

News Release
21 November 2005

JAMAICA:
BALANCE OF PAYMENTS DEVELOPMENTS
July 2005

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The deficit on the current account of the Balance of Payments narrowed by US\$30.3MN to US\$23.0 million in July 2005, relative to July 2004. This improvement was attributed to respective expansions of US\$14.5MN and US\$13.5MN in the surpluses on the current transfers and services accounts, which was complemented by a decline of US\$19.8MN in the merchandise trade deficit. These changes were partly offset by an increase of US\$17.5MN in the deficit on the income account. Within the financial account, net official investment inflows were insufficient to finance net private investment outflows as well as the deficits on the current and capital accounts. In this context, there was draw down of US\$7.6MN in the net international reserves of the Bank of Jamaica for the month.

Merchandise Trade

A decline of US\$29.6MN in the value of imports, partly offset by reduced earnings of US\$9.8MN in exports, accounted for the fall in the merchandise trade deficit for the review month. The reduction in imports mainly reflected respective contractions of US\$15.3MN, US\$10.3MN, US\$8.7MN and US\$8.1MN in payments for chemicals, machinery & transport equipment, free zone and fuel imports. The contraction in the value of these imports were partly countered by expansions of US\$7.5MN, US\$3.9MN, US\$2.2MN and US\$1.5MN in spending on manufactured goods, crude materials, food and beverages & tobacco, respectively. For exports, earnings from free zone exports and other traditional exports declined by US\$12.0MN and US\$3.4MN, respectively. There were, however, partial offsetting increases of US\$4.8MN and US\$2.2MN in major traditional and other traditional exports, respectively.

Services

An increase of US\$8.6MN in net receipts on the travel sub-account, complemented by respective reductions of US\$2.5MN and US\$2.4MN in the deficits on the transportation and other services sub-accounts, were responsible for the growth in the surplus on the

services account. For the travel sub-account, gross inflows grew by US\$1.4MN, largely influenced by an increase of 4.7 per cent in the average length of stay of stop over visitor arrivals to the Island. This growth in inflows was complemented by a fall of US\$7.2 million in the estimated expenditure of Jamaicans travelling abroad.

Income

The expansion in the deficit on the income account stemmed mainly from an increase of US\$14.3MN in net investment income outflows. These outflows primarily reflected higher interest payments on Government of Jamaica's external debt, which was partly offset by a reduction in imputed profit remittances of the direct investment companies.

Current Transfers

An increase of US\$15.3MN in net inflows to the private sector influenced the improvement in the current transfers account in July 2005. Commercial banks and remittance companies recorded respective increases of US\$12.8MN and US\$9.9MN in gross inflows for the month, relative to July 2004. Inflows through building societies, however, fell by US\$7.7MN.

Capital & Financial Accounts

A deficit of US\$1.3MN was recorded on the capital account for the review month, while the financial account registered a US\$24.3MN surplus. Within the financial account, net official investment inflows of US\$61.8MN were insufficient to finance the private investment outflow of US\$45.1MN as well as the deficits on the capital and current accounts. Consequently, there was a draw down of US\$7.6MN in the net international reserves of the Bank of Jamaica during the review month.

April to July 2005

For the fiscal period April to July 2005, the current account deficit widened by US\$95.7MN, relative to the corresponding period of 2004. This deterioration reflected respective increases of US\$134.7MN and US\$33.6MN in the deficits on the goods and income accounts, which were partly offset by expansions of US\$47.6MN and US\$25.0MN in net receipts from current transfers and services, respectively. Within the financial account, net private and net official investment inflows were more than enough

to offset the deficits on the capital and current accounts. In this context, there was a build up of US\$247.6MN in the net international reserves during the review period.

Merchandise Trade

An expansion of US\$114.1 MN in spending on imports (f.o.b.), supported by a decline of US\$20.6MN 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 categories, with the exception of free zone related purchases, miscellaneous commodities and animal and vegetable oils & fats. The lower earnings from exports primarily reflected a contraction of US\$17.3MN in receipts from free zone exports, partly countered by higher receipts from alumina exports. The growth in the value of alumina exports reflected increases of 6.3 per cent and 3.8 per cent in volume and price, respectively.

Services

The increase in the surplus on the services account reflected growth of US\$37.1MN in the surplus on the travel sub-account, as well as a US\$6.7MN decline in the deficit on the other services sub-account. These improvements were partly offset by an increase of US\$18.8MN in net transportation payments, associated with the growth in imports. The improved performance on the travel sub-account reflected growth of US\$14.3M in gross inflows, complemented by a decline of US\$22.8MN in gross outflows. With respect to gross travel inflows, an increase of 4.2 per cent in the average expenditure per person per day for stopover visitors was recorded, which offset the impact of reductions in stopover and cruise passenger arrivals. The fall in the outflows was associated with a reduction in Jamaican expenditure while travelling abroad.

Income

Expansions in Government interest payments on external debt and, to a lesser extent, imputed profit remittances of the direct investment companies were the main factors influencing the growth of US\$29.1MN in net investment income outflows for the review period.

Current Transfers

Growth of US\$46.6MN 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\$62.5MN in gross inflows, which was partially offset by an increase of US\$15.9MN in outflows. Respective increases of US\$44.4MN and US\$19.9MN in inflows through remittance companies and commercial banks largely accounted for the growth in gross inflows as inflows through building societies fell by US\$10.9MN.

Capital & Financial Accounts

A surplus of US\$210.1MN was recorded on the financial account for the review period, while the capital account registered a deficit of US\$4.1MN. Within the financial account, net private and official investment flows of US\$393.7 MN and US\$64.0MN, respectively, were recorded. These flows were more than sufficient to finance the deficits on the current and capital accounts. Consequently, there was a build up of US\$247.6MN in the net international reserves of the Bank of Jamaica. At the end of July, the gross reserves stood at US\$2 171.8MN, representing 26.3 weeks of imports and 18.6 weeks of imported goods and services.

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

BALANCE OF PAYMENTS SUMMARY

US\$MN

	Jul 2004	Jul 2005	Change	Apr-Jul 2004/05	Apr-Jul 2005/06	Change
1. CURRENT ACCOUNT	-53.3	-23.0	30.3	-110.3	-206.0	-95.7
A. GOODS and SERVICES	-114.0	-80.7	33.3	-347.9	-457.6	-109.7
a. GOODS BALANCE	-195.2	-175.4	19.8	-589.2	-723.9	-134.7
Exports (f.o.b.)	134.5	124.7	-9.8	567.2	546.6	-20.6
Imports (f.o.b.)	329.7	300.1	-29.6	1156.4	1270.5	114.1
b. SERVICES BALANCE	81.2	94.7	13.5	241.3	266.3	25.0
Transportation	-13.6	-11.1	2.5	-42.7	-61.5	-18.8
Travel	139.2	147.8	8.6	436.9	474.0	37.1
Other Services	-44.4	-42.0	2.4	-152.9	-146.2	6.7
B. INCOME	-50.5	-68.0	-17.5	-203.5	-237.1	-33.6
Compensation of employees	11.6	8.4	-3.2	22.7	18.2	-4.5
Investment Income	-62.1	-76.4	-14.3	-226.2	-255.3	-29.1
C. CURRENT TRANSFERS	111.2	125.7	14.5	441.1	488.7	47.6
Official	10.6	9.8	-0.8	37.6	38.6	1.0
Private	100.6	115.9	15.3	403.5	450.1	46.6
2. CAPITAL & FINANCIAL ACCOUNT	53.3	23.0	-30.3	110.3	206.0	95.7
A. CAPITAL ACCOUNT	0.4	-1.3	-1.7	1.2	-4.1	-5.3
a. Capital Transfers	0.4	-1.3	-1.7	1.2	-4.1	-5.3
Official	1.2	0.0	-1.2	4.7	0.2	-4.5
Private	-0.8	-1.3	-0.5	-3.5	-4.3	-0.8
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	52.9	24.3	-28.6	109.1	210.1	101.0
Other official investment	250.5	61.8	-188.7	324.4	64.0	-260.4
Other private investment 1/	-207.0	-45.1	161.9	-189.3	393.7	583.0
Reserves	9.4	7.6		-26.0	-247.6	

1/ Includes errors & omissions

BANK OF JAMAICA

11-Nov-05