



News Release

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JAMAICA: BALANCE OF PAYMENTS DEVELOPMENTS September 2005

September 2005

The current account deficit of the Balance of Payments improved by US\$4.9MN to US\$70.4 million in September 2005, relative to September 2004. This improvement reflected respective expansions of US\$28.5MN and US\$7.7MN in the surplus on the services and current transfers accounts. These changes were partly offset by increases of US\$22.3MN and US\$9.0 MN in the deficits on the merchandise trade and income accounts, respectively. Within the financial account, net private investment inflows were sufficient to finance net official investment outflows, as well as the deficits on the current and capital accounts. In this context, there was build up of US\$1.5MN in the net international reserves of the Bank of Jamaica for the month.

Merchandise Trade

An increase of US\$74.9MN in the value of imports, partly countered by a US\$52.6MN growth in earnings from exports, accounted for the expansion in the merchandise trade deficit for the review month. The increase in imports mainly reflected respective expansions of US\$22.7MN, US\$19.6MN, and US\$15.8MN in payments for fuel, chemicals, and manufactured goods. The higher value of fuel imports was primarily influenced by increases in the price of crude oil on the international market. With the exception of freezone exports, all export categories registered higher earnings within the month. In particular, earnings from major-traditional exports expanded by US\$43.7MN, due primarily to an increase of US\$43.3MN in earnings from alumina exports. The increase in the value of alumina exports stemmed from a 124.2 per cent expansion in export volume, relative to the same period in 2004. Production and export activities in the sector had been affected by weather related disruptions in September 2004.

Services

The expansion in the services balance for the review month was attributed to an increase of US\$39.0MN in the surplus on the travel sub-account. The impact of this expansion was, however, partly countered by respective increases of US\$6.6MN and US\$3.9MN in the deficits on the transportation and other services sub-accounts. The travel sub-account benefited from an increase of US\$42.2MN in gross visitor expenditure, largely reflecting a normalisation in the estimated average daily expenditure of stopover tourists for the month, relative to September 2004.

Income

The expansion in the deficit on the income account stemmed mainly from an increase of US\$12.1MN in net investment income outflows. These outflows primarily reflected higher imputed profit remittances by the direct investment companies.

Current Transfers

An increase of US\$20.8MN in net inflows to the private sector was responsible for the improvement in the current transfers account in September 2005 relative to September 2004. In this context, gross inflows through commercial banks and remittance companies recorded respective increases of US\$16.5MN and US\$11.2MN for the month, relative to the comparable period of 2004.

Capital & Financial Accounts

A deficit of US\$0.9MN was recorded on the capital account for the review month, while the financial account registered a surplus of US\$71.3MN. Within the financial account, net private investment inflows of US\$100.8MN were more than sufficient to finance the net official investment outflows of US\$28.0MN, as well as the deficits on the capital and current accounts. Consequently, there was a build up of US\$1.5MN in the net international reserves of the Bank of Jamaica during the month.

April to September 2005

For the period April to September 2005, the current account deficit expanded by US\$195.5MN to US\$479.3MN, relative to the corresponding period of 2004. This deterioration reflected respective increases of US\$294.8MN and US\$25.8MN in the

deficits on the goods and income accounts, which were partly offset by expansions of US\$86.6MN and US\$38.5MN in net receipts from current transfers and services, respectively. Within the financial account, net private and 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\$217.4MN in the net international reserves during the review period.

Merchandise Trade

A significant increase of US\$360.3MN in imports accounted for the expansion in the merchandise trade deficit for the review period. This was, however, partly offset by growth of US\$65.5MN in exports. The growth in the value of imports reflected increased expenditure on all the categories, with the exception of free zone related purchases, and spending on imported animal and vegetable oils & fats. The rise in earnings from exports was primarily attributed to expansions of US\$76.0MN and US\$31.6MN in receipts from major traditional and non-traditional exports. The impact of these expansions was partly countered by a decline of US\$36.1MN in receipts from free zone exports. The growth in the earnings from major traditional exports was primarily attributed to respective increases of 15.8 per cent and 7.3 per cent in the volume and price of alumina exported during the review period.

Services

The increase in the surplus on the services account reflected growth of US\$74.3MN in the surplus on the travel sub-account, as well as a US\$5.7MN decline in the deficit on the other services sub-account. These improvements were partly offset by an increase of US\$41.5MN in net transportation payments, associated with the growth in imports. The improved performance on the travel sub-account reflected growth of US\$52.1M in gross inflows, complemented by a decline of US\$22.2MN in gross outflows. With respect to gross travel inflows, an increase of 13.8 per cent in the average expenditure per person per day for stopover visitors was recorded, which offset the impact of a 0.6 reduction in total passenger arrivals during the review period. The fall in the travel outflows was associated with a reduction in Jamaican expenditure while travelling abroad.

Income

Expansions in imputed profit remittances of the direct investment companies and Government interest payments on external debt were the main factors influencing the growth of US\$25.8.0MN in net investment income outflows for the review period.

Current Transfers

The improved surplus on the current transfers account was primarily influenced by an increase of US\$98.6MN in net private inflows. This improvement stemmed from an expansion of US\$123.0MN in gross inflows, which was partially offset by an increase of US\$24.4MN in gross outflows. Respective increases of US\$71.0MN and US\$56.7MN in inflows through remittance companies and commercial banks largely accounted for the growth in gross inflows. Inflows through building societies however fell by US\$10.3MN during the review period.

Capital & Financial Accounts

The capital account registered a deficit of US\$5.9MN, while a surplus of US\$485.2MN was recorded on the financial account for the review period. Within the financial account, net private and official investment flows of US\$557.3MN and US\$145.3MN, 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\$217.4MN in the net international reserves of the Bank of Jamaica. At the end of September, the gross reserves stood at US\$2 143.0MN, representing 28.3 weeks of imports and 19.8 weeks of imported goods and services.

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

BALANCE OF PAYMENTS SUMMARY

US\$MN

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	Sep	Sep		Apr- Sep	Apr- Sep	
	2004	2005	Change	2004/05	2005/06	Change
1. CURRENT ACCOUNT	-75.3	-70.4	4.9	-283.8	-479.3	-195.5
A. GOODS and SERVICES	-181.1	-174.9	6.2	-664.3	-920.6	-256.3
a. GOODS BALANCE	-158.5	-180.8	-22.3	-925.1	-1219.9	-294.8
Exports (f.o.b.)	89.2	141.8	52.6	787.3	852.8	65.5
Imports (f.o.b.)	247.7	322.6	74.9	1712.4	2072.7	360.3
b. SERVICES BALANCE	-22.6	5.9	28.5	260.8	299.3	38.5
Transportation	-18.7	-25.3	-6.6	-77.7	-119.2	-41.5
Travel	17.2	56.2	39.0	549.9	624.2	74.3
Other Services	-21.1	-25.0	-3.9	-211.4	-205.7	5.7
B. INCOME	-17.0	-26.0	-9.0	-284.5	-310.3	-25.8
Compensation of employees	10.1	13.2	3.1	43.1	43.4	0.3
Investment Income	-27.1	-39.2	-12.1	-327.6	-353.7	-26.1
C. CURRENT TRANSFERS	122.8	130.5	7.7	665.0	751.6	86.6
Official	21.2	8.1	-13.1	67.8	55.8	-12.0
Private	101.6	122.4	20.8	597.2	695.8	98.6
2. CAPITAL & FINANCIAL ACCOUNT	75.3	70.4	-4.9	283.8	479.3	195.5
A. CAPITAL ACCOUNT	-0.2	-0.9	-0.7	1.0	-5.9	-6.9
a. Capital Transfers	-0.2	-0.9	-0.7	1.0	-5.9	-6.9
Official	1.1	0.0	-1.1	6.9	0.2	-6.7
Private	-1.3	-0.9	0.4	-5.9	-6.1	-0.2
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	75.5	71.3	-4.2	282.8	485.2	202.4
Other official investment	-23.0	-28.0	-5.0	106.8	145.3	38.5
Other private investment 2/	71.6	100.8	29.2	223.9	557.3	333.4
Reserves	26.9	-1.5		-47.9	-217.4	

1/ Provisional

2/ Includes errors & omissions