income</b>                                      | <b>-60.0</b>  | <b>-68.9</b>           | <b>-9.0</b>   | <b>-255.4</b>   | <b>-317.0</b>                | <b>-61.6</b>  |
| Compensation of employees                             | 0.5           | 1.7                    | 1.3           | -4.4            | 0.7                          | 5.1           |
| Investment Income                                     | -60.4         | -70.6                  | -10.2         | -251.0          | -317.7                       | -66.7         |
| <b>C. Current Transfers</b>                           | <b>170.9</b>  | <b>186.3</b>           | <b>15.4</b>   | <b>806.4</b>    | <b>880.0</b>                 | <b>73.6</b>   |
| Official                                              | 11.1          | 10.3                   | -0.9          | 54.9            | 54.0                         | -0.9          |
| Private                                               | 159.8         | 176.0                  | 16.2          | 751.5           | 826.0                        | 74.5          |
| <b>2. Capital &amp; Financial Account</b>             | <b>154.7</b>  | <b>322.5</b>           | <b>167.9</b>  | <b>490.4</b>    | <b>1 166.6</b>               | <b>676.2</b>  |
| <b>A. Capital Account</b>                             | <b>-2.8</b>   | <b>-0.5</b>            | <b>2.3</b>    | <b>-15.3</b>    | <b>17.6</b>                  | <b>32.9</b>   |
| <b>a. Capital Transfers</b>                           | <b>-2.8</b>   | <b>-0.5</b>            | <b>2.3</b>    | <b>-15.3</b>    | <b>17.6</b>                  | <b>32.9</b>   |
| Official                                              | 0.1           | 0.0                    | -0.1          | 0.3             | 29.5                         | 29.2          |
| Private                                               | -2.9          | -0.5                   | 2.4           | -15.6           | -11.9                        | 3.7           |
| <b>b. Acq./disp. of non-produced non-fin'l assets</b> | <b>0.0</b>    | <b>0.0</b>             | <b>0.0</b>    | <b>0.0</b>      | <b>0.0</b>                   | <b>0.0</b>    |
| <b>B. Financial Account</b>                           | <b>157.5</b>  | <b>323.1</b>           | <b>165.6</b>  | <b>505.7</b>    | <b>1 149.1</b>               | <b>643.3</b>  |
| Other Official Investment                             | 7.8           | 1.8                    | -6.0          | 211.6           | -11.8                        | -223.4        |
| Other Private Investment <sup>2/</sup>                | 109.5         | 417.6                  | 308.2         | 228.8           | 1 542.3                      | 1 313.5       |
| Reserves                                              | 40.1          | -96.4                  | -136.5        | 65.3            | -381.5                       | -446.8        |

<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)