

Jamaica Balance of Payments¹
June 2011

- *Provisional data for June 2011 show that there was deterioration in the current account deficit of Jamaica's Balance of Payments, compared to the deficit in June 2010. All the sub-accounts contributed to the deterioration. Net capital inflows from private and official sources were insufficient to finance the current account deficit. In this context, the net international reserves (NIR) declined for the review month.*
- *For the period January to June 2011, the deficit on the current account widened, reflecting a worsening in the balances on all the sub-accounts, with the exception of the current transfers sub-account. Net private and official capital inflows were, however, more than sufficient to finance the deficits on the current and capital accounts. As a result, there was an increase in the NIR of the Bank of Jamaica for the period.*

June 2011

Provisional data indicate that the current account deficit expanded by US\$119.7 million in June 2011, relative to the deficit in June 2010 (see Table). This deterioration reflected a worsening of all the sub-accounts, in particular the goods balance. The widening of the deficit on the goods sub-account reflected strong growth in imports associated with a 118.1 per cent (US\$111.0 million) increase in payments for fuel. Given a 27.7 per cent increase in the average price of oil, this implies that the volume of fuel imported expanded significantly during the month. The impact of the growth in imports was partly countered by an increase of US\$13.6 million in earnings from alumina, due to both an increase in price and export volume for the month.

There was a marginal decline in the surplus on the current transfers sub-account, associated with a US\$26.1 million reduction in official grant inflows. Gross private remittance inflows, however, grew by US\$8.7 million or 5.0 per cent. With regard to the income sub-account, an increase of US\$14.0 million in the deficit was attributed to higher interest payments on external debt by the government.

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

With regard to financing, net private and official capital inflows were insufficient to offset the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica declined by US\$67.3 million for the month.

January – June 2011

The current account recorded a deficit of US\$805.4 million for the period January to June 2011, a deterioration of US\$543.8 million, relative to the corresponding period in 2010. This deterioration mainly reflected a widening in the deficit on the goods sub-account which stemmed from growth in all categories of imports, with the exception of miscellaneous manufactured goods, miscellaneous commodities and freezone imports. In particular, mineral fuel imports expanded by US\$442.8 million (56.2 per cent) in the context of a 25.5 per cent increase in the average price of oil for the period. There were also increases of US\$95.6 million (33.9 per cent) and US\$66.0 million (18.1 per cent) in spending on chemicals and machinery & transport equipment, respectively. Partly offsetting the impact of the expansion in imports on the goods balance were respective increases of US\$123.6 million (72.9 per cent), US\$18.1 million (26.4 per cent) and US\$13.8 million (37.7 per cent) in earnings from alumina, goods procured in ports and sugar exports.

There was also a decline in the surplus on the services sub-account for the review period, principally reflecting a 17.5 per cent (US\$60.0 million) increase in freight charges related to the higher level of imports. The impact of this was partly offset by a US\$21.0 million expansion in travel receipts, associated with respective increases of 14.5 per cent and 3.5 per cent in cruise and stopover visitor arrivals. Higher imputed profit remittances by foreign direct investment companies influenced the widening of the deficit on the income sub-account. The surplus on the current transfers sub-account expanded by US\$31.5 million, mainly reflecting growth of 6.4 per cent in gross private remittance inflows.

With regard to financing, net private capital inflows in conjunction with net official capital inflows were more than sufficient to offset the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica increased by US\$95.7 million for the review period. The Bank's gross reserves at end-June 2011 amounted to US\$3 156.7 million, representing 22.1 weeks of projected goods and services imports.

BALANCE OF PAYMENTS SUMMARY

US\$MN

	1/			1/		
	June	June	Change	Jan-June	Jan-June	Change
	2010	2011		2010	2011	
1. CURRENT ACCOUNT	-98.0	-217.6	-119.7	-261.6	-805.4	-543.8
a. GOODS BALANCE	-285.0	-371.8	-86.7	-1498.3	-1953.3	-455.0
Exports (f.o.b.)	118.3	132.3	14.0	687.9	862.3	174.5
Imports (f.o.b.)	403.3	504.0	100.7	2186.1	2815.6	629.5
b. SERVICES BALANCE	64.1	62.3	-1.8	505.1	482.9	-22.3
Transportation	-44.3	-46.1	-1.7	-187.3	-231.6	-44.4
Travel	156.2	157.2	1.0	988.1	1017.4	29.4
Other Services	-47.8	-48.8	-1.1	-295.7	-302.9	-7.3
B. INCOME	-66.5	-80.5	-14.0	-247.4	-345.4	-98.0
Compensation of employees	4.9	4.6	-0.4	12.5	9.9	-2.5
Investment Income	-71.4	-85.1	-13.7	-259.9	-355.3	-95.5
C. CURRENT TRANSFERS	189.4	172.4	-17.1	979.0	1010.4	31.5
Official	40.3	14.1	-26.1	87.8	70.7	-17.1
Private	149.2	158.2	9.1	891.2	939.8	48.6
2. CAPITAL & FINANCIAL ACCOUNT	98.0	217.6	119.7	261.6	805.4	543.8
A. CAPITAL ACCOUNT	-2.2	-2.2	0.0	-10.1	-11.5	-1.3
a. Capital Transfers	-2.2	-2.2	0.0	-10.1	-11.5	-1.3
Official	0.0	0.0	0.0	4.0	2.7	-1.3
Private	-2.2	-2.2	0.0	-14.2	-14.2	0.0
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	100.2	219.9	119.7	271.7	816.9	545.2
Other official investment	-11.8	52.7	64.6	530.8	125.6	-405.2
Other private investment 2/	232.2	99.9	-132.3	-192.7	787.0	979.7
Reserves	-120.1	67.3		-66.4	-95.7	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA