



# BALANCE OF PAYMENTS OF JAMAICA 2008



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Five years BOP Series Based on the Fifth Edition

## **PREFACE**

*This report summarises the economic transactions between Jamaican residents and the rest of the world during 2008. It highlights the major macroeconomic developments in the global and domestic economy that affected the BOP during the review period. The presentation of the BOP accounts for 2008 conforms to the guidelines of the Fifth Manual published by the International Monetary Fund.*

*We are grateful to the members of the private sector for their cooperation in supplying data, responding to questionnaires and granting interviews, without which compilation of the accounts would be weakened. The Bank of Jamaica remains committed to its mandate of serving the Jamaican economy by, inter alia, the timely provision of economic information. We trust that this publication will continue to inform and educate. Comments are welcome at [www.boj.org.jm](http://www.boj.org.jm).*

## OVERVIEW

The performance of Jamaica's balance of payments was significantly influenced by developments in the global economy in 2008, particularly in respect of increased international commodity prices. This increase was mainly evident for fuel and food, which surged to record highs in the first half of 2008. The continued attractiveness of oil as an investment led to an increase in prices in the first half of the year while higher food prices reflected supply concerns. A worsening of global economic conditions in the second half of the year, however, influenced a reduction in prices.

In terms of world output, growth decelerated in 2008 to 3.1 per cent from 5.1 per cent in 2007. This was driven by a slowdown in economic activity among the advanced and developing economies. The performance of these economies was affected by the sub-prime mortgage crisis in the US, which triggered deterioration in the real economy of the US, which quickly extended to most other economies.

Consistent with the increase in commodity price inflation, headline inflation accelerated among both developed and developing economies in 2008. For the developing countries, the robust growth in commodity prices in the first half of the year also contributed to an increase in aggregate demand in some countries, leading to the acceleration in prices.

For the Jamaican economy, there was a 0.9 per cent contraction in GDP in 2008, relative to an expansion of 1.5 per cent in 2007. The economy declined in the context of adverse weather conditions and a slowdown in external and domestic demand arising from the impact of the global financial crisis. Output from all goods producing sectors contracted with the *Construction and Agriculture, Forestry & Fishing* sectors being the most severely impacted.

The maintenance of domestic price stability continued to be a major challenge for Jamaica in 2008. The inflation rate for the year was influenced by sharp increases in international grain and crude oil prices over in the first half of the year as well as adverse weather conditions and adjustments in administered prices, such as the National Minimum Wage, water rates, bus and taxi fares and motor vehicle licence fees.

Consistent with the growth in global commodity prices, the current account deficit widened by US\$755.8 million to US\$2 793.9 million (20.0 per cent of GDP) in 2008 (see **Figure 2 and Table 11**). The deterioration of the external accounts was influenced primarily by an expansion of US\$961.6 million in the deficit on the goods account. All other sub-accounts improved. Within the financial account, net private and official investment inflows were insufficient to finance the deficits on the current account, resulting in a decline of US\$104.8 million in the NIR of the BOJ.

## **PART I**

### **INTERNATIONAL ECONOMIC DEVELOPMENTS**

#### **1. OVERVIEW**

Growth in world output slowed to 3.1 per cent in 2008 from 5.1 per cent in 2007, reflecting a slowdown in both the advanced and developing economies. The weak performance of these economies originated in sub-prime mortgage crisis, which extended to global financial markets. In the advanced economies, economic growth decelerated by 2.1 percentage points to 0.9 per cent, while for the developing countries, growth declined by 2.3 percentage points to 6.1 per cent.

Headline inflation accelerated among the advanced economies in 2008, principally reflecting the effects of increases in commodity prices during the first half of the year. For the developing countries, the robust growth in commodity prices also contributed to an increase in aggregate demand in some countries, leading to an acceleration in prices.

Commodity prices rose by an average of 27.5 per cent in 2008, 15.7 percentage points above the rate of growth recorded in 2007. The acceleration in the rate of growth of commodity prices was due to significant increases in energy prices, which were partly offset by decelerations in the growth rate of non-energy prices. The average price of crude oil rose by 36.4 per cent in 2008, relative to an increase of 10.4 per cent in 2007, and primarily reflected increased demand for oil as an investment in light of worsening financial conditions. For non-fuel commodities, metal prices declined by 8.0 per cent relative to growth of 17.4 per cent in 2007. The decline in metal prices reflected falling demand as a result of the slowdown in global housing and automotive sectors. The effect of these declines was partly offset by an increase of 23.4 per cent in average price of food. The movement in food prices reflected significant increases in the price of grains associated with increased supply concerns.

With the exception of the British Pound, the currencies of selected industrialised economies continued to appreciate against the US dollar in 2008.<sup>1</sup> The value of a select basket of

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<sup>1</sup> The Canadian Dollar, Japanese Yen, Pound Sterling and the Euro.

currencies increased during the year by an average of 3.5 per cent, relative to the US dollar. This followed an appreciation of approximately 5.8 per cent in 2007. The strengthening of these currencies primarily reflected a widening of interest rate differentials as a result of monetary loosening by the Federal Reserve.

Trade negotiations in 2008 were highlighted by the formal agreement between CARIFORUM (CARICOM members and the Dominican Republic) and the European Union (EU) to form an Economic Partnership Agreement (EPA). The EPA guarantees duty-free, quota-free access for CARIFORUM exports to European markets with the exception of rice and sugar. The EU also granted market access for more than 90.0 per cent of its service sectors. In return, CARIFORUM countries will liberalize 87.0 per cent of the goods imported from the EU and up to 75.0 per cent of its service sectors.

## **1.1 OUTPUT, INFLATION & UNEMPLOYMENT**

### **1.1.1 Advanced Economies**

#### **Output**

Real GDP growth among the advanced economies slowed to 0.8 per cent in 2008, relative to 2.7 per cent in 2007 (see **Table 1**). The deceleration in growth was reflected in all the advanced economies.

TABLE 1

| <b>ADVANCED ECONOMIES</b>  |                           |             |                         |             |                           |             |                             |             |
|--|---------------------------|-------------|-------------------------|-------------|---------------------------|-------------|-----------------------------|-------------|
| <b>Real GDP, Consumer Prices, Unemployment Rates, Interest Rates</b> |                           |             |                         |             |                           |             |                             |             |
| <b>(Annual per cent change and per cent of labour force)</b>         |                           |             |                         |             |                           |             |                             |             |
|  | <b>REAL GDP</b>           |             | <b>CONSUMER PRICES*</b> |             | <b>UNEMPLOYMENT RATES</b> |             | <b>KEY INTEREST RATES**</b> |             |
|  | <b>2007</b>               | <b>2008</b> | <b>2007</b>             | <b>2008</b> | <b>2007</b>               | <b>2008</b> | <b>2007</b>                 | <b>2008</b> |
|  | <b>ADVANCED ECONOMIES</b> | <b>2.7</b>  | <b>0.8</b>              | <b>2.2</b>  | <b>3.4</b>                | <b>5.4</b>  | <b>5.8</b>                  | <b>3.7</b>  |
| United States  | 2.1                       | 0.4         | 2.9                     | 3.8         | 4.6                       | 5.8         | 4.3                         | 0.3         |
| Japan  | 2.1                       | -0.7        | 0.0                     | 1.4         | 3.9                       | 4.0         | 5.5                         | 0.3         |
| Euro area  | 2.7                       | 0.8         | 2.1                     | 3.3         | 7.4                       | 7.6         | 4.0                         | 2.5         |
| Germany  | 2.5                       | 1.3         | 2.3                     | 2.8         | 8.4                       | 7.3         |                             |             |
| France   | 1.9                       | 0.3         | 1.6                     | 3.2         | 8.3                       | 7.8         |                             |             |
| UK   | 2.6                       | 0.7         | 2.3                     | 3.6         | 5.4                       | 5.5         | 4.3                         | 2.0         |
| Canada   | 2.5                       | 0.4         | 2.1                     | 2.4         | 6.0                       | 6.2         | 0.5                         | 1.5         |

Source: World Economic Outlook - April 2009, Statistics Offices of individual countries

\*Annual Average; \*\*End of period

Economic growth in the US fell by 1.7 percentage point to 0.4 per cent in 2008, relative to the growth in 2007. This reflected a deceleration in the growth in consumption spending as well as declines in residential investment spending and net exports. The slowdown in spending primarily reflected the effects of tightened credit conditions in that country in the latter half of the year, the result of the sub-prime crisis in the housing market. This problem in the financial markets contributed to significant declines in stock markets. For example, the Dow Jones Industrial Average fell by 33.8 per cent when compared to the previous year.

The effects of the US financial crisis quickly spread to the other advanced economies. The economies of the UK and the EU grew by 0.7 per cent and 0.8 per cent, respectively, in 2008, relative to respective growth rates of 2.6 per cent and 2.7 per cent in 2007. The economy of Japan contracted by 0.7 per cent in 2008 compared to growth of 2.1 per cent in 2007. The slowdown in the Japanese economy was primarily due to a decline in exports resulting from falling external demand as well as a reduction in domestic consumption spending. In Europe, fears about increasing losses on US related assets at major European banks caused financial markets to freeze. This resulted in a number of banks failing while others required state



assistance. Consequently, European business investments fell considerably. In Canada, sharp declines in the price of crude oil in the latter half of the year contributed to a deceleration in growth to 0.5 per cent, relative to 2.7 per cent in 2007.

### ***Inflation***

Inflation among the advanced economies, as measured by the annual average increase in consumer price indices (CPIs), accelerated to 3.4 per cent in 2008 from 2.2 per cent in 2007 (see **Table 1**). All selected economies experienced increased rates of inflation.

Higher consumer price inflation across all economies in 2008 reflected acceleration in the rate of increase in food and energy-related prices. However, the majority of these increases were limited to the first half of the year, as all commodity prices declined in the last half of the year due to falling demand.

### ***Unemployment***

In the context of slowing growth among the advanced economies, the average unemployment rate increased by 0.4 percentage point to 5.8 per cent in 2008, relative to 2007. Only the economies of Germany and France had a reduction in unemployment as manufacturers of cars and industrial equipment continued to hire staff to satisfy outstanding orders (see **Table 1**).

### ***Interest Rate and Exchange Rate Developments***

All the major central banks reduced their key policy interest rates during the year. Although high inflation led some central banks to raise target interest rates in the early part of the year, the impact of the international financial crisis prompted governments to loosen monetary policy and launch fiscal stimulus packages. The US Federal Reserve reduced its target interest rate by 4.0 percentage points to 0.25 per cent. The Bank of Japan had the smallest rate cut of 0.2 percentage point, to 0.3 per cent in 2008. In October, the Federal Reserve, the European Central Bank, the Bank of England and several other central banks executed a coordinated interest rate cut.

The US dollar depreciated against the Euro, the Canadian dollar and the Japanese Yen, but strengthened against the Great Britain Pound. In particular, the Japanese Yen appreciated by 11.1 per cent vis-à-vis the US dollar, reflecting the unwinding of carry trade positions.<sup>2</sup> The Euro also appreciated against the US dollar by 5.8 per cent as a result of the widening of the US/Euro interest rate differential (see **Table 2**).

**TABLE 2**

| <b>US Dollar Nominal Exchange Rates</b><br>(US Dollars per unit of national currency) |             |             |                 |
|---|-------------|-------------|-----------------|
|   | <u>2007</u> | <u>2008</u> | <u>% change</u> |
| Canadian Dollar   | 0.93        | 0.94        | 1.1             |
| Japanese Yen  | 0.009       | 0.01        | 11.1            |
| Pound Sterling  | 2.00        | 1.85        | -7.5            |
| Euro  | 1.39        | 1.47        | 5.8             |

## 1.2 Developing Countries

### Output

Economic growth among the developing economies decelerated by 2.2 percentage points to 6.1 per cent in 2008, relative to 2007 (see **Table 3**). Although all the regional groups recorded a deceleration, growth rates were relatively strong when compared to the advanced economies.

**TABLE 3**

| <b>DEVELOPING COUNTRIES: REGIONAL GROUPS</b>              |                 |             |             |                        |             |             |
|---|-----------------|-------------|-------------|------------------------|-------------|-------------|
| <b>Real GDP, Consumer Prices (Annual per cent change)</b> |                 |             |             |                        |             |             |
|   | <b>REAL GDP</b> |             |             | <b>CONSUMER PRICES</b> |             |             |
|   | <u>2006</u>     | <u>2007</u> | <u>2008</u> | <u>2006</u>            | <u>2007</u> | <u>2008</u> |
| <b>DEVELOPING COUNTRIES</b>                               | <b>8.0</b>      | <b>8.3</b>  | <b>6.1</b>  | <b>5.4</b>             | <b>6.4</b>  | <b>9.3</b>  |
| Africa  | 6.1             | 6.2         | 5.2         | 6.3                    | 6.3         | 10.1        |
| Asia  | 9.8             | 10.6        | 7.7         | 4.2                    | 5.4         | 7.4         |
| Middle East   | 5.7             | 6.3         | 5.9         | 7.0                    | 10.5        | 15.6        |
| Western Hemisphere  | 5.7             | 5.7         | 4.2         | 5.3                    | 5.4         | 7.9         |

Source: *World Economic Outlook - April 2009*

<sup>2</sup> Carry trade is a strategy in which an investor borrows a certain currency associated with a relatively low interest rate and uses the funds to purchase a different currency associated with a higher interest rate.

Although Asia was not heavily exposed to the US sub-prime mortgage problem, the impact of the global crisis severely affected the economies of the region. Newly industrialized economies such as South Korea, Singapore and Taiwan suffered significant declines in growth rates in 2008, ranging from 2.9 to 6.7 percentage points. The decline in growth in the Asian economies was primarily as a result of declines in demand for capital goods in the advanced economies. China and India, however, experienced a smaller deceleration in economic growth than other countries in the region, due to policy measures put in place to support domestic economic activity.

The growth in economic activity in the Middle East fell marginally by 0.4 percentage point to 5.9 per cent during 2008 (see **Table 3**). Although the economies benefited from record high oil prices during the first half of the year, growth decelerated as oil prices fell in the fourth quarter of 2008. The difficulties faced by the region were compounded by the worsening of external financial conditions and the reversal of capital flows. There were also reduced remittances and tourism revenues.

In Africa, GDP growth decelerated by 1.0 percentage point in 2008, relative to 2007 (see Table 6). This decline in growth was as a result of deteriorating external demand brought on by the global economic crisis. There was reduced demand for African goods exports, particularly oil, and declines in worker remittances. The tightening international credit conditions also weakened the flow of foreign direct investments to the region.

**TABLE 4**

| <b>Selected Developing Countries<br/>Real GDP &amp; Consumer Prices<br/>(Annual Per cent Change)</b>  |             |            |                  |             |
|---|-------------|------------|------------------|-------------|
| Country   | GDP         |            | Inflation Rate** |             |
|   | 2007        | 2008*      | 2007             | 2007*       |
| <b>Developing Countries</b>   | <b>8.3</b>  | <b>6.1</b> | <b>6.4</b>       | <b>9.3</b>  |
| <b>Western Hemisphere</b>   | <b>5.7</b>  | <b>4.2</b> | <b>5.4</b>       | <b>7.9</b>  |
| Argentina   | 8.7         | 7.0        | 8.8              | 8.6         |
| Brazil  | 5.7         | 5.1        | 3.6              | 5.7         |
| Chile   | 4.7         | 3.2        | 4.4              | 8.7         |
| Colombia  | 7.5         | 2.5        | 5.5              | 7.0         |
| Peru  | 8.9         | 9.8        | 1.8              | 5.8         |
| Ecuador   | 2.5         | 5.3        | 2.3              | 8.4         |
| Mexico  | 3.3         | 1.3        | 4.0              | 5.1         |
| Uruguay   | 7.6         | 8.9        | 8.1              | 7.9         |
| Venezuela   | 8.4         | 4.8        | 18.7             | 30.4        |
| <b>Caribbean***</b>   | <b>5.8</b>  | <b>3.0</b> | <b>6.8</b>       | <b>11.2</b> |
| Antigua & Barbuda   | 6.9         | 4.2        | 1.4              | 5.6         |
| Barbados  | 3.4         | 0.6        | 4.0              | 8.3         |
| Dominica  | 1.5         | 2.6        | 3.2              | 6.9         |
| Guyana  | 5.4         | 3.2        | 12.2             | 8.1         |
| Dominican Republic  | 8.5         | 4.8        | 6.1              | 10.6        |
| Jamaica   | 1.4         | -1.2       | 9.3              | 22.0        |
| St. Kitts & Nevis   | 2.9         | 3.0        | 4.5              | 5.4         |
| St. Vincent & Grenadines  | 7.0         | 0.9        | 6.9              | 10.1        |
| Trinidad & Tobago   | 5.5         | 3.4        | 7.9              | 12.1        |
| <b>Developing Asia</b>  | <b>10.6</b> | <b>7.7</b> | <b>5.4</b>       | <b>7.4</b>  |
| China   | 13          | 9.0        | 4.8              | 5.9         |
| India   | 9.3         | 7.3        | -1.0             | -2.8        |
| Indonesia   | 6.3         | 6.1        | 2.4              | 0.1         |
| Malaysia  | 6.3         | 4.6        | 15.4             | 17.4        |
| Philippines   | 7.2         | 4.6        | 4.9              | 2.5         |
| Thailand  | 4.9         | 2.6        | 5.7              | -0.1        |
| <b>Middle East</b>  | <b>6.3</b>  | <b>5.9</b> | <b>10.5</b>      | <b>15.6</b> |
| Sources: The World Economic Outlook, April 2008.<br>Statistics Offices of individual countries,<br>* Estimates, **Annual average, ***GDP weighted |             |            |                  |             |

Output growth in the Western Hemisphere fell to 4.2 per cent in 2008 from 5.7 per cent in 2007. For the Latin America and Caribbean (LAC) region, the financial sector crisis and deleveraging in advanced economies raised borrowing costs and reduced capital flows to the region. Additionally, falling commodity prices in the second half of the year affected the

export earnings of economies of the region. All economies, with the exception of Ecuador and Uruguay, suffered a deceleration in economic growth for the year.

Growth in the Caribbean region slowed significantly in 2008 in the context of an active hurricane season that affected the tourism and agriculture sectors. In particular, adverse weather conditions affected the agriculture sector in Belize and Haiti. Additionally, there was a deceleration in the growth in construction, following significant spending on various infrastructure projects in preparation for the staging of the International Cricket Council 2007 Cricket World Cup. The deceleration of the growth in crude oil prices in the latter part of the year, as well as declining oil production contributed to a slowdown in economic growth in Trinidad and Tobago.

### ***Inflation***

In 2008, inflation rose in most developing regions as result of significant increases in food and fuel prices. Specifically, inflation among the Asian economies, as measured by the annual average increase in consumer price indices (CPIs), increased to 7.4 per cent in 2008 from 5.4 per cent in 2007 (see Table 3)

Inflation among the Western Hemisphere economies, as measured by the annual average increase in consumer price indices (CPIs), accelerated to 6.1 per cent in 2008 from 4.3 per cent in 2007 (see Table 3). The rise in the region's inflation rate was fuelled by increases in food and energy prices.

For the Middle East region, inflation rose to an average of 15.6 per cent in 2008 from 10.5 per cent in 2007. Iran recorded the highest inflation rate of 26.0 per cent, while Israel had the lowest of 4.7 per cent. All the other economies experienced double digit inflation. The rise in inflation was attributed to rising food prices and excessive spending by the governments of the region in the context of increases in oil revenues.

Inflation in Africa accelerated to 10.1 per cent in 2008, 3.8 percentage points higher than the rate a year earlier. The Democratic Republic of Congo, Ethiopia and Ghana experienced the

highest rates of inflation of 18.0, 25.3 and 16.5 per cent, respectively. The acceleration in inflation in Africa for 2008 was due mainly to increases in energy and food prices.

### *Unemployment*

Notwithstanding an increase in world unemployment to 6.0 per cent in 2008 from 5.7 per cent in 2007, for selected CARICOM countries, there was a general fall in the unemployment rate in 2008, relative to 2007 (see **Table 5**). This reduction reflected continued increases in employment in the construction sector due to infrastructural projects in most countries. However, the unemployment rate for Jamaica in 2008 rose as result of a slowdown in the construction and bauxite sectors. In the context of continued growth in the non-energy sector, the unemployment rate in Trinidad and Tobago declined to 5.3 per cent in 2008 from 6.2 per cent in 2007.

**TABLE 5**

| <b>SELECTED COUNTRIES IN THE CARIBBEAN</b> |                          |             |
|--|--------------------------|-------------|
| <b>Unemployment Rate</b>                   |                          |             |
| <b>(Annual per cent change)</b>            |                          |             |
| <b>Countries</b>                           | <b>Unemployment Rate</b> |             |
|  | <b>2007</b>              | <b>2008</b> |
| Barbados                                   | 8.7                      | 8.4         |
| Belize                                     | 9.4                      | 8.2         |
| Jamaica                                    | 9.7                      | 10.6        |
| Trinidad and Tobago                        | 6.2                      | 5.3         |

Source: Country Statistical Offices

### **1.3 COMMODITY PRICES**

The International Monetary Fund's (IMF) index of primary commodity prices (IPCP) increased by 27.5 per cent in 2008 (see **Table 6**). This represented a 15.7 percentage points acceleration, relative to the growth rate recorded in 2007. The higher rate of growth in the IPCP was attributed to movements in the energy sub-index, which recorded an increase of 40.1 per cent during the year. This followed a more moderate increase of 10.4 per cent in 2007. There were also increases in the non-fuel sub-index, albeit lower by 6.6 percentage points compared to the growth rate in 2007.

The movement in the energy sub-index reflected a 36.4 per cent increase in petroleum prices. In particular, the benchmark West Texas Intermediate crude oil price averaged US\$99.56 per barrel in 2008, representing an increase of 37.7 per cent, relative to 2007. In 2008, oil prices became increasingly volatile, driven by a variety of factors including concerns about conditions in credit markets which increased the flow of speculative funds and downturns in some global equity markets. The considerable depreciation of the US dollar also encouraged investors to seek better returns in commodities, in particular, crude oil. There were also supply concerns as geo-political tensions in Nigeria threatened to affect supply and the Organization of Petroleum Exporting Countries (OPEC) kept supply constant for much of the year, despite concerns that supply constraints and rapidly rising demand from emerging markets would cause the global oil balance to remain tight over the medium term. Consequently, oil prices reached a record high of US\$145.26 per barrel on 3 July 2008.<sup>3</sup> However the financial and economic turbulence in the latter part of the year contributed to a decline in demand and a subsequent fall in oil prices. This correction prompted OPEC to announce production cuts of 1.5 million barrels per day (bpd) and 4.2 million bpd in October and December, respectively.

The deceleration of growth in the non-fuel sub-index was principally attributed to a 5.7 per cent decline in the industrial inputs sub-group. Within this sub-group, metals prices showed a year over year decline of 8.0 per cent which was largely associated with lower prices for aluminium, copper and nickel. The contraction in the US housing market which resulted from the sub-prime mortgage crisis contributed to the notable decline in demand for these metals. Aluminium prices, in particular, declined by 2.5 per cent in 2008.

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<sup>3</sup> As measured by the West Texas Intermediate benchmark for crude oil

**TABLE 6**

| <b>WORLD COMMODITY PRICES</b>        |                    |                    |
|--------------------------------------|--------------------|--------------------|
| <b>(Annual per cent change)</b>      |                    |                    |
|                                      | <b><u>2007</u></b> | <b><u>2008</u></b> |
| <b>All Primary Commodities</b>       | <b>11.8</b>        | <b>27.5</b>        |
| <b>Non- fuel primary commodities</b> | <b>14.1</b>        | <b>7.5</b>         |
| Edibles                              | 15.1               | 23.3               |
| Food                                 | 15.2               | 23.4               |
| Beverages                            | 13.8               | 23.3               |
| Industrial Inputs                    | 13.2               | -5.7               |
| Agricultural raw materials           | 5.0                | -0.8               |
| Metals                               | 17.4               | -8.0               |
| <b>Energy</b>                        | <b>10.4</b>        | <b>40.1</b>        |
| Petroleum <sup>1</sup>               | 10.7               | 36.4               |

*Source: IMF Primary Commodity Prices Indices*

*1.Average of UK, Brent, Dubai and West Texas Intermediate crude oil spot prices*

The edibles sub-group of the non-fuel sub-index increased by 23.3 per cent in 2008. This was mainly associated with a considerable rise in the prices of several grains. Wheat, soybeans, corn and rice recorded significant price increases of 21.0 per cent, 36.7 per cent, 36.0 per cent and 99.2 per cent, respectively. These price movements reflected supply concerns, resulting from adverse weather conditions, as well as speculative activity in the commodities market as the growing financial crisis prompted investors to transfer funds to these alternative investments. Rice prices were particularly impacted by the imposition of export bans by major exporting countries, India and Vietnam.

#### **1.4 INTERNATIONAL TOURISM**

The World Tourism Organisation reported an increase of 1.8 per cent in international tourist arrivals in 2008, relative to an expansion of 6.9 per cent in 2007 (see **Table 7**). This deceleration was primarily influenced by the slowdown in global economic growth, the increase in fuel prices and exchange rate fluctuations. All regions experienced significant decelerations in growth in arrivals, with the Asia and Pacific region experiencing the most significant slowdown.



For Europe, tourist arrivals rose by 0.1 per cent in 2008, influenced primarily by economic uncertainty in source markets, poor weather, and higher air and ground travel costs. However, the hosting of sporting events contributed to above-average increases in arrivals for Austria and Switzerland.

The Asia and the Pacific region recorded growth of 1.6 per cent in tourist arrivals in 2008, a significant deceleration relative to the 10.5 per cent growth in 2007. This primarily reflected an increase in tourism cost as a result of removal of fuel subsidies and political upheaval. In particular, notwithstanding their hosting of the Olympics Games, tourism in China declined by 1.4 per cent, relative to the previous year .

The Americas experienced a 3.6 per cent growth in tourist arrivals in 2008. This reflected a significant increase in travel to South America as a result of increased niche marketing, which was partly offset by the appreciation in the currencies of most countries in the region, relative to the US dollar. There was also a 2.4 per cent increase in tourist arrivals to the Caribbean as a result of increased marketing during the first half of the year.

Tourist arrivals to Africa rose by 4.6 per cent in 2008, dominated by growth in arrivals to South Africa. Although adversely affected by the global recession, growth in arrivals to the region for the first three quarters of the year was buoyant as a result of increased marketing campaigns and investments in tourism infrastructure by governments and private investors. The Middle East continued to enjoy double-digit growth in tourism of 11.3 per cent in 2008. This reflected the effects of the opening of several resorts and increased niche marketing.

**TABLE 7**

| <b>WORLD TOURIST ARRIVALS</b> |              |              |               |                 |
|-------------------------------|--------------|--------------|---------------|-----------------|
| <b>(Millions)</b>             |              |              |               |                 |
|                               | <b>2007</b>  | <b>2008</b>  | <b>Change</b> | <b>% Change</b> |
| <b>World</b>                  | <b>908.0</b> | <b>924.0</b> | <b>16</b>     | <b>1.8</b>      |
| Europe                        | 488.0        | 488.5        | 0.5           | 0.1             |
| Americas                      | 142.5        | 147.6        | 5.1           | 3.6             |
| Asia & Pacific                | 185.4        | 188.3        | 2.9           | 1.6             |
| Africa                        | 44.9         | 46.9         | 2.0           | 4.5             |
| Middle East                   | 47.5         | 52.9         | 5.4           | 11.4            |

Source: World Tourism Organization (WTO)

### *Stopover Visitor Arrivals to the Caribbean*

Preliminary estimates by the Caribbean Tourist Organisation (CTO) showed that stopover arrivals to selected Caribbean destinations rose by 1.6 per cent in 2008, following a decline of 0.6 per cent in 2007 (see **Table 8**). This reflected the impact of successful marketing campaigns in non-traditional markets by most countries in the region as well as increases in hotel capacity.

**TABLE 8**

| <b>STOPOVER VISITOR ARRIVALS ('000s)</b> |               |               |                 |
|--|---------------|---------------|-----------------|
| <b>Selected Caribbean Destinations</b>   |               |               |                 |
| <b>Country</b>                           | <b>2007</b>   | <b>2008</b>   | <b>% Change</b> |
| Dominican Republic                       | 3 980         | 3 979         | 0.0             |
| Cuba                                     | 2 152         | 2 348         | 9.1             |
| Bahamas                                  | 1 528         | 1 462         | -4.3            |
| <b>Jamaica</b>                           | <b>1 701</b>  | <b>1 767</b>  | <b>3.9</b>      |
| Puerto Rico                              | 1 357         | 1 324         | -2.4            |
| Aruba                                    | 772           | 825           | 6.9             |
| US Virgin Islands                        | 693           | 679           | -2.0            |
| Barbados                                 | 574           | 568           | -1.0            |
| St Maarten                               | 469           | 475           | 1.3             |
| <b>TOTAL</b>                             | <b>13 017</b> | <b>13 225</b> | <b>1.6</b>      |

Source: Caribbean Tourism Organization (CTO)

### *Cruise Visitor Arrivals to the Caribbean*

There was a 5.0 per cent decline in cruise arrivals to selected Caribbean countries in 2008, compared with a decline of 1.7 per cent in 2007 (see **Table 9**). The contraction primarily reflected the effects of a reduction in cruise calls as a result of rising fuel charges in the first half of the year. Additionally, the Caribbean experienced diversion of some cruise lines to other regions, as the market appeared to be maturing and persons were in search of new attractions. During the second half of the year, this reduction in calls was further compounded by declining incomes as a result of the global economic slowdown. Among the selected Caribbean destinations, Aruba was the only one to register an increase in cruise arrivals over the previous year.

**TABLE 9**

| <b>CRUISE VISITOR ARRIVALS ('000s)</b> |               |               |                 |
|--|---------------|---------------|-----------------|
| <b>Selected Caribbean Destinations</b> |               |               |                 |
| <b>Country</b>                         | <b>2007</b>   | <b>2008</b>   | <b>% Change</b> |
| Bahamas                                | 2 971         | 2 861         | -3.7            |
| US Virgin Islands                      | 1 918         | 1 757         | -8.4            |
| Puerto Rico                            | 1 437         | 1 393         | -3.1            |
| Cayman Islands                         | <b>1 716</b>  | <b>1 553</b>  | -9.5            |
| St. Maarten                            | 1 422         | 1 346         | -5.3            |
| <b>Jamaica</b>                         | 1 180         | 1 089         | <b>-7.7</b>     |
| Belize                                 | 624           | 597           | -4.3            |
| Barbados                               | 616           | 597           | -3.1            |
| Aruba                                  | 482           | 556           | 15.4            |
| <b>Total</b>                           | <b>12 366</b> | <b>11 749</b> | <b>-5.0</b>     |

*Source: Caribbean Tourism Organization (CTO)*

## **1.5 TRADE RELATIONS**

### *World Trade Organization (WTO) Negotiations*

The Doha Round of the WTO negotiations broke down on 29 July 2008 as trade ministers were unable to reach a compromise. Despite accord on most areas, including the agriculture and non-agricultural market access issues, negotiations stalled on the extent to which developing countries would be able to raise tariffs to protect farmers from import surges

under the “special safeguard mechanism” (SSM). One of the main issues of contention regarding the SSM was whether, and by how much, countries should be allowed to impose safeguard duties in excess of current tariff ceilings.<sup>4</sup>

### ***EU-CARIFORUM Economic Partnership Agreement***

The text of the EPA was formally signed on 15 October 2008 by 13 members of the CARIFORUM group of countries and the EU-40.<sup>5</sup> Under the EPA, all CARIFORUM exports, with the exception of rice and sugar, are granted duty-free and quota-free access to European markets.<sup>6</sup> In exchange, CARIFORUM countries will liberalize 86.9 per cent of the value of imports (or 90.2 per cent of currently traded tariff lines) on a phased basis with a three-year moratorium. Jamaica, in particular, committed to liberalizing 79.4 per cent of the value of imports or 79.0 per cent of the tariff lines. In the case of sugar exports to the EU, the Sugar Protocol will continue to hold.<sup>7</sup> However, the CARIFORUM quota was increased. Quotas for CARIFORUM rice exporting countries were also increased until end-2009. Thereafter, rice will be sold to the EU on a duty-free, quota-free basis.

The EU also granted market access to more than 90.0 per cent of its service sectors. In return, CARIFORUM has committed to liberalizing between 65.0 per cent and 75.0 per cent of its service sectors.

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<sup>4</sup> The initial proposal would have allowed safeguard duties to surpass bound tariff rates by 15.0 percentage points if import volumes rose by 40.0 per cent over a three-year average. However, the G-33 group of countries, led by India and China, said that this “trigger” was insufficient to ensure that farmers would not be hurt by sharp increases in subsidized agricultural imports from developed countries. They proposed that SSM remedies be triggered by increases of at least 10.0 per cent in import volume over the relevant period, with safeguard duties of 30.0 percentage points above bound levels.

<sup>5</sup> The members who signed on 15 October were: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Suriname, and Trinidad and Tobago. Guyana signed on 20 October.

<sup>6</sup> The EPA is intended to replace the trade component of the Cotonou Agreement, which is a preferential, non-reciprocal arrangement governing relations between the EU and African, Caribbean and Pacific (ACP) countries.

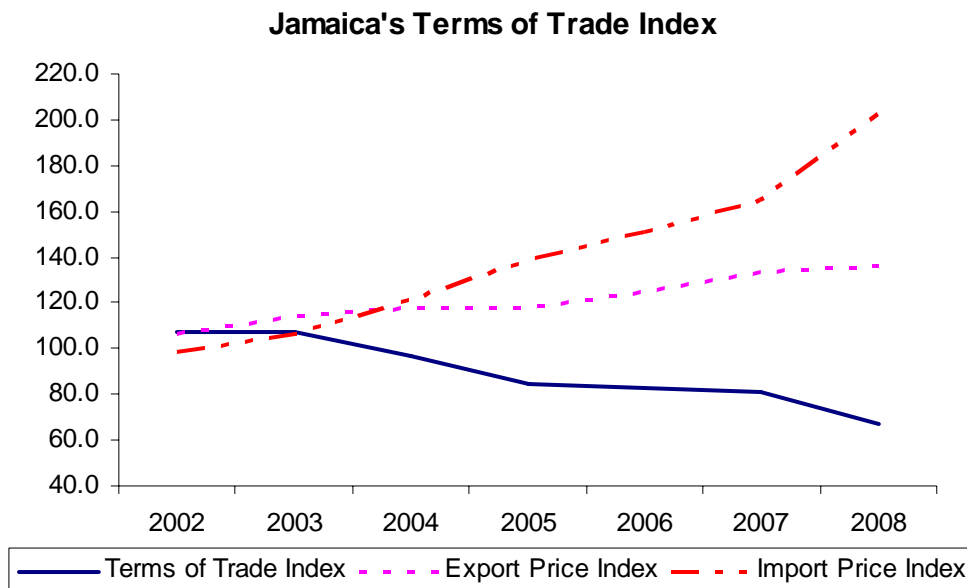
<sup>7</sup> Under the EU Sugar Protocol, limited quantities of sugar from CARIFORUM member countries are granted duty-free access to the EU at guaranteed prices which are renegotiated annually.

#### 1.4 JAMAICA'S TERMS OF TRADE

Jamaica's terms of trade index fell by 17.1 per cent in 2008, relative to 2007 (see **Figure 1**).

<sup>8</sup>The deterioration in the index was attributed to a 22.7 per cent increase in the import price index (IPI), which was partly offset by a 1.7 per cent increase in the export price index (EPI). The rise in the IPI reflected a 37.7 per cent increase in fuel prices as well as a 14.1 per cent increase in the prices of agricultural raw materials. The increase in the EPI was influenced by respective increases of 0.8 per cent and 1.1 per cent in the tourism implicit price index for Jamaica and the price of alumina.

**Figure 1**



<sup>8</sup> The Bank estimates a measure of Jamaica's terms of trade which is a ratio of the index of export prices to the index of import prices. An improvement of the terms of trade follows if export prices rise more quickly than import prices.

## **PART II**

### **DOMESTIC MACROECONOMIC DEVELOPMENTS**

#### **2. OVERVIEW**

The Jamaican economy contracted in the review period, reflecting the slowdown in external and domestic demand arising from the impact of the global financial crisis. Economic activity was also affected by the impact of the passage of Tropical Storm Gustav and lingering effects from Hurricane Dean. Weak domestic demand emanated from heightened economic uncertainty, declines in real incomes and slowdown in remittance flows from source economies. Inflation was 16.8 per cent in 2008, similar to 2007, and was a major contributor to a deterioration in external competitiveness in the year. As a consequence of the challenges in the major economies there was instability in the financial markets and a worsened outlook for inflation and inflation expectations. This prompted a tightening of monetary policy by the Central Bank in the latter half of the year.

#### **2.1 OUTPUT & UNEMPLOYMENT**

##### ***Gross Domestic Product***

Real GDP contracted by 0.9 per cent during 2008, relative to an expansion of 1.5 per cent in 2007 (see **Table 10**). The economic contraction in 2008 emanated primarily from *Construction, Wholesale & Retail Trade, Agriculture, Forestry & Fishing, Transport, Storage & Communication, Manufacture and Mining & Quarrying*.

The decline in overall economic activity occurred in the context of a relatively unstable macroeconomic environment, characterized by increasing inflation and instability in the foreign exchange market, particularly in the latter half of the year. There was also an overall deterioration in external competitiveness as reflected in the real effective exchange rate. The worsening macro-economic environment was reflected in the general deterioration of the Bank of Jamaica/STATIN expectations survey results at year-end. There was an increase in the expected level of inflation, worsened perceptions of present and future economic conditions and less favourable perceptions of inflation management relative to 2007. Additionally, according to the Jamaica Conference Board Confidence Indices, consumer expectations and business confidence deteriorated in 2008 relative to 2007.

Within the goods producing sectors, *Construction* contracted by 6.7 per cent following an expansion of 4.6 per cent in 2007. This decline reversed the trend growth of 4.7 per cent realized over the last 5 years. The contraction in the industry emanated from declines in private sector investment projects, public sector capital projects and residential construction. The contraction was partly inferred from a decline of 7.8 per cent in cement sales. Curtailment in public spending was indicated by lower levels of expenditure by Government on road work as well as scaling down of work on the North Coast Highway Improvement Project. Contraction in residential construction was inferred from decreases of 58.6 per cent and 17.3 per cent in the National Housing Trust's housing completions and starts, respectively.

**TABLE 10**

| <b>GROSS DOMESTIC PRODUCT</b>              |             |             |
|--|-------------|-------------|
| <b>(2003 Prices)</b>                       |             |             |
| <b>Growth Rate by Sector (%)</b>           |             |             |
|  | <b>2007</b> | <b>2008</b> |
| <b>GOODS</b>                               | 0.1         | -4.0        |
| Agriculture, Forestry & Fishing            | -5.8        | -5.2        |
| Mining & Quarrying                         | -2.6        | -2.5        |
| Manufacture                                | 0.7         | -1.4        |
| Construction                               | 4.6         | -6.7        |
| <b>SERVICES</b>                            | 2.0         | 0.1         |
| Electricity & Water Supply                 | 0.6         | 0.9         |
| Wholesale & Retail Trade                   | 1.7         | -0.2        |
| Hotels & Restaurants                       | 0.3         | 2.2         |
| Transport, Storage & Communication         | 3.3         | -2.3        |
| Finance & Insurance Services               | 3.4         | 0.8         |
| Real Estate, Renting & Business Activities | 3.2         | 1.2         |
| Producers of Government Services           | 1.3         | -0.1        |
| Other Services                             | 2.1         | 0.5         |
| Financial Intermediation Services          | 5.2         | -0.6        |
| <b>TOTAL GDP</b>                           | <b>1.5</b>  | <b>-0.9</b> |

Source: Statistical Institute of Jamaica

*Agriculture, Forestry & Fishing* contracted by 5.2 per cent in 2008, following a decline of 5.8 per cent in the previous year. This contraction reflected declines in both *Domestic* and *Export Agriculture*. The poor performance of the sector continued to reflect the lagged adverse impact of Hurricane Dean as well as the prolonged heavy rains in October 2007.

Output in the March 2008 quarter was also affected by dry spells in key agricultural parishes as well as a cutback in the use of fertilizer due to its escalating cost. In this context, there was a fall in output during the first three quarters of the year. However, a measure of recovery was recorded in the fourth quarter. Against this background, *Domestic Agriculture* declined by 2.3 per cent, while *Export Agriculture* contracted by 18.0 per cent in the review period.

There was a contraction of 2.3 per cent in *Transport, Storage & Communication* in 2008, which was in contrast to the average annual growth of 2.8 per cent since 2003. The downturn was caused primarily by the performance of *Transport, Auxiliary Activities to Transport* and *Water Transport*. Air transportation was negatively affected by a fall in the number of passengers travelling through the airports as well as a reduction in the number of routes plied by the national carrier. The reduction in water transport was reflected in declines of 4.6 per cent and 0.6 per cent in the number of ships calling at Jamaican ports and in total domestic cargo movements, respectively. These contractions were in contrast to average annual growth rates of 5.8 per cent and 7.7 per cent, respectively. The fallout in ship calls was primarily attributed to weakening global demand for vacations as well as a shift in the itinerary of selected cruise lines away from the Caribbean. Cargo movements were affected by the global slowdown in economic activity. On the positive side, there was growth of 1.2 per cent in *Post & Telecommunication*, which was mainly due to increased activities in telecommunications. This was facilitated by increased usage of high speed internet and the penetration of cable services into some rural areas. Additionally, Jamaica became a transit hub for overseas mail.

*Manufacture* contracted by 1.4 per cent in the review year, in line with an average contraction of 1.1 per cent between 2003 and 2007. Higher costs for raw material and energy affected the industry during the year. This was reflected in the 15.0 per cent increase in the Producer Price Index (PPI) for Manufacture. Declines in both *Other Manufacturing* and *Food & Beverages* primarily influenced the overall contraction in the sector. The decline in *Other Manufacturing* mainly reflected decreases in *Non-Metallic Mineral Products*, *Chemical Products* and *Metal Products*. With regard to the performance of the non-metallic mineral sub-sector, the contraction reflected a 6.3 per cent decrease in cement production, arising from lower demand by the domestic construction industry as well as increased competition from imported cement. The contraction in the chemical sub-sector partly



reflected fallout in fertilizer production as a result of decreased demand due to high prices in the first half of the review period as well as Government's importation of cheaper fertilizer directly in the last quarter of the year. Reduced output from *Food & Beverages* reflected declines in *Food Products (excluding Sugar)* and *Sugar & Molasses*. *Food Products* was affected by declines in dairy products, while *Sugar & Molasses* reflected the late start in processing at Government-owned factories due to the pending divestment of these factories in the latter part of the year.

Following a contraction of 2.6 per cent in 2007, *Mining & Quarrying* is estimated to have declined by 2.5 per cent during the review year. The declines in 2007 and 2008 were in comparison to an average annual growth of 2.7 per cent between 2001 and 2006. In the first half of the year the impact of Island-wide electrical outages as well as mechanical problems at one of the alumina companies affected output. Following this, the demand for aluminium on the world market declined significantly in the third quarter as end-use markets, such as the construction and automotive industries, contracted as a result of the world-wide slowdown in economic growth. The mining industry was also faced with increased production costs which negatively affected its profitability. Energy is the major component in the production of alumina and the high energy prices in 2008 contributed to the increased production costs. During the year, the capacity utilisation rate for the alumina industry declined marginally to 87.8 per cent from 88.3 per cent during 2007. This was in comparison to average annual capacity utilisation rate of 93.7 per cent for the alumina industry between 2003 and 2007. Additionally, significant declines were reflected in *Quarrying* including *Gypsum* which was severely affected by inclement weather and damage to major infrastructure.

The *Wholesale & Retail Trade* industry decreased by 0.2 per cent in 2008. This was influenced by declines in the *Agriculture, Forestry & Fishing, Manufacture* and *Construction* industries. Consumer demand was adversely affected by higher prices especially for fuel and food products.

*Hotel & Restaurants* expanded by 2.2 per cent for 2008 compared to a marginal increase of 0.3 per cent in 2007. For the year, total stopover arrivals increased by 3.9 per cent, compared to a growth of 1.3 per cent in the previous year. Growth in the review year was marginally

below the average annual increase since 2003. In contrast, cruise ship arrivals declined by 7.7 per cent, relative to the previous year. This was in contrast to the average annual growth of 6.4 per cent since 2000. During the first half of the review year, the industry grew by 6.0 per cent but fell by 0.9 per cent in the second half. The growth in the first half was attributed, in part, to normalization following the US Western Hemisphere Travel Initiative<sup>9</sup> that commenced in the March 2007 quarter, as well as the aggressive advertisements in Europe and the US by the Government and key industry players. The second half of the year was characterized by the intensification of the global recession and the consequent weakening of global demand for vacations. In this context, total stopover arrivals grew by 8.4 per cent in the first half of 2008 and declined marginally by 0.8 per cent in the second half.

*Finance & Insurance Services* expanded by 0.8 per cent in 2008, falling below trend or the five year average growth of 3.0 per cent. The expansion in the review year primarily reflected the performance of banking and insurance institutions. Commercial banking activity drove the increase in the value added of the banking institutions. This resulted from continued growth in the banks' stock of loans and advances and service charges. There was a decline in *Other Financial Institutions* which largely emanated from negative performances in investment and development banking activities.

### ***Unemployment***

Consistent with the slowdown in economic activity, there was an increase of 0.9 percentage point in the unemployment rate to 10.6 per cent in 2008. The job-seeking rate, which is the percentage of the labour force actively seeking work, was 6.6 per cent in 2008, a 0.8 percentage point increase when compared to 2007.

All sectors, with the exception of *Electricity, Gas & Water*, recorded increased unemployment in 2008. The most significant job losses occurred in *Construction & Installation, Hotels & Restaurants* and *Manufacture*. The fall in employment in these sectors was consistent with the economic downturn which reduced demand for goods and services in these areas. The increased employment in *Electricity, Gas & Water* mainly reflected

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<sup>9</sup> The US Western Hemisphere Travel Initiative is a US law that requires all travelers within the western hemisphere, including US and Canadian citizens, to present a valid passport when traveling to, through or from the United States.

continuing investments in expansion by Petrojam and rehabilitation and upgrading projects by the Ministry of Water & Housing.

## **2.2 RELATIVE PRICES, COMPETITIVENESS & MONETARY POLICY**

The Real Effective Exchange Rate (REER) index at end 2008 was 5.4 per cent higher than at end 2007, indicative of deterioration in Jamaica's external competitiveness. The increase in the REER mainly reflected a worsening of relative prices, which was partially offset by an improvement in the nominal effective exchange rate (NEER). Domestic inflation of 16.8 per cent was the main impetus behind the higher relative prices, the impact of which was partially offset by inflation among Jamaica's major trading partners of 3.5 per cent. The significant improvement in the NEER stemmed from the depreciation in the average selling rate of the US dollar vis-à-vis the Jamaica Dollar of 10.5 per cent being partly offset by the average appreciation of 4.2 per cent in the currencies of Jamaica's main trading partners vis-à-vis the US dollar.

Domestic headline inflation was influenced chiefly by adverse international developments, mainly in the first half of the year. These developments included sharp increases in international grain and crude oil prices over that period, which were partially reversed in the second half of the year. As a consequence, inflation was 11.5 per cent over the first six months of the year, compared to 4.8 per cent in the last half of the year. Other factors affecting inflation over the year included the impact of lagged and contemporaneous supply shocks to the domestic agricultural sector from the passage of Hurricane Dean in August 2007, extensive rainfall in October 2007 and Tropical Storm Gustav in August 2008. Further, there were adjustments in administered prices, such as the National Minimum Wage, water rates, bus and taxi fares and motor vehicle licence fees.

A significant contributor to the inflationary pressure during 2008 was sharp depreciation of the foreign exchange rate. The weighted average selling rate (WASR) of the Jamaica Dollar vis-à-vis the US dollar depreciated by 11.7 per cent compared to 5.8 per cent in 2007. More than 85.0 per cent of this movement occurred in the last three months of the year. This sharp movement primarily resulted from the increase in foreign currency demand concomitant with sharp reduction in supply associated with the global financial crisis. However, lags in

transmission and weak demand would have limited the impact of the depreciation on inflation in the calendar year.

All measures of core or underlying inflation rose, albeit marginally in 2008, relative to 2007. The CPI excluding agriculture and fuel (CPI-AF) and CPI excluding food and fuel (CPI-FF) rose to 16.6 per cent and 12.6 per cent, respectively, relative to 15.6 per cent and 11.5 per cent in 2007. The trimmed mean measure of underlying inflation increased to 10.3 per cent in 2008 from 9.4 per cent in 2007.

The Central Bank offered variable and fixed rate certificates of deposit at regular intervals throughout the year to temper the high levels of Jamaica Dollar liquidity in the system. Towards the end of the year, with the increased demand pressures in the foreign exchange market associated with the global financial crisis, the Bank instituted a number of measures to preserve stability. These included the establishment of a special foreign currency loan facility for security dealers and deposit taking institutions in need of liquidity to cover margin positions, increasing the statutory cash reserve from 9.0 per cent to 11.0 per cent, increasing interest rates on its open market operations instruments and selling foreign currency to the market to augment supplies. The net international reserves at the end of 2008 was US\$1772.9 million, lower than the US\$1877.7 million at the end of 2007, partially a result of the higher sales of foreign currency to the market.

### **2.3 SUMMARY & OUTLOOK**

In 2008, the Jamaican economy was negatively affected by lagged adverse weather conditions and sharp commodity price movements in the first half of the year and unfavourable international developments in the latter half. These factors stalled economic growth and the post-Gustav recovery process as well as led to a sharp increase in inflation and inflation expectations. As a consequence, there was economic contraction in 2008 of 0.9 per cent as well as significant inflation of 16.8 per cent.

A further contraction is projected for 2009 as reduced global demand and output and weak domestic demand will constrain any growth impulses. This contraction will be led by the goods producing sectors, in particular *Mining & Quarrying*, *Construction*, and *Manufacture*

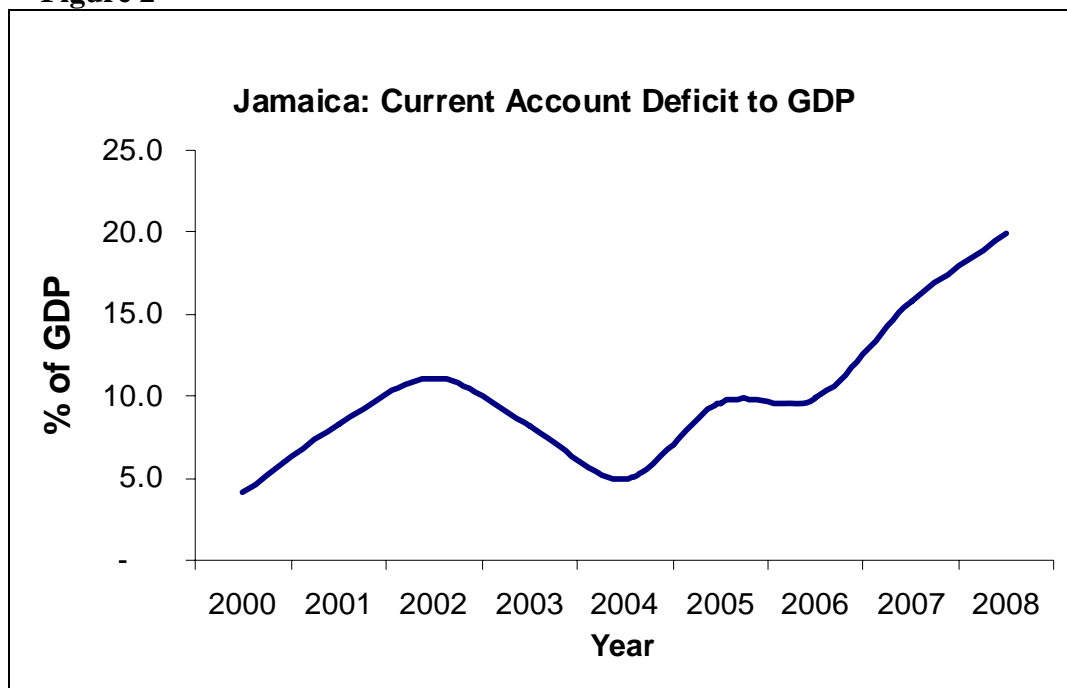
and service-oriented area such as *Transport, Storage & Communication* and *Wholesale & Retail Trade*. The general uncertainty in the economy could result in the postponement or cancellation of projects while depressed commodity prices will hamper some sectors. It is expected that growth poles will be *Agriculture, Forestry & Fishing* and the *Hotels & Restaurants* sectors. Agriculture should rebound from the weather-related challenges faced in 2007 and 2008, while tourism should be positively impacted by fallout in the Mexican market due to the H1N1 influenza virus and drug-related violence. Increased promotional activities from the domestic sector interests should also serve to boost arrivals. Weak domestic demand, relatively moderate movements in commodity prices and the continued application of prudent demand management policies by the Central Bank should result in lower inflation in 2009 relative to 2008.

**PART III**  
**THE BALANCE OF PAYMENTS**

**3.0 SUMMARY**

Jamaica's current account deficit widened by US\$755.8 million to US\$2 793.9 million (20.0 per cent of GDP) in 2008 (see **Figure 2 and Table 11**). This was influenced by deterioration in the goods sub-account while all other sub-accounts improved. The most significant change was reflected in the *goods balance* where the deficit expanded by US\$961.6 million. An increase in world commodity prices, particularly oil, in the first half of the year was the main factor behind the increase in the merchandise trade deficit. Net private and official investment inflows were insufficient to finance the current account deficit, resulting in a decline of US\$104.8 million in the NIR of the BOJ.

**Figure 2**



**TABLE 11**

| <b>SUMMARY OF BALANCE OF PAYMENTS (US\$M)</b> |                          |                          |               |
|---|--------------------------|--------------------------|---------------|
|   | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> | <b>Change</b> |
| <b>CURRENT ACCOUNT</b>                        | <b>-2 038.2</b>          | <b>-2 793.9</b>          | <b>-755.8</b> |
| <b>A. GOODS BALANCE</b>                       | <b>-3 841.3</b>          | <b>-4 802.9</b>          | <b>-961.6</b> |
| Exports (f.o.b.)                              | 2 362.6                  | 2 743.9                  | 381.3         |
| Imports (f.o.b.)                              | 6 203.9                  | 7 546.8                  | 1342.9        |
| <b>B. SERVICES BALANCE</b>                    | <b>424.8</b>             | <b>427.6</b>             | <b>2.7</b>    |
| Transportation                                | -540.4                   | -644.9                   | -104.6        |
| Travel  | 1 611.9                  | 1 707.4                  | 95.5          |
| Other Services                                | -646.7                   | -634.9                   | 11.8          |
| <b>GOODS &amp; SERVICES BALANCE</b>           | <b>-3 416.5</b>          | <b>-4 375.3</b>          | <b>-958.9</b> |
| <b>C. INCOME</b>                              | <b>-661.6</b>            | <b>-568.3</b>            | <b>93.3</b>   |
| Compensation of employees                     | 64.8                     | 83.7                     | 18.9          |
| Investment income                             | -726.4                   | -651.9                   | 74.5          |
| <b>D. CURRENT TRANSFERS</b>                   | <b>2 039.9</b>           | <b>2 149.6</b>           | <b>109.8</b>  |
| General Government                            | 133.0                    | 100.7                    | -32.3         |
| Other Sectors                                 | 1 906.9                  | 2 049.0                  | 142.0         |
| <b>2. CAPITAL &amp; FINANCIAL A/C</b>         | <b>2 038.2</b>           | <b>2 793.9</b>           | <b>755.8</b>  |
| <b>A. CAPITAL ACCOUNT</b>                     | <b>-35.5</b>             | <b>18.1</b>              | <b>53.6</b>   |
| General Government                            | 0.7                      | 48.6                     | 47.9          |
| Other Sectors                                 | -36.2                    | -30.5                    | 5.8           |
| <b>B. FINANCIAL ACCOUNT</b>                   | <b>2 073.7</b>           | <b>2 775.9</b>           | <b>702.1</b>  |
| Official Investment                           | 653.0                    | 518.6                    | -134.4        |
| Private Investments <sup>3/</sup>             | 980.9                    | 2 152.5                  | 1 171.5       |
| Reserves <sup>4/</sup>                        | 439.8                    | 104.8                    |               |

1/ Revised

2/ Estimates

3/ Includes Errors &amp; Omissions

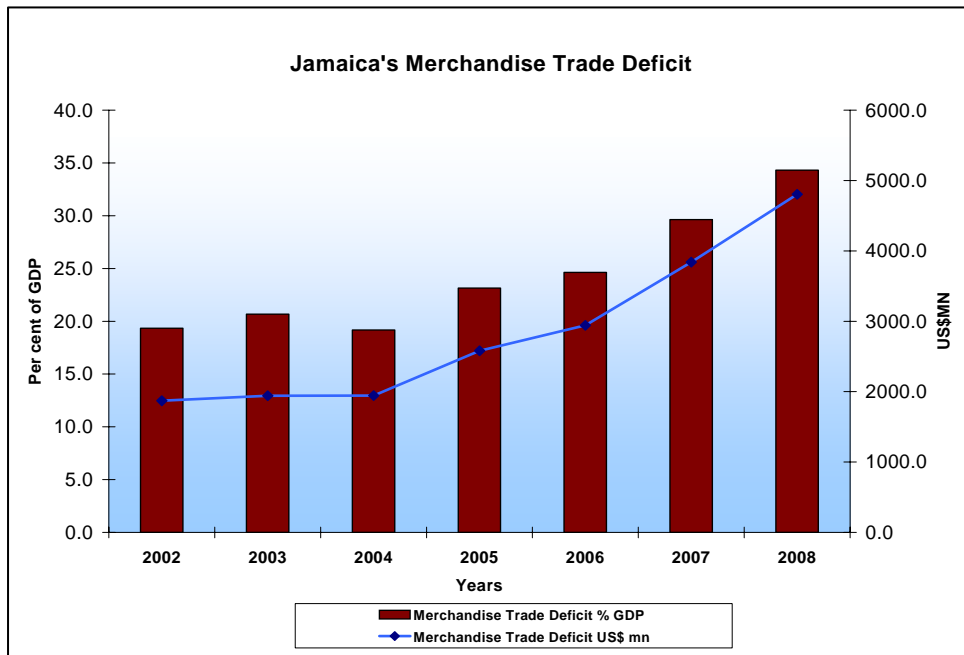
4/ Minus denotes increase

### 3.1 MERCHANDISE TRADE

Jamaica's total merchandise trade (i.e. exports plus imports (f.o.b.)) increased by US\$1 724.2 million to a record US\$10 290.6 million (73.5 per cent of GDP) in 2008 (see **Table IV, Appendix**).

The goods account recorded a deficit of US\$4802.9 million (34.3 per cent of GDP) representing an increase of US\$961.6 million, relative to 2007 (see **Figure 3**). The higher trade deficit in 2008 resulted from an expansion of US\$1 342.9 million in imports (f.o.b.), which was marginally offset by an increase of US\$381.3 million in exports.

**Figure 3**



## Exports

Total goods exports amounted to US\$2 743.9 million (19.6 per cent of GDP) in 2008. *General merchandise exports*, valued at US\$2 531.8 million, continued to account for the largest share of the value of total exports (92.3 per cent) in 2008. *Free zone exports* and *goods procured in ports* by foreign carriers accounted for 2.2 per cent and 5.5 per cent of total exports, respectively (see **Table 12**).

The expansion in the value of goods exports largely reflected growth of US\$263.1 million and US\$60.1 million in Chemical and mineral fuel exports, respectively, due to growth in earnings from ethanol as well as an increase in the price of fuel on the international market. Goods procured in Jamaican ports by foreign carriers also increased by US\$48.5 million relative to 2007 reflecting increased activity at the Island's sea and airports. The impact of



these increases was partly offset by a decline of US\$14.3 million in crude material exports, related to a fall in non-mining crude exports as the values of bauxite and alumina exports expanded, relative to 2007.

**TABLE 12**

| <b>VALUE OF EXPORTS (US\$M)</b>                  |               |               |               |                     |
|--|---------------|---------------|---------------|---------------------|
|  | <u>2007</u>   | <u>2008</u>   | <u>Change</u> | <u>%<br/>Change</u> |
| <b>SITC SECTIONS</b>                             |               |               |               |                     |
| <b>0. Food</b>                                   | <b>241.8</b>  | <b>259.7</b>  | <b>17.9</b>   | <b>7.4</b>          |
| Bananas  | 9.2           | 0.0           | -9.2          | -99.6               |
| Citrus & citrus products                         | 2.2           | 2.1           | -0.1          | -4.8                |
| Sugar & sugar preparations                       | 100.3         | 104.3         | 4.0           | 4.0                 |
| Other  | 130.1         | 153.3         | 23.2          | 17.8                |
| <b>1. Beverages &amp; tobacco</b>                | <b>98.3</b>   | <b>93.3</b>   | <b>-5.0</b>   | <b>-5.1</b>         |
| Rum  | 45.7          | 43.7          | -2.0          | -4.5                |
| Tobacco & tobacco products                       | 0.1           | 0.0           | 0.0           | -22.5               |
| Other  | 52.5          | 49.6          | -2.9          | -5.6                |
| <b>2. Crude materials</b>                        | <b>1387.8</b> | <b>1373.4</b> | <b>-14.3</b>  | <b>-1.0</b>         |
| Bauxite  | 112.9         | 114.5         | 1.6           | 1.4                 |
| Alumina  | 1194.0        | 1230.5        | 36.5          | 3.1                 |
| Other  | 80.8          | 28.5          | -52.4         | -64.8               |
| <b>3. Mineral fuels</b>                          | <b>224.2</b>  | <b>284.3</b>  | <b>60.1</b>   | <b>26.8</b>         |
| <b>4. Animal &amp; vegetable oils &amp; fats</b> | <b>0.1</b>    | <b>0.1</b>    | <b>0.0</b>    | <b>-36.4</b>        |
| <b>5. Chemicals</b>                              | <b>186.1</b>  | <b>449.2</b>  | <b>263.1</b>  | <b>141.3</b>        |
| <b>6. Manufactured goods</b>                     | <b>14.0</b>   | <b>14.6</b>   | <b>0.6</b>    | <b>4.3</b>          |
| <b>7. Machinery &amp; transport equipment</b>    | <b>33.7</b>   | <b>36.6</b>   | <b>3.0</b>    | <b>8.8</b>          |
| <b>8. Misc. manufactured goods</b>               | <b>16.7</b>   | <b>20.2</b>   | <b>3.4</b>    | <b>20.6</b>         |
| <b>9. Misc. commodities</b>                      | <b>0.0</b>    | <b>0.0</b>    | <b>0.0</b>    | <b>0.0</b>          |
| <b>A. TOTAL GENERAL EXPORTS</b>                  | <b>2202.8</b> | <b>2531.8</b> | <b>329.0</b>  | <b>14.9</b>         |
| <b>B. FREE ZONE EXPORTS</b>                      | <b>56.5</b>   | <b>60.2</b>   | <b>3.8</b>    | <b>6.7</b>          |
| <b>C. GOODS PROCURED IN PORTS</b>                | <b>103.3</b>  | <b>151.8</b>  | <b>48.5</b>   | <b>47.0</b>         |
| <b>TOTAL EXPORTS (F.O.B.)</b>                    | <b>2362.6</b> | <b>2743.9</b> | <b>381.3</b>  | <b>16.1</b>         |

Source: Statistical Institute of Jamaica

## Major Traditional Exports

**Table 13**

| MAJOR TRADITIONAL EXPORT COMMODITIES |                    |                    |        |             |
|--------------------------------------|--------------------|--------------------|--------|-------------|
|                                      | 2007 <sup>1/</sup> | 2008 <sup>2/</sup> | Change | %<br>Change |
| <b>BAUXITE</b>                       |                    |                    |        |             |
| VOLUME ('000 tonnes)                 | 4 451.6            | 4 429.3            | -22.3  | -0.5        |
| VALUE (US\$M)                        | 112.9              | 114.5              | 1.6    | 1.4         |
| PRICE (US\$/tonne)                   | 25.4               | 25.9               | 0.5    | 1.9         |
| <b>ALUMINA</b>                       |                    |                    |        |             |
| VOLUME ('000tonnes)                  | 3 884.1            | 3 977.3            | 93.2   | 2.4         |
| VALUE (US\$M)                        | 1 194.0            | 1 230.5            | 36.5   | 3.1         |
| PRICE (US\$/tonne)                   | 307.4              | 309.4              | 2.0    | 0.6         |
| <b>SUGAR</b>                         |                    |                    |        |             |
| VOLUME ('000 tonnes)                 | 153.3              | 136.0              | -17.3  | -11.3       |
| VALUE (US\$M)                        | 100.3              | 104.3              | 4.0    | 4.0         |
| PRICE (US\$/tonne)                   | 654.3              | 766.7              | 112.4  | 17.2        |
| <b>BANANA</b>                        |                    |                    |        |             |
| VOLUME ('000tonnes)                  | 17.4               | 0.0                | -17.4  |             |
| VALUE (US\$M)                        | 9.2                | 0.0                | -9.2   |             |
| PRICE (US\$/tonne)                   | 530.3              | 923.1              | 392.7  | 74.1        |

1/ Revised

2/ Estimates

### Bauxite & Alumina

Earnings from bauxite exports expanded by 1.4 per cent in 2008. This increase was largely attributed to a 1.9 per cent increase in the average realized price (ARP), as there was a 0.5 per cent decline in volumes (see **Table 13**). The decline in bauxite export volumes resulted from disruptions to production at the St. Ann Bauxite Company. The plant was closed for ten days during the year to facilitate maintenance of the conveyor belt. In addition, there was a disruption to the shipping schedule due to Tropical Storm Gustav.

The value of alumina exports rose by 3.1 per cent, reflecting a 2.4 per cent increase in export volume and a 0.6 per cent increase in the ARP of the ore. The growth in the volume of Jamaica's alumina exports reflected a recovery in production levels following weather related disruptions in the industry in the third quarter of 2007. Jamalco, the plant that was the

most severely impacted by adverse weather in 2007, was the slowest to recover in 2008. The plant's capacity utilisation rate remained below the 2007 average of 82.9 per cent for the first three quarters of the calendar year at 75.8 per cent before increasing to 84.0 per cent in the December 2008 quarter. This improvement, however, was lower than the 5-year average of 93.8 per cent. Growth in alumina prices, which was evident in the first half of the year, was constrained by a 20.0 per cent decline in the ARP in the December 2008 quarter following the deterioration of global economic conditions in the September 2008 quarter (see **International Economic Developments**).

### **Sugar**

Earnings from sugar exports grew by 4.0 per cent to US\$104.3 million in 2008, reflecting a 17.2 per cent rise in the ARP, relative to 2007, the impact of which was partly offset by an 11.3 per cent decline in export volumes. The decline in export volumes reflected a reduction in land acreage in cultivation in 2008 as well as the unavailability of water in irrigated areas. Notwithstanding adverse weather at the start of the crop year, the tonnes cane to tonnes sugar (TC/TS) ratio declined to 11.72 in 2008 from 11.91 in 2007. This improvement primarily reflected a reduction in the turnaround time between harvesting and processing as well as a shortening of the crop year which resulted in higher juice quality. The increase in the ARP reflected the appreciation in the value of the Euro vis-à-vis the US dollar during 2008 as the European Commission (EC) had implemented a phased reduction in the price paid for raw sugar from African, Caribbean and Pacific (ACP) countries (see **International Economic Developments**). The EC reduced prices for Jamaican sugar by 9.7 per cent in 2008. The cut was, however, instituted in September 2008 after the completion of Jamaica's sugar export crop.

### **Banana**

There was a total cessation of banana exports in 2008 due primarily to the destruction of the crop by Tropical Storm Gustav.

### ***Other Domestic Exports***

Earnings from *other domestic* exports grew by 38.7 per cent in 2008 to US\$1020.3 million (see **Table 14**). The major factors contributing to this growth were higher earnings from

mineral fuel, food and chemical exports, largely due to the growth in commodity prices in the first half of the year. Mineral fuel exports represent Petrojam's supply of petroleum products, including gasoline, to regional and international customers.

**TABLE 14**

| <b>OTHER DOMESTIC EXPORTS BY S.I.T.C.</b> |              |               |               |                 |
|---|--------------|---------------|---------------|-----------------|
| <b>(US\$M)</b>                            |              |               |               |                 |
|   | <b>2007</b>  | <b>2008</b>   | <b>Change</b> | <b>% Change</b> |
| 0. Food                                   | 130.8        | 152.5         | 21.7          | 16.6            |
| Citrus & citrus products                  | 2.2          | 2.1           | -0.1          | -4.8            |
| Other                                     | 128.6        | 150.4         | 21.8          | 16.9            |
| 1. Beverages & Tobacco                    | 98.3         | 93.3          | -5.0          | -5.1            |
| Rum                                       | 45.7         | 43.7          | -2.0          | -4.5            |
| Tobacco & tobacco products                | 0.1          | 0.0           | 0.0           | -15.4           |
| Other                                     | 52.5         | 49.6          | -2.9          | -5.6            |
| 2. Crude Materials                        | 80.8         | 28.4          | -52.5         | -64.9           |
| 3. Mineral Fuels                          | 223.6        | 283.3         | 59.7          | 26.7            |
| 4. Animal & Vegetable Oils & Fats         | 0.1          | 0.1           | 0.0           | -34.9           |
| 5. Chemicals                              | 183.8        | 446.8         | 263.0         | 143.1           |
| 6. Manufactured Goods                     | 6.2          | 4.8           | -1.4          | -22.3           |
| 7. Machinery & Transport Equip.           | 1.3          | 1.3           | 0.0           | -0.5            |
| 8. Miscellaneous Manufactured Goods       | 10.5         | 9.9           | -0.6          | -5.6            |
| 9. Miscellaneous Commodities              | 0.0          | 0.0           | 0.0           | 0.0             |
| <b>TOTAL</b>                              | <b>735.4</b> | <b>1020.3</b> | <b>284.9</b>  | <b>38.7</b>     |

## **Imports**

Total goods imports (c.i.f.) in 2008 were valued at US\$8 524.8 million (60.9 per cent of GDP). General merchandise imports accounted for 98.1 per cent of Jamaica's import bill in 2008, while goods procured in ports by foreign carriers and free zone imports accounted for 1.7 per cent and 0.2 per cent, respectively (see **Table 15**).

The value of total imports in 2008 increased by 20.9 per cent, primarily reflecting higher spending on mineral fuels, food, manufactured goods and chemicals. The significant growth in the value of mineral fuel imports mirrored the developments in the international oil market. The average price per barrel of oil, as measured by the price of West Texas Intermediate crude, increased by 37.7 per cent, relative to 2007. Given that the value of mineral fuel imports increased by 38.1 per cent, this implies that the volume of fuel imports into the Island remained relatively unchanged for the year.

Food imports grew by US\$155.7 million (21.3 per cent), largely due to increased international commodity prices. In particular, the prices of soybeans, corn and wheat rose by 36.8 per cent, 36.0 per cent and 21.0 per cent, respectively (see **International Economic Developments**).

The increase in expenditure on manufactured imports was influenced primarily by higher spending on iron and steel imports. Spending on chemicals, which exceeded the previous year's level by US\$102.0 million, was buoyed by higher imports of ethanol feedstock and medicinal and pharmaceutical products. Petrojam increased its imports of ethanol feedstock due to the implementation of the E10 programme (a fuel blended with ethanol - 10% ethanol and 90% gasoline) in Jamaica in November 2008. A fire at Petrojam also destroyed the cooling tower of the ethanol dehydration plant in late November 2008 which resulted in increased imports of anhydrous ethanol blendstock (finished products) during the year.

**TABLE 15**

| <b>VALUE OF IMPORTS BY SITC (C.I.F.)</b> |                          |                          |                |                     |
|--|--------------------------|--------------------------|----------------|---------------------|
| <b>(US\$M)</b>                           |                          |                          |                |                     |
|  | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> | <b>Change</b>  | <b>%<br/>Change</b> |
| <b>TOTAL GENERAL IMPORTS</b>             | <b>6 893.9</b>           | <b>8 361.0</b>           | <b>1 467.1</b> | <b>21.3</b>         |
| 0. FOOD                                  | 730.7                    | 886.3                    | 155.7          | 21.3                |
| 1. BEVERAGE & TOBACCO                    | 93.2                     | 93.5                     | 0.3            | 0.3                 |
| 2. CRUDE MATERIALS                       | 67.6                     | 73.4                     | 5.9            | 8.7                 |
| 3. MINERAL FUELS                         | 2 429.9                  | 3 354.8                  | 924.9          | 38.1                |
| 4. ANIMAL & VEGETABLE OIL                | 31.6                     | 53.9                     | 22.3           | 70.5                |
| 5. CHEMICALS                             | 849.0                    | 951.0                    | 102.0          | 12.0                |
| 6. MANUFACTURED GOODS                    | 753.4                    | 883.6                    | 130.2          | 17.3                |
| 7. MACHINERY & TRANSPORT EQUIPMENT       | 1 252.4                  | 1 264.3                  | 11.9           | 0.9                 |
| 8. MISCELLANEOUS MANUFACTURED GOODS      | 591.2                    | 682.0                    | 90.8           | 15.4                |
| 9. MISCELLANEOUS COMMODITIES.            | 95.1                     | 118.3                    | 23.2           | 24.4                |
| <b>FREEZONE</b>                          | <b>18.5</b>              | <b>20.3</b>              | <b>1.9</b>     | <b>10.0</b>         |
| <b>GOODS PROCURED IN PORTS</b>           | <b>137.0</b>             | <b>143.5</b>             | <b>6.5</b>     | <b>4.7</b>          |
| <b>TOTAL</b>                             | <b>7 049.4</b>           | <b>8 524.8</b>           | <b>1 475.4</b> | <b>20.9</b>         |

1/ Revised

2/ Provisional

### **3.2 DIRECTION OF TRADE (GENERAL MERCHANDISE)**

The US, Canada and UK remained Jamaica's dominant trading partners in 2008, accounting for US\$4 997.6 million or 44.8 per cent of total merchandise trade, compared with 47.1 per cent in 2007. These countries provided markets for US\$1 466.1 million or 54.6 per cent of

Jamaica's total exports in 2008, while supplying US\$3 531.4 million or 41.7 per cent of Jamaica's imports in that year (see **Tables 16 to 18**).

During 2008, the US retained its position as Jamaica's principal trading partner, accounting for 38.3 per cent of the country's general merchandise trade. Imports from the US, which included chemicals, manufactured goods, machinery & transport equipment and food, accounted for 38.9 per cent of Jamaica's general merchandise imports. On the other hand, exports to that market, comprising mainly bauxite, alumina and miscellaneous manufactured goods, accounted for 36.5 per cent of Jamaica's general merchandise exports.

The value of Jamaica's general merchandise imports from the US increased by US\$594.9 million to US\$3 294.4 million in 2008, which outweighed the US\$157.1 million increase in exports to that market. In this context, Jamaica's merchandise trade deficit with the US worsened by 23.4 per cent to US\$2 312.6 million in 2008, relative to the previous year.

There was a reduction in Jamaica's overall trade surplus with Canada in 2008, relative to 2007. The decline in 2008 occurred in a context where exports to this destination fell by 22.3 per cent to US\$259.0 million, while imports from this source also fell by 4.2 per cent to US\$131.6 million. Due to these declines, the share of Jamaica's total merchandise trade with Canada fell to 3.5 per cent in 2008, from 5.1 per cent the previous year. Exports to this market included alumina, rum and food while imports comprised mainly machinery & transport equipment, mineral fuels, chemical and food.

Jamaica's merchandise trade balance with China worsened significantly in 2008. The deficit grew by US\$160.0 million to US\$318.0 million in 2008. This out-turn was influenced by an almost complete cessation of exports to that country. Export earnings fell by US\$68.1 million (97.8 per cent) to US\$1.6 million in 2008, while imports from China increased by US\$92.0 million (40.4 per cent) to US\$319.6 million for the same year. China accounted for 0.1 per cent of Jamaica's exports in 2008, relative to 3.0 per cent in 2007, while its share of imports grew to 3.8 per cent in 2008 relative to 3.3 per cent in 2007. Exports to China consisted mainly of alumina and scrap metal. A sharp decline in the export of alumina contributed to the fall in that country's export share. At end 2007, China levied a 15.0 per cent export tax on

semi-finished aluminium products and cancelled its VAT rebates for the export of those products. This resulted in increased aluminium inventories and reduced demand for alumina in 2008. In addition, the Jamaican Government introduced a ban on the export of scrap metal towards the latter part of 2007. Imports from China included miscellaneous manufactured articles, manufactured goods and machinery & transport equipment.

**TABLE 16**

| <b>VALUE OF EXPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)</b> |                |                   |                |                   |               |                 |
|---|----------------|-------------------|----------------|-------------------|---------------|-----------------|
|   | <b>2007</b>    | <b>% of Total</b> | <b>2008</b>    | <b>% of Total</b> | <b>Change</b> | <b>% Change</b> |
| <b>COUNTRY</b>  |                |                   |                |                   |               |                 |
| United Kingdom  | 216.0          | 9.3               | 225.3          | 8.4               | 9.3           | 4.3             |
| United States   | 824.7          | 35.4              | 981.8          | 36.6              | 157.1         | 19.0            |
| Canada  | 333.3          | 14.3              | 259.0          | 9.7               | -74.3         | -22.3           |
| European Union  | 376.6          | 16.2              | 496.0          | 18.5              | 119.4         | 31.7            |
| CARICOM   | 56.4           | 2.4               | 65.9           | 2.5               | 9.6           | 16.9            |
| China   | 69.6           | 3.0               | 1.6            | 0.1               | -68.1         | -97.8           |
| All other countries   | 453.3          | 19.5              | 653.3          | 24.4              | 200.0         | 44.1            |
| <b>TOTAL</b>  | <b>2,329.9</b> | <b>100.0</b>      | <b>2,682.9</b> | <b>100.0</b>      | <b>353.0</b>  | <b>15.1</b>     |

**TABLE 17**

| <b>VALUE OF IMPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)</b> |                |                   |                |                   |                |                 |
|---|----------------|-------------------|----------------|-------------------|----------------|-----------------|
|   | <b>2007</b>    | <b>% of Total</b> | <b>2008</b>    | <b>% of Total</b> | <b>Change</b>  | <b>% Change</b> |
| <b>COUNTRY</b>  |                |                   |                |                   |                |                 |
| United Kingdom  | 129.3          | 1.9               | 105.5          | 1.2               | -23.8          | -18.4           |
| United States   | 2 699.5        | 39.2              | 3 294.4        | 38.9              | 594.9          | 22.0            |
| Canada  | 137.4          | 2.0               | 131.6          | 1.6               | -5.8           | -4.2            |
| European Union  | 323.8          | 4.7               | 404.7          | 4.8               | 80.9           | 25.0            |
| CARICOM   | 1 191.2        | 17.3              | 1 635.3        | 19.3              | 444.1          | 37.3            |
| China   | 227.6          | 3.3               | 319.6          | 3.8               | 92.0           | 40.4            |
| All other countries   | 2 185.1        | 31.7              | 2 576.2        | 30.4              | 391.1          | 17.9            |
| <b>TOTAL</b>  | <b>6 893.9</b> | <b>100.0</b>      | <b>8 467.1</b> | <b>100.0</b>      | <b>1 573.2</b> | <b>22.8</b>     |

**TABLE 18**

| <b>TRADE BALANCE BY PRINCIPAL TRADING PARTNERS (US\$M)</b> |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>2007</b>     | <b>2008</b>     | <b>Change</b>   | <b>% Change</b> |
| <b>COUNTRY</b>   |                 |                 |                 |                 |
| United Kingdom   | 86.7            | 119.8           | 33.1            | 38.2            |
| United States  | -1,874.8        | -2,312.6        | -437.8          | 23.4            |
| Canada   | 195.9           | 127.4           | -68.5           | -35.0           |
| European Union   | 52.8            | 91.3            | 38.5            | 72.9            |
| CARICOM  | -1,134.8        | -1,569.3        | -434.5          | 38.3            |
| China  | -158.0          | -318.0          | -160.0          | 101.3           |
| All other countries  | -1,731.9        | -1,922.9        | -191.0          | 11.0            |
| <b>TOTAL</b>   | <b>-4,564.0</b> | <b>-5,784.3</b> | <b>-1,220.3</b> | <b>26.7</b>     |

*Source: Statistical Institute of Jamaica*

The UK's share of Jamaica's merchandise trade fell to 3.0 per cent in 2008 from 3.7 per cent in 2007. The value of imports from the UK declined by 18.4 per cent to US\$105.5 million in the review year. Concurrently, general merchandise exports to the UK, comprising mainly sugar, banana and rum increased by 4.3 per cent to US\$225.3 million. Against the background of the growth in exports and a relatively strong decline in imports, Jamaica's trade surplus with the UK increased in 2008 by US\$33.1 million to US\$119.8 million.

Jamaica's trade surplus with the EU also grew by US\$38.5 million (72.9 per cent) to US\$91.3 million in 2008. This improvement was mainly attributed to a US\$119.4 million expansion in exports, which was partially offset by a US\$80.9 million increase in imports. In this context, the share of total merchandise trade accounted for by the EU grew to 8.1 per cent in 2008 from 7.6 per cent in 2007. Exports to this market include sugar, rum and alumina.

### **3.3 CARICOM TRADE**

CARICOM's share of Jamaica's merchandise trade increased to 15.3 per cent in 2008 from 13.5 per cent in 2007. This was influenced by a 37.3 per cent increase in imports as well as a 16.9 per cent growth in exports. These changes resulted in an expansion of US\$434.5 million in Jamaica's trade deficit with the region in 2008. The widening of the deficit was influenced primarily by increased imports from Trinidad and Tobago, which remained Jamaica's major



regional trading partner in 2008 (see **Table 19**). The trade deficit with Trinidad and Tobago grew to US\$1 477.7 million in 2008 from US\$1 039.3 million in 2007.

**TABLE 19**

| CARICOM TRADE (SELECTED COUNTRIES) (US\$MN) |             |                |                 |             |                |                 |
|---|-------------|----------------|-----------------|-------------|----------------|-----------------|
| Country                                     | 2007        |                |                 | 2008        |                |                 |
|   | Exports     | Imports        | Trade Bal.      | Exports     | Imports        | Trade Bal.      |
| Barbados                                    | 9.8         | 58.2           | -48.4           | 10.6        | 67.9           | -57.3           |
| Guyana                                      | 5.0         | 35.9           | -30.9           | 7.0         | 49.8           | -42.8           |
| Belize                                      | 3.0         | 6.2            | -3.2            | 3.3         | 5.3            | -2.0            |
| St. Kitts                                   | 2.1         | 0.1            | 2.0             | 2.2         | 0.0            | 2.2             |
| Antigua                                     | 4.6         | 0.5            | 4.1             | 5.3         | 0.6            | 4.8             |
| Montserrat                                  | 0.2         | 0.0            | 0.2             | 0.2         | 0.0            | 0.2             |
| Trinidad & Tobago                           | 20.1        | 1 059.4        | -1 039.3        | 22.9        | 1 477.6        | -1 454.7        |
| Dominica                                    | 2.0         | 13.0           | -11.0           | 1.5         | 10.1           | -8.6            |
| Grenada                                     | 1.7         | 0.7            | 1.0             | 2.0         | 0.6            | 1.4             |
| St. Lucia                                   | 3.6         | 0.9            | 2.7             | 4.7         | 2.8            | 1.9             |
| St. Vincent                                 | 2.0         | 0.4            | 1.6             | 2.4         | 0.7            | 1.7             |
| Suriname                                    | 2.3         | 15.9           | -13.6           | 3.8         | 19.9           | -16.1           |
| <b>TOTAL</b>                                | <b>56.4</b> | <b>1 191.2</b> | <b>-1 134.8</b> | <b>65.9</b> | <b>1 635.3</b> | <b>-1 569.4</b> |

Source: Statistical Institute of Jamaica

### 3.4 SERVICES

Net earnings from services increased by US\$2.7 million (0.6 per cent) to US\$427.6 million in 2008 (see **Table 20**). The increase in the surplus resulted from an increase of US\$95.5 million in net receipts from *travel*, as well as a US\$11.8 million reduction in the deficit on *other services*. A US\$104.6 million expansion in net payments for *transportation services* partly offset the improvement in *travel* and *other services*.

#### Transportation

The higher deficit on the transportation sub-account largely reflected an increase of US\$118.9 million in payments for freight (see **Table 21**). The growth in freight charges was mainly associated with higher volumes of imported goods. An increase of US\$21.5 million in gross inflows primarily attributed to a rise in arrivals of stopover visitors was partly responsible for the growth in receipts.

**TABLE 20**

|                         | <b>SERVICES</b> |                |               |                     |
|-------------------------|-----------------|----------------|---------------|---------------------|
|                         | <b>(US\$M)</b>  |                |               |                     |
|                         | <b>2007</b>     | <b>2008</b>    | <b>Change</b> | <b>%<br/>Change</b> |
| <b>Services Balance</b> | <b>424.8</b>    | <b>427.6</b>   | <b>2.7</b>    | <b>0.6</b>          |
| Inflows                 | 2 706.5         | 2 794.6        | 88.1          | 3.3                 |
| Outflows                | 2 281.7         | 2 367.1        | 85.4          | 3.7                 |
| <b>Transportation</b>   | <b>-540.4</b>   | <b>-644.9</b>  | <b>-104.5</b> | <b>19.3</b>         |
| Inflows                 | 447.2           | 468.7          | 21.5          | 4.8                 |
| Outflows                | 987.6           | 1 113.6        | 126.0         | 12.8                |
| <b>Travel</b>           | <b>1 611.9</b>  | <b>1 707.4</b> | <b>95.5</b>   | <b>5.9</b>          |
| Inflows                 | 1 910.0         | 1 975.5        | 65.5          | 3.4                 |
| Outflows                | 298.2           | 268.2          | -30.0         | -10.1               |
| <b>Other Services</b>   | <b>-646.6</b>   | <b>-634.9</b>  | <b>11.8</b>   | <b>-1.8</b>         |
| Inflows                 | 349.3           | 350.4          | 1.1           | 0.3                 |
| Outflows                | 995.9           | 985.3          | -10.7         | -1.1                |

Source: Bank of Jamaica

**TABLE 21**

|                             | <b>TRANSPORTATION</b> |                |               |                     |
|-----------------------------|-----------------------|----------------|---------------|---------------------|
|                             | <b>(US\$M)</b>        |                |               |                     |
|                             | <b>2007</b>           | <b>2008</b>    | <b>Change</b> | <b>%<br/>Change</b> |
| <b>TRANSPORTATION (NET)</b> | <b>-540.4</b>         | <b>-644.9</b>  | <b>-104.5</b> | <b>24.5</b>         |
| <b>TOTAL RECEIPTS</b>       | <b>447.2</b>          | <b>468.7</b>   | <b>21.5</b>   | <b>4.8</b>          |
| Passenger fares             | 231.5                 | 245.7          | 14.1          | 6.1                 |
| Freight                     | 15.3                  | 14.6           | -0.8          | -5.2                |
| Other                       | 200.3                 | 208.4          | 8.2           | 4.1                 |
| <b>TOTAL PAYMENTS</b>       | <b>987.6</b>          | <b>1 113.6</b> | <b>126.0</b>  | <b>12.8</b>         |
| Passenger fares             | 41.7                  | 43.9           | 2.3           | 5.4                 |
| Freight                     | 775.1                 | 894.0          | 118.9         | 15.3                |
| Other                       | 170.8                 | 175.7          | 4.9           | 2.9                 |

Source: Bank of Jamaica

## Travel

Net foreign exchange earnings from the tourism industry amounted to US\$1 707.4 million (12.2 per cent of GDP) in 2008, representing an increase of US\$95.5 million or 5.9 per cent, relative to 2007. The increase in the net travel earnings resulted from higher gross receipts of US\$65.5 million, which was supported by a decline in gross payments of US\$30.0 million, the latter being associated with lower expenditure of Jamaicans travelling overseas (see **Table 20**).

The increase in gross travel earnings in 2008 was largely influenced by a 3.9 per cent growth in the arrival of total stopover visitors as well as a 4.4 per cent rise in the average daily spending of foreign national visitors (see **Table 22**).<sup>10</sup> This was sufficient to offset the impact of a 7.4 per cent contraction in cruise passenger arrivals. The growth in stopover visitor arrivals mainly reflected expansions of 12.6 per cent and 3.2 per cent in arrivals of non-resident Jamaicans and foreign national stopover arrivals, respectively. The expansion in arrivals of non-resident Jamaicans may have been associated with increased promotional activities geared towards the diaspora by the JTB in 2008. Within the stopover category, arrival of long-stay foreign nationals accounted for 54.2 per cent of total visitors relative to 55.0 per cent in 2007 (see **Figure 4**).<sup>11</sup> The increase in stopover arrivals primarily resulted from strong growth in some source markets during the first half of the year, the deployment of increased airlifts, discounts offered by major hotels in the second half of the year as well as the overall increased marketing activities of the Jamaica Tourist Board (JTB). Partly retarding the performance of the industry was the impact of the global economic crisis in the latter part of the year, particularly in the US and a 2-day partial closure of the Island's main airports due to Tropical Storm Gustav.

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<sup>10</sup> Visitor arrivals were at record levels for both stopover and cruise visitors in 2007. The previous record was in 2005.

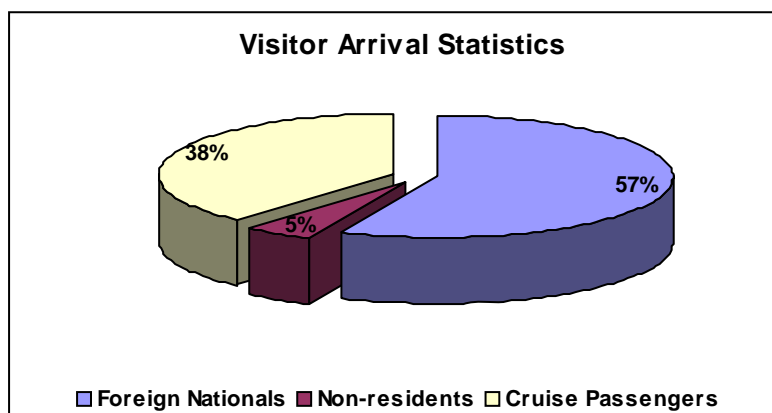
<sup>11</sup> Long-stay visitors represent visitors who stay in excess of three nights.

**TABLE 22**

| <b>VISITOR ARRIVAL STATISTICS (000s)</b>            |                |                |               |                 |
|---|----------------|----------------|---------------|-----------------|
|   | <b>2007</b>    | <b>2008</b>    | <b>Change</b> | <b>% Change</b> |
| <b>Total Stopovers</b>                              | <b>1 700.8</b> | <b>1 767.3</b> | <b>66.5</b>   | <b>3.9</b>      |
| Foreign National Stopovers                          | 1 573.3        | 1 623.7        | 50.4          | 3.2             |
| Long Stay   | 1 507.6        | 1 549.2        | 41.6          | 2.8             |
| Short Stay  | 65.6           | 74.5           | 8.9           | 13.6            |
| Non-resident Jamaican stopovers                     | 127.5          | 143.6          | 16.1          | 12.6            |
| <b>Cruise Passengers &amp; Armed Forces</b>         | <b>1 179.5</b> | <b>1 092.3</b> | <b>-87.2</b>  | <b>-7.4</b>     |
| <b>Total Visitors</b>                               | <b>2 880.3</b> | <b>2 859.5</b> | <b>-20.8</b>  | <b>-0.7</b>     |
| <b>Average Daily Expenditure (For. Nat.) (US\$)</b> | <b>114.5</b>   | <b>119.5</b>   | <b>5.0</b>    | <b>4.4</b>      |
| <b>Gross Estimated Expenditure (US\$M)</b>          | <b>1 910.0</b> | <b>1 975.5</b> | <b>65.5</b>   | <b>3.4</b>      |

Source: Jamaica Tourist Board

**Figure 4**



Source: Jamaica Tourist Board

The decline in cruise visitor arrivals in 2008 primarily reflected the impact of the re-routing of some ships to the Mediterranean as well as the diversion of three cruise ships in August due to adverse weather conditions.

### Stopover Arrivals

#### Source Markets

The US, Canada and the UK continued to be the main sources of visitors to Jamaica (see **Table 23**). Stopover visitors from the US, which accounted for 65.1 per cent of total visitors

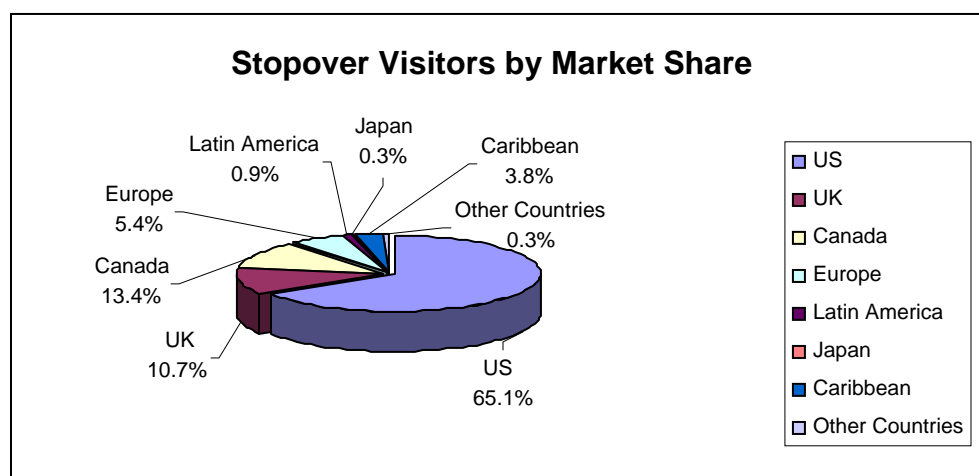
in 2008, grew by 1.6 per cent, relative to the 4.9 per cent decline recorded in 2007. All regions of the US market recorded growth, with the Midwest recording the highest increase of 3.3 per cent. The market share of Canadian visitors increased to 13.4 per cent in 2008 from 11.1 per cent in 2007, driven primarily by a 23.9 per cent expansion in arrivals from this source (see **Figure 5**). Other source markets that recorded notable increases in stopover visitors were the UK, Latin America and the Caribbean. Declines were recorded for Europe (excluding the UK), Japan and the other countries group.

**TABLE 23**

| STOPOVER ARRIVALS BY COUNTRY OF ORIGIN |                   |                  |               |            |                        |                |               |             |                  |                  |               |            |
|--|-------------------|------------------|---------------|------------|------------------------|----------------|---------------|-------------|------------------|------------------|---------------|------------|
|  | Foreign Nationals |                  |               |            | Non-Resident Jamaicans |                |               |             | Total Stopovers  |                  |               |            |
|  | 2007              | 2008             | Change        | % Change   | 2007                   | 2008           | Change        | % Change    | 2007             | 2008             | Change        | % Change   |
| US                                     | 1 040 515         | 1 049 296        | 8 781         | 0.8        | 92 017                 | 101 646        | 9 629         | 10.5        | 1 132 532        | 1 150 942        | 18 410        | 1.6        |
| Canada                                 | 180 846           | 224 769          | 43 923        | 24.3       | 9 804                  | 11 424         | 1 620         | 16.5        | 190 650          | 236 193          | 45 543        | 23.9       |
| UK                                     | 175 415           | 175 896          | 481           | 0.3        | 10 242                 | 12 540         | 2 298         | 22.4        | 185 657          | 188 436          | 2 779         | 1.5        |
| Germany                                | 19 656            | 18 687           | -969          | -4.9       | 239                    | 275            | 36            | 15.1        | 19 895           | 18 962           | -933          | -4.7       |
| Other Europe                           | 82 963            | 76 886           | -6 077        | -7.3       | 379                    | 416            | 37            | 9.8         | 83 342           | 77 302           | -6 040        | -7.2       |
| Latin America                          | 12 053            | 16 015           | 3 962         | 32.9       | 124                    | 107            | -17           | -13.7       | 12 177           | 16 122           | 3 945         | 32.4       |
| Japan                                  | 3 001             | 2 788            | -213          | -7.1       | 49                     | 58             | 9             | 18.4        | 3 050            | 2 846            | -204          | -6.7       |
| Caribbean                              | 48 481            | 50 284           | 1 803         | 3.7        | 14 486                 | 16 947         | 2 461         | 17.0        | 62 967           | 67 231           | 4 264         | 6.8        |
| Other Countries                        | 10 337            | 9 054            | -1 283        | -12.4      | 178                    | 183            | 5             | 2.8         | 10 515           | 9 237            | -1 278        | -12.2      |
| <b>TOTAL</b>                           | <b>1 573 267</b>  | <b>1 623 675</b> | <b>50 408</b> | <b>3.2</b> | <b>127 518</b>         | <b>143 596</b> | <b>16 078</b> | <b>12.6</b> | <b>1 700 785</b> | <b>1 767 271</b> | <b>66 486</b> | <b>3.9</b> |

Source: Jamaica Tourist Board

**Figure 5**



Source: Jamaica Tourist Board

The notable growth in arrivals from Canada was largely attributed to the higher purchasing power of visitors from this source market. This was associated with the appreciation of the Canadian dollar vis-à-vis the US dollar during the review period and the strengthening of the economy following the expansion in oil prices on the international market in the first half of the calendar year. This was supported by an increase in service from existing airlines. For example, during the month of November, WestJet Airlines increased its service to daily flights from Toronto to Montego Bay instead of three times per week. In addition, Air Canada began weekly service from Vancouver in December. Consequently, all regions of the Canadian market recorded increases.

Partly offsetting the impact of the improvement from the US and Canadian markets, the European market recorded a 1.5 per cent decline in arrivals which stemmed from contractions in all regions except the Central/East. However, arrivals from the United Kingdom (UK), Jamaica's third largest source market, grew by 1.5 per cent. This growth was related to new airlift, as well as an increase in promotional campaigns by the JTB throughout the UK

Visitor arrivals from Latin America grew by 32.4 per cent, influenced largely by the South American sub-region. In particular, there was notable growth in stopover arrivals from Ecuador, Brazil and Argentina. The increase from Latin America was attributed to the increased frequency in charter flights operated by Avianca Air from Bogota, Columbia and Tame originating from Quito, Ecuador. This boost in air seats resulted from the marketing activities by Iberostar and RIU hotels, which opened in 2008.

There was also growth of 6.8 per cent in stopover arrivals from the Caribbean in 2008 relative to the increase of 19.8 per cent in 2007. The Cayman Islands and Trinidad and Tobago continued to be the main source of visitors from the region, with respective increases of 3.1 per cent and 9.7 per cent for the review year.

### *Seasonal Distribution*

For the winter period (January to April), stopover arrivals increased by 10.1 per cent, following a 3.7 per cent decline for the comparable period in 2007 (see **Table 24**). The

growth primarily reflected a rebound from the effects of the imposition of the Western Hemisphere Travel Initiative, which stymied growth in the winter period of 2007. Stopover visitor arrivals for the summer months (May to December) grew by 0.7 per cent in 2008, in contrast to the 4.1 per cent increase in 2007. This deceleration may be associated with the increased uncertainty in the global financial markets in the latter half of 2008 as a result of the US sub-prime mortgage crisis.

**TABLE 24**

| <b>SEASONAL DISTRIBUTION OF STOPOVER VISITOR ARRIVALS</b> |                        |                  |               |                   |              |              |
|---|------------------------|------------------|---------------|-------------------|--------------|--------------|
|   | <b>No. of Visitors</b> |                  |               | <b>% of total</b> |              |              |
|   | <b>2007</b>            | <b>2008</b>      | <b>Change</b> | <b>% Change</b>   | <b>2007</b>  | <b>2008</b>  |
| Winter  | 577 813                | 636 158          | 58 345        | 10.1              | 34.0         | 36.0         |
| Summer  | 1 122 972              | 1 131 113        | 8 141         | 0.7               | 66.0         | 64.0         |
| <b>Total</b>  | <b>1 700 785</b>       | <b>1 767 271</b> | <b>66 486</b> | <b>3.9</b>        | <b>100.0</b> | <b>100.0</b> |

*Source: Jamaica Tourist Board (JTB)*

### ***Visitor Accommodation & Length of Stay***

During 2008, the number of available rooms increased by 7.6 per cent to 29 794, while the number of beds rose by 6.8 per cent to 60 871 (see **Table 25**). All resort areas, with the exception of the South Coast, showed increases in available rooms and beds. Negril accounted for the largest share of the overall expansion in visitor accommodation primarily reflecting the opening of 1 066 rooms at the Grand Palladium Jamaica Resort and Spa Hotel. Growth in Montego Bay was attributed largely to the opening of the Iberostar Rose Hall Beach with a total of 319 rooms. The RIU Hotel, Mahoe Bay, also opened with 681 rooms.

There were declines in the average length of stay of visitors from all the major source countries during the review period (see **Table 26A**). The largest decline was evident for both non-resident Jamaicans and foreign nationals staying in private homes and other non-hotel accommodations (See **Table 26B**). Shortened vacations primarily reflected increased job insecurity due to the deterioration of economic conditions in the main source markets. Hotel room occupancy also declined by 2.8 percentage points to an average of 60.4 per cent, relative to 63.2 per cent in 2007.

**TABLE 25**

| <b>VISITOR ACCOMMODATION STATISTICS</b> |               |               |               |               |
|---|---------------|---------------|---------------|---------------|
| <b>(By Resort Area)</b>                 |               |               |               |               |
|   | <b>2007</b>   | <b>2008</b>   | <b>Change</b> | <b>%</b>      |
|   |               |               | <b>Change</b> | <b>Change</b> |
| <b>No. of Rooms</b>                     | <b>27 711</b> | <b>29 794</b> | <b>2 083</b>  | <b>7.6</b>    |
| Kingston                                | 2 327         | 2 347         | 20            | 0.9           |
| Montego Bay                             | 8 315         | 9 307         | 992           | 12.0          |
| Ocho Rios                               | 8 224         | 8 202         | 22            | 0.3           |
| Negril                                  | 6 469         | 7 574         | 1 105         | 17.1          |
| Port Antonio                            | 995           | 995           | 0             | 0.0           |
| South Coast                             | 1 381         | 1 369         | -12           | -0.9          |
| <b>No. of Beds</b>                      | <b>56 980</b> | <b>60 871</b> | <b>3 891</b>  | <b>6.8</b>    |
| Kingston                                | 4 663         | 4 703         | 40            | 0.9           |
| Montego Bay                             | 17 125        | 18 589        | 1 464         | 8.5           |
| Ocho Rios                               | 17 416        | 17 634        | 218           | 1.3           |
| Negril                                  | 13 050        | 15 242        | 2 192         | 16.8          |
| Port Antonio                            | 1 992         | 1 992         | 0             | 0.0           |
| South Coast                             | 2 734         | 2 711         | -23           | -0.8          |

Source: Jamaica Tourist Board

**TABLE 26A**

| <b>AVERAGE LENGTH OF STAY</b>  |               |             |
|--------------------------------|---------------|-------------|
| <b>By Country of Residence</b> |               |             |
|                                | <b>(Days)</b> |             |
| <b>Country</b>                 | <b>2007</b>   | <b>2008</b> |
| US                             | 8.0           | 7.8         |
| Canada                         | 10.8          | 10.2        |
| UK                             | 16.5          | 16.0        |
| Europe                         | 10.7          | 10.4        |
| Latin America                  | 8.9           | 8.0         |
| Caribbean                      | 9.5           | 8.7         |
| Other Countries                | 15.0          | 11.0        |
| <b>TOTAL</b>                   | <b>9.6</b>    | <b>9.3</b>  |

Source: Jamaica Tourist Board



**TABLE 26B**

| <b>AVERAGE LENGTH OF STAY</b>   |                          |                               |                          |                               |
|---------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
| <b>By Type of Accommodation</b> |                          |                               |                          |                               |
|                                 | <b>2007</b>              |                               | <b>2008</b>              |                               |
|                                 | <b>Foreign Nationals</b> | <b>Non Resident Jamaicans</b> | <b>Foreign Nationals</b> | <b>Non Resident Jamaicans</b> |
| Hotel                           | 7.0                      | 8.5                           | 7.0                      | 8.5                           |
| Non-Hotel                       | 9.5                      | 11.8                          | 9.7                      | 11.6                          |
| Private Homes                   | 16.3                     | 18.1                          | 16.0                     | 17.7                          |
| Other                           | 12.9                     | 13.9                          | 11.3                     | 11.7                          |
| <b>TOTAL</b>                    | <b>9.6</b>               | <b>17.5</b>                   | <b>9.3</b>               | <b>17.0</b>                   |

Source: Jamaica Tourist Board

### **Cruise Passengers**

Total cruise visitor arrivals declined by 7.4 per cent in 2008, principally reflecting respective contractions of 4.6 per cent and 9.3 per cent in the number of passengers disembarking the Montego Bay and Ocho Rios ports (see **Table 22**).

The fall in cruise visitor arrivals reflected a reduction in the number of ships calling at the island's ports, notwithstanding two new vessels calling at the Ocho Rios port during the year.<sup>12</sup> For the review period, the number of calls to the Montego Bay and Ocho Rios ports declined by 1.3 per cent and 14.6 per cent, respectively. A total of 397 calls were made to the Island, relative to 435 calls in 2007. This decline in the number of ship calls was largely attributed to the rerouting of ships, primarily from the Royal Caribbean and Princess Cruise lines to other destinations, as well as the diversion of three cruise ships in August due to the passage of Tropical Storm Gustav.

### **Tourist Expenditure**

Gross earnings from tourism increased by US\$65.5 million in 2008 to US\$1 975.5 million (15.2 per cent of GDP), principally reflecting an increase of 3.9 per cent in spending by foreign nationals (see **Table 27**). On average, each foreign national stop-over tourist spent US\$119.47 daily, which represented an increase of 4.3 per cent, relative to 2007. However, the average daily spending by cruise passengers declined by 3.1 per cent during the review period moving to US\$94.19 in 2008 from US\$97.24 in 2007.

<sup>12</sup> Two ships made their maiden calls to the Island during the latter half of 2008.

With respect to payments, there were respective declines 7.7 per cent and 19.8 per cent in the expenditure of Jamaicans overseas and Jamaican seasonal workers during 2008 (see **Table 27**).

**TABLE 27**

| <b>TOURIST EXPENDITURE<br/>(US\$M)</b>        |                |                |               |                     |
|---|----------------|----------------|---------------|---------------------|
|   | <b>2007</b>    | <b>2008</b>    | <b>Change</b> | <b>%<br/>Change</b> |
| <b>Foreign National Stop-over Expenditure</b> | <b>1 728.9</b> | <b>1 796.1</b> | <b>67.2</b>   | <b>3.9</b>          |
| Winter Expenditure                            | 597.5          | 677.4          | 79.9          | 13.4                |
| Summer Expenditure                            | 1 131.4        | 1 118.7        | -12.7         | -1.1                |
| <b>Non-resident Jamaican Expenditure</b>      | <b>67.0</b>    | <b>75.4</b>    | <b>8.4</b>    | <b>12.5</b>         |
| <b>Cruise passengers &amp; Armed Forces</b>   | <b>114.1</b>   | <b>104.0</b>   | <b>-10.1</b>  | <b>-8.5</b>         |
| <b>Total Expenditure</b>                      | <b>1 910.0</b> | <b>1 975.5</b> | <b>65.5</b>   | <b>3.4</b>          |
| Less Jamaican Expenditure Overseas            | 239.7          | 221.3          | -18.4         | -7.7                |
| Less Exp. of Resident Workers Overseas        | 58.5           | 46.9           | -11.6         | -19.8               |
| <b>Net Expenditure</b>                        | <b>1 611.9</b> | <b>1 707.4</b> | <b>95.5</b>   | <b>5.9</b>          |
| <i>Memo</i>                                   |                |                |               |                     |
| Stopover visitor average daily expenditure    | 114.5          | 119.5          | 5.00          | 4.3                 |
| Cruise Passenger average daily expenditure    | 97.2           | 94.2           | -3.0          | -3.1                |

Source: Jamaica Tourist Board

### **Other Services**

The deficit on the *other services* account narrowed by 1.8 per cent to US\$634.9 million in 2008, influenced primarily by a reduction of US\$10.7 million in gross payments (see **Table 28**).

The decrease in outflows primarily reflected a decline of US\$30.1 million in expenditure on other business services. This was partly offset by growth in payments for insurance services, which was attributed to freight insurance due to higher imports in 2008. The contraction in other business services stemmed from a fall in communication, financial and royalties fees, partly countered by a rise in commissions to travel agents as well as the increased marketing activities of the JTB during the year. Increased inflows from the provision of business services to foreigners in 2008 partly countered the reduction in outflows.

**TABLE 28**

| <b>OTHER SERVICES<br/>(US\$M)</b> |               |               |               |                 |
|-----------------------------------|---------------|---------------|---------------|-----------------|
|                                   | <b>2007</b>   | <b>2008</b>   | <b>Change</b> | <b>% Change</b> |
| <b>OTHER SERVICES (NET)</b>       | <b>-646.7</b> | <b>-634.9</b> | <b>11.8</b>   | <b>-1.8</b>     |
| <b>RECEIPTS</b>                   | <b>349.4</b>  | <b>350.5</b>  | <b>1.1</b>    | <b>0.3</b>      |
| Insurance                         | 12.4          | 10.6          | -1.8          | -14.3           |
| Computer & Information            | 27.3          | 29.2          | 1.9           | 7.0             |
| Other Business                    | 272.7         | 278.3         | 5.6           | 2.0             |
| Government                        | 37.0          | 32.4          | -4.6          | -12.5           |
| <b>PAYMENTS</b>                   | <b>996.0</b>  | <b>985.3</b>  | <b>-10.7</b>  | <b>-1.1</b>     |
| Insurance                         | 180.2         | 194.6         | 14.4          | 8.0             |
| Computer & Information            | 25.8          | 24.1          | -1.7          | -6.5            |
| Other Business                    | 733.9         | 703.8         | -30.1         | -4.1            |
| Government                        | 56.1          | 62.8          | 6.7           | 12.0            |

Source: Bank of Jamaica

### **3.5 INCOME**

The income account recorded a deficit of US\$568.2 million in 2008, which was US\$93.4 million lower than in 2007. This improvement reflected a contraction of US\$74.4 million in net investment income outflows, partly countered by a fall of US\$18.9 million in net inflows from compensation to employees (see **Table 29**).

The reduction in net investment income outflows was influenced primarily by a contraction of US\$156.4 million in the estimated profit remittances by the direct investment companies. The estimated decline in the profit remittances of the mining sector reflected increased production costs associated with the significant increase in fuel costs during the year. This was, however, partially offset by a US\$60.8 million decline in investment income inflows associated with a contraction in interest receipts on the reserve assets of the BOJ.

The net outflow in compensation to employees was due to a US\$41.6 million increase in payments by local entities to non-resident employees. These higher payments were associated with ongoing expansion in the tourism sector.

TABLE 29

|                                  | INCOME<br>US\$M |                |               |              |
|----------------------------------|-----------------|----------------|---------------|--------------|
|                                  | 2007            | 2008           | Change        | % Change     |
| <b>INCOME ACCOUNT (NET)</b>      | <b>-661.6</b>   | <b>-568.2</b>  | <b>93.4</b>   | <b>-14.1</b> |
| <b>INFLOWS</b>                   | <b>520.7</b>    | <b>487.9</b>   | <b>-32.8</b>  | <b>-6.3</b>  |
| <b>OUTFLOWS</b>                  | <b>1 182.3</b>  | <b>1 056.1</b> | <b>-126.2</b> | <b>-10.7</b> |
| <b>Compensation to Employees</b> | <b>64.8</b>     | <b>83.7</b>    | <b>18.9</b>   | <b>29.2</b>  |
| Inflows                          | 157.8           | 135.1          | -22.7         | -14.4        |
| Outflows                         | 93.0            | 51.4           | -41.6         | -44.7        |
| <b>Investment Income (net)</b>   | <b>-726.4</b>   | <b>-651.9</b>  | <b>74.4</b>   | <b>-10.2</b> |
| <b>Inflows</b>                   | <b>363.0</b>    | <b>352.8</b>   | <b>-10.1</b>  | <b>-2.8</b>  |
| Direct Investment                | 9.6             | 13.9           | 4.3           | 45.0         |
| Portfolio Investment             | 176.7           | 209.6          | 32.9          | 18.6         |
| Other Investment Income          | 176.7           | 129.3          | -47.3         | -26.7        |
| - Central Government             | 0.0             | 0.0            | 0.0           | 0.0          |
| - BOJ                            | 128.6           | 67.8           | -60.8         | -47.3        |
| - Private                        | 48.0            | 61.5           | 13.5          | 28.1         |
| - Commercial Banks               | 48.0            | 6156           | 13.5          | 28.1         |
| - Insurance Companies            | 0.0             | 0.0            | 0.0           | 0.0          |
| - Other Interest                 | 0.0             | 0.0            | 0.0           | 0.0          |
| <b>Outflows</b>                  | <b>1 089.3</b>  | <b>1 004.7</b> | <b>-84.6</b>  | <b>-7.8</b>  |
| Direct Investment                | 532.6           | 376.2          | -156.4        | -29.4        |
| Portfolio Investment             | 27.1            | 19.5           | -7.6          | -28.2        |
| Other Investment Income          | 529.6           | 609.0          | 79.4          | 15.0         |
| - Central Government             | 439.1           | 457.7          | 18.6          | 4.2          |
| - BOJ                            | 0.1             | 0.0            | -0.1          | -75.0        |
| - Govt. Guaranteed               | 16.0            | 14.7           | -1.3          | -8.1         |
| - Private                        | 114.3           | 250.0          | 135.7         | 118.7        |
| - Commercial Banks               | 74.4            | 136.6          | 62.2          | 83.6         |
| - Other Interest                 | 36.6            | 37.6           | 1.0           | 2.7          |
| - Insurance Companies            | 3.3             | 75.8           | 72.5          | -            |

Source: Bank of Jamaica

### 3.6 CURRENT TRANSFERS

Gross inflows from current transfers amounted to US\$2 488.5 million in 2008, representing an increase of US\$102.8 million (4.3 per cent), relative to an expansion of 16.7 per cent in 2007 (see **Table 30**). This deceleration reflected the impact of the global financial crisis in the major developed economies, especially the US toward the latter part of the year. A

slowdown in growth in gross inflows to the private sector was exacerbated by a reduction in gross inflows to the official sector, resulting from the non-repetition of grant flows associated with hurricane relief in 2007.

Gross private remittance inflows increased to US\$2 381.3 million (17.0 per cent of GDP) in 2008, while outflows fell by 1.5 per cent to US\$332.5 million. The largest share of private transfer inflows in 2008 continued to be sent through remittance companies, which accounted for 51.9 per cent of total inflows in 2008, relative to 52.0 per cent in 2007. The share of inflows through financial institutions fell to 33.0 per cent in 2008 from 35.5 per cent in 2007, while the share attributed to other agencies increased to 15.1 per cent from 12.5 per cent in 2007. There were no remittances sent through the postal system for the year.

**TABLE 30**

| <b>CURRENT TRANSFERS (US\$M.)</b> |                          |                          |               |                 |
|-----------------------------------|--------------------------|--------------------------|---------------|-----------------|
|                                   | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> | <b>Change</b> | <b>% Change</b> |
| <b>TOTAL RECEIPTS</b>             | <b>2 385.7</b>           | <b>2 488.5</b>           | <b>102.8</b>  | <b>4.3</b>      |
| General Government                | 141.2                    | 107.2                    | -34.1         | -24.1           |
| Private Sector                    | 2 244.4                  | 2 381.3                  | 136.9         | 6.1             |
| Postal System                     | 0.3                      | 0.0                      | -0.3          | -100.0          |
| Financial System                  | 797.6                    | 786.2                    | -11.4         | -1.4            |
| Remittance Companies              | 1 166.4                  | 1 235.0                  | 68.6          | 5.9             |
| Other                             | 280.1                    | 360.1                    | 80.0          | 28.6            |
| <b>TOTAL PAYMENTS</b>             | <b>345.8</b>             | <b>339.0</b>             | <b>-6.8</b>   | <b>-2.0</b>     |
| General Government                | 8.3                      | 6.5                      | -1.8          | -21.8           |
| Private Sector                    | 337.5                    | 332.5                    | -5.0          | -1.5            |
| Financial System                  | 303.2                    | 313.2                    | 10.0          | 3.3             |
| Other                             | 34.3                     | 19.3                     | -15.0         | -43.7           |
| <b>NET CURRENT TRANSFERS</b>      | <b>2 039.9</b>           | <b>2 149.5</b>           | <b>109.6</b>  | <b>5.4</b>      |

1/ Revised

2/ Estimates

### 3.7 CAPITAL AND FINANCIAL ACCOUNTS

#### *Overview*

The capital account recorded a surplus of US\$18.1 million in 2008, reflecting an improvement of US\$53.6 million relative to 2007 (see **Table 31**). The financial account registered a surplus of US\$2 775.9 million, representing an increase of US\$702.1 million or 33.9 per cent when compared to the previous year. Net private and official investment inflows were insufficient to finance the deficit on the current account. As a result, there was a decline of US\$104.8 million in the net international reserves of the country.

TABLE 31

| <b>CAPITAL AND FINANCIAL ACCOUNT</b>         |                |                |              |               |
|--|----------------|----------------|--------------|---------------|
| (US\$M)                                      |                |                |              |               |
|  | 2007           | 2008           | Change       | % Change      |
| <b>CAPITAL &amp; FINANCIAL ACCOUNT (NET)</b> | <b>2 038.2</b> | <b>2 793.9</b> | <b>755.8</b> | <b>37.1</b>   |
| <b>A. CAPITAL ACCOUNT</b>                    | <b>-35.5</b>   | <b>18.1</b>    | <b>53.6</b>  | <b>-150.9</b> |
| Capital Transfers                            | -35.5          | 18.1           | 53.6         | -150.9        |
| General Government                           | 0.7            | 48.6           | 47.9         | 6939.1        |
| Other Capital Transfers                      | -36.2          | -30.5          | 5.8          | -15.9         |
| Acq./disposal of non-prod. non-fin'l assets  | 0.0            | 0.0            | 0.0          | 0.0           |
| <b>B. FINANCIAL ACCOUNT</b>                  | <b>2 073.7</b> | <b>2 775.9</b> | <b>702.1</b> | <b>33.9</b>   |
| Other Official Investment                    | 653.0          | 518.6          | -134.4       | -20.6         |
| Other Private Investments <sup>1/</sup>      | 980.9          | 2152.5         | 1171.5       | 119.4         |
| Change in Reserves (increase = minus)        | 439.8          | 104.8          |              |               |

<sup>1/</sup> Include errors & omissions

Source: Bank of Jamaica

#### *Capital Account*

The surplus on the capital account during 2008 mainly reflected growth in net official inflows of US\$47.9 million. The growth in official inflows was attributed to an increase in investment grants primarily related to the Northern Jamaica Development project.

### **Financial Account**

Within the financial account, net official investment inflows declined by US\$134.4 million to US\$518.6 million, relative to 2007 (see **Table 32**). This was attributed to a decline in gross official investment inflows of US\$185.8 million due to reduced government borrowing on the international capital market. Gross official outflows also declined by US\$51.4 million to US\$797.2 million, reflecting a decline in Government amortization of external debt.

**TABLE 32**

| <b>OTHER OFFICIAL INVESTMENT FLOWS</b> |                          |                          |               |                 |
|--|--------------------------|--------------------------|---------------|-----------------|
|  | <b>(US\$M)</b>           |                          |               |                 |
|  | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> | <b>Change</b> | <b>% Change</b> |
| <b>NET OFFICIAL INVESTMENTS</b>        | <b>653.0</b>             | <b>518.6</b>             | <b>-134.4</b> | <b>-20.6</b>    |
| <b>GROSS OFFICIAL INFLOWS</b>          | <b>1 501.6</b>           | <b>1 315.8</b>           | <b>-185.8</b> | <b>-12.4</b>    |
| Project Loan                           | 90.2                     | 212.2                    | 122.0         | 135.2           |
| Other Assistance                       | 1 411.4                  | 1 103.6                  | -307.8        | -21.8           |
| <b>GROSS OFFICIAL OUTFLOWS</b>         | <b>848.6</b>             | <b>797.2</b>             | <b>-51.4</b>  | <b>-6.1</b>     |
| Government Direct                      | 484.9                    | 369.9                    | -115.0        | -23.7           |
| Bank of Jamaica                        | 262.3                    | 225.5                    | -36.7         | -14.0           |
| Other Official                         | 101.4                    | 201.7                    | 100.3         | 98.9            |

Source: Bank of Jamaica

1/ Revised

2/ Provisional

Net private investment inflows (consisting primarily of foreign direct and portfolio investment flows) increased to US\$2 152.5 million in 2008 from US\$980.9 million in 2007 (see **Table 31**). This was largely influenced by a US\$570.1 million increase in gross FDI inflows associated with the sale of a local rum manufacturing firm to an external entity (see **Table 33**). The increase in the information technology and communication sectors emanated primarily from the expansion in the communications industry reflecting their investment in additional equipment during the year.

**TABLE 33**

| <b>FOREIGN DIRECT INVESTMENT INFLOWS BY SECTOR (US\$M)</b> |              |                |                |               |
|--|--------------|----------------|----------------|---------------|
| <b>SECTORS</b>   | <b>2007</b>  | <b>2008</b>    | <b>% Share</b> | <b>Change</b> |
| Agricultural/Manufacturing/Distribution                    | 46.7         | 75.2           | 5.2            | 28.5          |
| Information Technology/Communication                       | 164.5        | 257.0          | 17.9           | 92.5          |
| Insurance  | 0.0          | 0.0            | 0.0            | 0.0           |
| Minerals & Chemicals                                       | 5.2          | 2.3            | 0.2            | -2.9          |
| Mining   | 216.6        | 74.2           | 5.2            | -142.4        |
| Tourism  | 196.9        | 196.0          | 13.6           | -0.9          |
| Other  | 59.3         | 714.3          | 49.7           | 655.0         |
| <b>Sub-total</b>   | <b>689.2</b> | <b>1 319.0</b> | <b>91.8</b>    | <b>629.8</b>  |
| Retained Earnings  | 177.3        | 117.5          | 8.2            | -59.8         |
| Divestment   | 0.0          | 0.0            | 0.0            | 0.0           |
| <b>TOTAL</b>   | <b>866.5</b> | <b>1 436.6</b> | <b>100.0</b>   | <b>570.1</b>  |

Source: Bank of Jamaica

Net official and private investment inflows of US\$518.6 million and US\$2 152.5 million were insufficient to finance the deficit on the current account. As a result, the net foreign assets of the country contracted by US\$104.8 million to US\$1 772.6 million at end-December 2008 (see **Table 34**). Jamaica's gross foreign assets amounted to US\$1 795.1 million, representing an estimated 15.1 weeks of projected imports of goods and services.

**TABLE 34**

| <b>BANK OF JAMAICA: GROSS AND NET FOREIGN EXCHANGE RESERVES<br/>(AS AT 31 DECEMBER 2008)<br/>(US\$M)</b> |                           |                           |               |                 |
|--|---------------------------|---------------------------|---------------|-----------------|
|  | <b>2007 <sup>1/</sup></b> | <b>2008 <sup>2/</sup></b> | <b>Change</b> | <b>% Change</b> |
| <b>NET FOREIGN ASSETS</b>  | <b>1 877.6</b>            | <b>1 772.6</b>            | <b>-105.0</b> | <b>-5.6</b>     |
| <b>GROSS FOREIGN EXCHANGE ASSETS</b>   | <b>1 905.8</b>            | <b>1 795.1</b>            | <b>-110.6</b> | <b>-5.8</b>     |
| Other Bank of Jamaica  | 1 779.9                   | 1 639.5                   | -140.4        | -7.9            |
| Supplementary Fund   | 125.5                     | 155.5                     | 30.0          | 23.9            |
| Holdings of SDR's  | 0.3                       | 0.1                       | -0.2          | -66.7           |
| <b>GROSS FOREIGN LIABILITIES</b>   | <b>28.1</b>               | <b>22.5</b>               | <b>-5.6</b>   | <b>-20.0</b>    |
| IMF liabilities  | 0.0                       | 0.0                       | 0.0           | 0.0             |
| Other liabilities  | 28.1                      | 22.5                      | 0.0           | 0.0             |
| Weeks of estimated imports of Goods/Services   | 10.0                      | 15.1                      | 5.1           | 51.2            |

Source: Bank of Jamaica

<sup>1/</sup> Revised

<sup>2/</sup> Provisional



### **3.8 BALANCE OF PAYMENTS OUTLOOK**

Jamaica's current account balance in 2009 will be affected by the continued contraction of the main sectors in the domestic economy as well as developments in the international economy. A further deterioration of global economic conditions is expected in 2009, despite recent loosening of monetary policy and increased government spending among the more advanced economies. This should result in contractions in Jamaica's exports, tourism earnings and remittances.

The deficit on the goods balance is expected to narrow in 2009. Imports are expected to contract at a faster pace, relative to exports, influenced primarily by a decline in energy prices and a reduction in domestic economic activity. The projected decline in oil prices is consistent with an expected contraction in household and business demand for commodities as the global recession deepens. The pace of the contraction in economic activity in OECD economies is, however, projected to decelerate in the second half of 2009 which may occasion a modest recovery in commodity prices, particularly oil. Jamaica's exports, primarily bauxite and alumina, are also expected to be negatively impacted by the reduction in commodity prices and global demand.

Earnings from services should decline in 2009, influenced by a reduction in the average daily expenditure of visitor arrivals due to the slowing of the global economy, particularly the US. Cruise visitor arrivals are also expected to continue to decline due to projected reduction in both the number of ships as well as the number of calls to the Island. The continued moderation in growth in the world economy is also expected to influence a contraction in private remittances in 2009.

The deficit on the income account should narrow in 2009. This is based on an expected reduction in income outflows from the direct investment companies in the context of a expected contraction in the mining sector. Within the financial account, private capital inflows are projected to decline during 2009 in the context of the postponement of major capital projects due to the uncertainty surrounding the recovery of international markets. International capital markets are also expected to remain closed in 2009. As a result, official and private investments are expected to be negatively impacted during the year.

The main downside risks to this outlook include a slower than anticipated recovery in the US economy and adverse weather in 2009.

## APPENDIX

### STATISTICAL TABLES

#### FIVE-YEAR BOP SERIES BASED ON THE FIFTH EDITION

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TABLE II

| BALANCE OF PAYMENTS STANDARD PRESENTATION (US\$MN) |               |               |               |               |               |               |                    |                |                    |                 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------------|----------------|--------------------|-----------------|
|  | 2004          |               | 2005          |               | 2006          |               | 2007 <sup>1/</sup> |                | 2008 <sup>2/</sup> |                 |
|  | Cr            | Dr            | Cr            | Dr            | Cr            | Dr            | Cr                 | Dr             | Cr                 | Dr              |
|  |               | -501.9        |               | -1071.5       |               | -1182.9       |                    | -2038.2        |                    | -2793.9         |
| <b>1. CURRENT ACCOUNT</b>                          | <b>6060.4</b> | <b>6562.3</b> | <b>6257.5</b> | <b>7329.0</b> | <b>7249.2</b> | <b>8432.1</b> | <b>7975.7</b>      | <b>10013.9</b> | <b>8515.2</b>      | <b>11309.61</b> |
| <b>A. Goods &amp; Services</b>                     | <b>3898.7</b> | <b>5264.0</b> | <b>3993.8</b> | <b>5967.8</b> | <b>4782.4</b> | <b>7098.1</b> | <b>5069.2</b>      | <b>8485.8</b>  | <b>5538.6</b>      | <b>9913.9</b>   |
| <b>1. Goods</b>                                    | <b>1601.6</b> | <b>3545.3</b> | <b>1664.3</b> | <b>4245.6</b> | <b>2133.6</b> | <b>5077.1</b> | <b>2362.6</b>      | <b>6203.9</b>  | <b>2743.8</b>      | <b>7546.8</b>   |
| 1.1 General Merchandise                            | 1404.5        | 3387.1        | 1531.5        | 4130.8        | 1983.5        | 4939.9        | 2202.8             | 6058.2         | 2531.8             | 7392.3          |
| 1.2 Goods procured in ports by carriers            | 70.3          | 101.9         | 76.0          | 101.7         | 96.0          | 121.2         | 103.3              | 130.2          | 151.8              | 137.4           |
| 1.3 Freezone Trade                                 | 126.8         | 56.0          | 56.8          | 13.1          | 54.1          | 16.0          | 56.5               | 15.5           | 60.2               | 17.1            |
| <b>2. Services</b>                                 |               |               |               |               |               |               |                    |                |                    |                 |
| <b>2.1 Transportation</b>                          | <b>497.3</b>  | <b>641.0</b>  | <b>451.1</b>  | <b>717.7</b>  | <b>459.0</b>  | <b>885.4</b>  | <b>447.2</b>       | <b>987.6</b>   | <b>468.7</b>       | <b>1113.6</b>   |
| 2.1.1 Passenger                                    | 295.2         | 31.7          | 237.8         | 40.8          | 224.2         | 41.5          | 231.5              | 41.7           | 245.7              | 43.9            |
| 2.1.2 Freight                                      | 7.6           | 499.6         | 14.6          | 572.1         | 17.8          | 666.4         | 15.3               | 775.1          | 14.6               | 894.0           |
| 2.1.3 Other  | 194.5         | 109.7         | 198.7         | 104.9         | 217.0         | 177.5         | 200.3              | 170.8          | 208.4              | 175.7           |
| <b>2.2 Travel</b>                                  | <b>1438.0</b> | <b>286.5</b>  | <b>1545.0</b> | <b>249.3</b>  | <b>1870.1</b> | <b>273.4</b>  | <b>1910.0</b>      | <b>298.2</b>   | <b>1975.6</b>      | <b>268.2</b>    |
| 2.3 Other Services                                 |               |               |               |               |               |               |                    |                |                    |                 |
| 2.3.1 Insurance Services                           | 9.1           | 124.2         | 14.2          | 133.8         | 13.8          | 168.2         | 12.4               | 180.2          | 10.6               | 194.6           |
| 2.3.2 Communication Services                       | 192.8         | 48.3          | 148.4         | 47.2          | 147.8         | 79.6          | 157.2              | 72.4           | 136.0              | 56.4            |
| 2.3.3 Financial Services                           | 27.7          | 31.9          | 50.4          | 34.2          | 40.4          | 42.7          | 66.9               | 54.9           | 42.5               | 42.2            |
| 2.3.4 Computer & Information Services              | 33.1          | 75.0          | 34.5          | 17.2          | 28.8          | 23.7          | 27.3               | 25.8           | 29.2               | 24.1            |
| 2.3.5 Royalties & License Fees                     | 9.7           | 9.0           | 12.5          | 11.0          | 12.0          | 11.2          | 14.9               | 60.4           | 16.6               | 48.2            |
| 2.3.6 Other Business Services                      | 26.4          | 447.2         | 9.6           | 458.5         | 10.5          | 476.1         | 4.7                | 539.3          | 44.6               | 546.3           |
| 2.3.7 Personal, Cultural & Rec. Services           | 28.4          | 2.4           | 29.6          | 2.0           | 31.2          | 4.4           | 29.1               | 2.2            | 38.6               | 5.9             |
| 2.3.8 Government Services                          | 34.6          | 48.1          | 34.1          | 46.4          | 35.2          | 51.6          | 37.0               | 56.1           | 32.4               | 62.8            |
| 2.3.9 Construction Services                        | 0.0           | 4.7           | 0.0           | 4.8           | 0.0           | 4.8           | 0.0                | 4.8            | 0.0                | 4.8             |
| <b>B Income</b>                                    | <b>269.6</b>  | <b>852.3</b>  | <b>328.2</b>  | <b>1004.1</b> | <b>378.3</b>  | <b>994.1</b>  | <b>520.8</b>       | <b>1182.4</b>  | <b>488.0</b>       | <b>1056.2</b>   |
| 3. Compensation of Employees                       | 135.5         | 51.0          | 140.3         | 51.8          | 154.3         | 58.4          | 157.8              | 93.0           | 135.1              | 51.4            |
| 4. Investment Income                               | 134.1         | 801.3         | 187.9         | 952.3         | 224.0         | 935.7         | 363.0              | 1089.4         | 352.9              | 1004.8          |
| <b>C. Current Transfers</b>                        | <b>1892.1</b> | <b>446.0</b>  | <b>1935.5</b> | <b>357.1</b>  | <b>2088.5</b> | <b>339.9</b>  | <b>2385.7</b>      | <b>345.8</b>   | <b>2488.7</b>      | <b>339.0</b>    |
| 5. Official  | 163.5         | 3.6           | 141.8         | 4.8           | 152.1         | 6.7           | 141.2              | 8.3            | 107.2              | 6.5             |
| 6. Private   | 1728.6        | 442.4         | 1793.7        | 352.3         | 1936.4        | 333.2         | 2244.4             | 337.5          | 2381.5             | 332.5           |
| <b>2. CAPITAL &amp; FINANCIAL ACCOUNT</b>          | <b>3982.6</b> | <b>3459.4</b> | <b>4754.5</b> | <b>3745.4</b> | <b>4053.8</b> | <b>2999.7</b> | <b>5736.5</b>      | <b>4042.3</b>  | <b>6716.6</b>      | <b>3571.5</b>   |
| <b>D. Capital Account</b>                          | <b>35.8</b>   | <b>33.6</b>   | <b>22.5</b>   | <b>40.8</b>   | <b>26.8</b>   | <b>54.5</b>   | <b>22.2</b>        | <b>57.7</b>    | <b>72.6</b>        | <b>54.5</b>     |
| 7. Government Capital Transfers                    | 13.8          | 0.0           | 0.3           | 0.0           | 4.1           | 0.0           | 0.7                | 0.0            | 48.6               | 0.0             |
| 8. Other Sectors Transfers                         | 22.0          | 33.6          | 22.2          | 40.8          | 22.7          | 54.5          | 21.5               | 57.7           | 24.0               | 54.5            |
| <b>E. Financial Account</b>                        | <b>3946.8</b> | <b>3425.8</b> | <b>4732.0</b> | <b>3704.6</b> | <b>4027.0</b> | <b>2945.3</b> | <b>5714.3</b>      | <b>3984.6</b>  | <b>6644.0</b>      | <b>3517.0</b>   |
| 9. Direct Investment                               | 601.6         | 60.0          | 682.5         | 101.0         | 882.2         | 85.4          | 866.5              | 115.0          | 1436.6             | 75.9            |
| 10. Other Investment                               | 3345.2        | 2672.2        | 4049.5        | 3374.7        | 3144.8        | 2629.8        | 4408.0             | 3869.6         | 5102.6             | 3441.1          |
| 10.1 Trade Credits                                 | 99.3          | 119.1         | 165.8         | 149.6         | 150.6         | 300.6         | 260.6              | 194.8          | 298.4              | 241.4           |
| 10.2 Loans   | 1556.5        | 810.5         | 1733.3        | 1217.1        | 1845.9        | 842.0         | 1812.9             | 1239.9         | 2170.5             | 1181.8          |
| 10.2.1 Government                                  | 961.6         | 481.4         | 601.8         | 498.1         | 343.3         | 271.2         | 590.7              | 484.9          | 558.3              | 369.9           |
| 10.2.2 Other sectors                               | 594.9         | 329.1         | 1131.5        | 719.0         | 1502.6        | 570.8         | 1222.2             | 755.0          | 1612.2             | 811.9           |
| 10.3 Currency & Deposits                           | 408.4         | 608.1         | 820.3         | 599.9         | 718.0         | 978.4         | 1154.1             | 662.9          | 1799.6             | 1193.3          |
| 10.4 Other Assets                                  | 1281.0        | 1134.5        | 1330.1        | 1408.1        | 430.3         | 508.8         | 1180.5             | 1772.1         | 834.2              | 824.6           |
| 11. Reserves                                       | 0.0           | 693.6         | 0.0           | 228.9         | 0.0           | 230.1         | 439.8              | 0.0            | 104.8              | 0.0             |
| 11.1 Liabilities                                   | 0.0           | 8.0           | 0.0           | 0.9           | 0.0           | 0.0           | 0.0                | 0.0            | 0.0                | 0.0             |
| 11.2 Assets  | 0.0           | 685.6         | 0.0           | 228.0         | 0.0           | 230.1         | 439.8              | 0.0            | 104.8              | 0.0             |
| 11.2.2 Special Drawing Rights                      | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0           | 0.0                | 0.0            | 0.0                | 0.0             |
| 11.2.4 Bank of Jamaica                             | 0.0           | 685.6         | 0.0           | 228.0         | 0.0           | 230.1         | 439.8              | 0.0            | 104.8              | 0.0             |
| <b>F. Net Errors &amp; Omissions</b>               | <b>0.0</b>    | <b>21.3</b>   | <b>10.7</b>   | <b>0.0</b>    | <b>102.7</b>  | <b>0.0</b>    | <b>339.5</b>       | <b>0.0</b>     | <b>-349.3</b>      | <b>0.0</b>      |

Source: Bank of Jamaica

**TABLE III**

| <b>BALANCE OF PAYMENTS ANALYTIC SUMMARY</b> |             |             |             |                          |                          |
|---|-------------|-------------|-------------|--------------------------|--------------------------|
| <b>(US\$M)</b>                              |             |             |             |                          |                          |
|   | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> |
| Balance of Trade                            | -1943.5     | -2581.3     | -2943.4     | -3841.3                  | -4802.9                  |
| Services                                    | 578.2       | 607.3       | 627.6       | 424.8                    | 427.6                    |
| Net Goods & Services                        | -1365.3     | -1974.0     | -2315.8     | -3416.5                  | -4375.3                  |
| Income                                      | -582.7      | -675.9      | -615.7      | -661.6                   | -568.3                   |
| Private Current Transfers (net)             | 1286.2      | 1441.4      | 1603.2      | 1906.9                   | 2049.0                   |
| Official Current Transfers (net)            | 159.9       | 137.0       | 145.4       | 133.0                    | 100.7                    |
| Capital Transfers                           | 2.2         | -18.3       | -27.7       | -35.5                    | 18.1                     |
| Financial Account                           | 499.7       | 1089.8      | 1210.6      | 2073.7                   | 2775.9                   |
| Net Errors & Omissions                      | -21.3       | 10.7        | 102.7       | 339.5                    | -349.3                   |

Source: Bank of Jamaica

1/ Revised

2/ Provisional

**TABLE IV**

| <b>SELECTED BALANCE OF PAYMENTS INDICATORS</b>       |             |             |             |                          |                          |
|--|-------------|-------------|-------------|--------------------------|--------------------------|
|  | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> |
| Current Account/GDP                                  | -10.6       | -10.6       | -9.9        | -15.7                    | -20.0                    |
| NIR  | 1858.5      | 2087.4      | 2317.5      | 1877.6                   | 1772.6                   |
| Gross Reserves (Central Bank)                        | 1881.9      | 2169.0      | 2399.1      | 1905.7                   | 1795.1                   |
| Gross Foreign Liabilities (Central Bank)             | 23.4        | 81.6        | 81.6        | 28.1                     | 22.5                     |
| Gross Reserves in Wks of Imports of Goods & Services | 18.6        | 18.9        | 15.2        | 11.7                     | 9.4                      |
| Goods Imports/GDP                                    | 35.0        | 38.1        | 42.5        | 47.9                     | 53.9                     |
| Goods & Services Imports/GDP                         | 52.0        | 53.5        | 59.4        | 65.5                     | 70.8                     |
| Goods Exports/GDP                                    | 15.8        | 14.9        | 17.9        | 18.2                     | 19.6                     |
| Goods & Services Exports/GDP                         | 38.5        | 35.8        | 40.0        | 39.1                     | 37.8                     |
| Merchandise Trade/GDP                                | 50.8        | 53.0        | 60.3        | 66.1                     | 73.5                     |
| FDI/GDP  | 5.9         | 6.1         | 7.4         | 6.7                      | 10.3                     |
| Debt Service/Goods & Services Exports                | 20.0        | 21.3        | 13.7        | 18.2                     | 15.6                     |
| Private Remittances/GDP                              | 17.1        | 16.1        | 16.2        | 17.3                     | 17.0                     |

Source: Bank of Jamaica

1/ Revised

2/ Provisional

**TABLE V**

| <b>SERVICES ACCOUNT</b>  |               |               |               |                          |                          |
|--------------------------|---------------|---------------|---------------|--------------------------|--------------------------|
| <b>(US\$M)</b>           |               |               |               |                          |                          |
|                          | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> |
| <b>Services (Net)</b>    | <b>578.2</b>  | <b>607.3</b>  | <b>627.6</b>  | <b>424.8</b>             | <b>427.6</b>             |
| Inflows                  | 2297.2        | 2329.4        | 2648.7        | 2706.5                   | 2794.6                   |
| Outflows                 | 1719.0        | 1722.1        | 2021.1        | 2281.7                   | 2367.1                   |
| <b>1. Transportation</b> | <b>-143.6</b> | <b>-266.6</b> | <b>-426.5</b> | <b>-540.4</b>            | <b>-644.9</b>            |
| Inflows                  | 497.3         | 451.1         | 459.0         | 447.2                    | 468.7                    |
| Outflows                 | 640.9         | 717.7         | 885.4         | 987.6                    | 1113.6                   |
| <b>2. Travel</b>         | <b>1151.5</b> | <b>1295.7</b> | <b>1596.6</b> | <b>1611.9</b>            | <b>1707.4</b>            |
| Inflows                  | 1438.0        | 1545.0        | 1870.1        | 1910.0                   | 1975.6                   |
| Outflows                 | 286.5         | 249.3         | 273.4         | 298.2                    | 268.2                    |
| <b>3. Other Services</b> | <b>-429.7</b> | <b>-421.8</b> | <b>-542.6</b> | <b>-646.7</b>            | <b>-634.9</b>            |
| Inflows                  | 361.9         | 333.3         | 319.7         | 349.3                    | 350.4                    |
| Outflows                 | 791.6         | 755.1         | 862.2         | 996.0                    | 985.3                    |

*Source: Bank of Jamaica*

1/ Revised

2/ Provisional

**TABLE VI**

| <b>OTHER SERVICES</b>                      |               |               |               |                          |                          |
|--|---------------|---------------|---------------|--------------------------|--------------------------|
| <b>(US\$M)</b>                             |               |               |               |                          |                          |
|  | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> |
| <b>Inflows</b>                             | <b>361.9</b>  | <b>333.3</b>  | <b>319.7</b>  | <b>349.3</b>             | <b>350.4</b>             |
| Construction Services                      | 0.0           | 0.0           | 0.0           | 0.0                      | 0.0                      |
| Communication Services                     | 192.8         | 148.4         | 147.8         | 157.2                    | 136.0                    |
| Insurance Services                         | 9.1           | 14.2          | 13.8          | 12.4                     | 10.6                     |
| Financial Services                         | 27.7          | 50.4          | 40.4          | 66.9                     | 42.5                     |
| Computer & Information Services            | 33.1          | 34.5          | 28.8          | 27.3                     | 29.2                     |
| Royalties & License Fees                   | 9.7           | 12.5          | 12.0          | 14.9                     | 16.6                     |
| Other Business Services                    | 26.4          | 9.6           | 10.5          | 4.7                      | 44.6                     |
| Personal, Cultural & Recreational Services | 28.4          | 29.6          | 31.2          | 29.1                     | 38.6                     |
| Government Services                        | 34.6          | 34.1          | 35.2          | 37.0                     | 32.4                     |
| <b>Outflows</b>                            | <b>791.3</b>  | <b>755.1</b>  | <b>862.2</b>  | <b>995.9</b>             | <b>985.3</b>             |
| Construction Services                      | 4.8           | 4.8           | 4.8           | 72.4                     | 56.4                     |
| Communication Services                     | 48.4          | 47.2          | 79.6          | 4.8                      | 4.8                      |
| Insurance Services                         | 124.3         | 133.8         | 168.2         | 180.2                    | 194.6                    |
| Financial Services                         | 32.0          | 34.2          | 42.7          | 54.9                     | 42.2                     |
| Computer & Information Services            | 75.1          | 17.2          | 23.7          | 25.8                     | 24.1                     |
| Royalties & License Fees                   | 9.1           | 11.0          | 11.2          | 60.4                     | 48.2                     |
| Other Business Services                    | 446.9         | 458.5         | 476.1         | 539.3                    | 546.3                    |
| Personal, Cultural & Recreational Services | 2.5           | 2.0           | 4.4           | 2.2                      | 5.9                      |
| Government Services                        | 48.2          | 46.4          | 51.6          | 56.1                     | 62.8                     |
| <b>Other Services (net)</b>                | <b>-429.5</b> | <b>-421.7</b> | <b>-542.6</b> | <b>-646.7</b>            | <b>-634.9</b>            |

Source: Bank of Jamaica

TABLE VII

| <b>INCOME ACCOUNT</b>               |               |               |               |                          |                          |
|-------------------------------------|---------------|---------------|---------------|--------------------------|--------------------------|
| <b>(US\$M)</b>                      |               |               |               |                          |                          |
|                                     | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007<sup>1/</sup></b> | <b>2008<sup>2/</sup></b> |
| <b>A. Compensation of Employees</b> | <b>84.5</b>   | <b>88.6</b>   | <b>96.0</b>   | <b>64.8</b>              | <b>83.7</b>              |
| Inflows                             | 135.4         | 140.4         | 154.3         | 157.8                    | 135.1                    |
| Outflows                            | 50.9          | 51.8          | 58.3          | 93.0                     | 51.4                     |
| <b>B. Investment Income</b>         | <b>-667.0</b> | <b>-764.8</b> | <b>-711.7</b> | <b>-726.4</b>            | <b>-652.0</b>            |
| <b>Inflows</b>                      | <b>134.2</b>  | <b>187.5</b>  | <b>224.0</b>  | <b>363.0</b>             | <b>352.8</b>             |
| Direct Investment                   | 24.9          | 24.4          | -0.3          | 9.6                      | 13.9                     |
| Portfolio Investment                | 35.9          | 56.3          | 73.8          | 176.7                    | 209.6                    |
| Other Investment                    | 73.3          | 106.9         | 150.6         | 176.7                    | 129.4                    |
| - Central Government                | 0.0           | 0.0           | 0.0           | 0.0                      | 0.0                      |
| - Bank of Jamaica                   | 42.9          | 72.7          | 105.9         | 128.6                    | 67.8                     |
| - Other                             | 30.4          | 34.2          | 44.7          | 48.1                     | 61.6                     |
| <b>Outflows</b>                     | <b>801.1</b>  | <b>952.4</b>  | <b>935.7</b>  | <b>1089.4</b>            | <b>1004.8</b>            |
| Direct Investment                   | 361.6         | 453.7         | 375.6         | 532.6                    | 376.2                    |
| Portfolio Investment                | 18.6          | 35.2          | 42.3          | 27.1                     | 19.5                     |
| Other Investment                    | 421.0         | 463.5         | 517.8         | 529.6                    | 609.1                    |
| - Central Government                | 299.5         | 352.5         | 382.2         | 439.1                    | 457.7                    |
| - Bank of Jamaica                   | 0.4           | 0.7           | 0.2           | 0.1                      | 0.0                      |
| - Government Guaranteed             | 1.8           | 17.6          | 15.1          | 16.0                     | 14.7                     |
| - Other                             | 119.3         | 92.8          | 120.4         | 114.3                    | 250.0                    |
| <b>Net Income</b>                   | <b>-582.7</b> | <b>-675.9</b> | <b>-615.7</b> | <b>-661.6</b>            | <b>-568.2</b>            |

Source: Bank of Jamaica



TABLE VIII

| <b>CURRENT TRANSFERS</b>          |               |               |               |                    |                    |
|-----------------------------------|---------------|---------------|---------------|--------------------|--------------------|
| (US\$M)                           |               |               |               |                    |                    |
|                                   | 2004          | 2005          | 2006          | 2007 <sup>1/</sup> | 2008 <sup>2/</sup> |
| <b>Total Receipts</b>             | <b>1892.1</b> | <b>1935.5</b> | <b>2088.5</b> | <b>2385.7</b>      | <b>2488.5</b>      |
| <b>A. General government</b>      | <b>163.5</b>  | <b>141.8</b>  | <b>152.1</b>  | <b>141.2</b>       | <b>107.2</b>       |
| <b>B. Other Sectors</b>           | <b>1728.6</b> | <b>1793.7</b> | <b>1936.4</b> | <b>2244.4</b>      | <b>2381.3</b>      |
| Remittance thru' postal system    | 1.2           | 1.2           | 0.3           | 0.1                | 0.0                |
| Remittance thru' Financial system | 701.2         | 658.1         | 726.7         | 797.6              | 786.2              |
| Remittance companies              | 763.4         | 961.9         | 1042.6        | 1166.4             | 1235.0             |
| Other                             | 262.8         | 172.4         | 167.0         | 280.1              | 360.1              |
| <b>Total Payments</b>             | <b>446.0</b>  | <b>357.1</b>  | <b>339.9</b>  | <b>345.8</b>       | <b>339.0</b>       |
| <b>A. General Government</b>      | <b>3.6</b>    | <b>4.8</b>    | <b>6.7</b>    | <b>8.3</b>         | <b>6.5</b>         |
| <b>B. Other Sectors</b>           | <b>442.4</b>  | <b>352.3</b>  | <b>333.2</b>  | <b>337.5</b>       | <b>332.5</b>       |
| Remittance thru' Financial system | 339.9         | 316.9         | 299.6         | 303.2              | 313.2              |
| Other                             | 102.4         | 35.3          | 33.6          | 34.3               | 19.3               |
| <b>Net Current Transfers</b>      | <b>1446.1</b> | <b>1578.4</b> | <b>1748.6</b> | <b>2039.9</b>      | <b>2149.5</b>      |

Source: Bank of Jamaica

TABLE IX

| <b>CAPITAL ACCOUNT</b>                          |            |              |              |                    |                    |
|---|------------|--------------|--------------|--------------------|--------------------|
| (US\$M)   |            |              |              |                    |                    |
|   | 2004       | 2005         | 2006         | 2007 <sup>1/</sup> | 2008 <sup>2/</sup> |
| <b>CAPITAL ACCOUNT</b>                          | <b>2.2</b> | <b>-18.3</b> | <b>-27.7</b> | <b>-35.5</b>       | <b>18.1</b>        |
| <b>CAPITAL TRANSFERS</b>                        | <b>2.2</b> | <b>-18.3</b> | <b>-27.7</b> | <b>-35.5</b>       | <b>18.1</b>        |
| GENERAL GOVERNMENT                              | 13.8       | 0.3          | 4.1          | 0.7                | 48.6               |
| INFLOWS   | 13.8       | 0.3          | 4.1          | 0.7                | 48.6               |
| OUTFLOWS  | 0.0        | 0.0          | 0.0          | 0.0                | 0.0                |
| OTHER SECTORS                                   | -11.6      | -18.6        | -31.8        | -36.2              | -30.5              |
| INFLOWS   | 22.0       | 22.2         | 22.7         | 21.5               | 24.0               |
| OUTFLOWS  | 33.6       | 40.8         | 54.5         | 57.7               | 54.5               |
| <b>ACQ. /DISP. OF NON-PROD. NON-FIN. ASSETS</b> | <b>0.0</b> | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>         | <b>0.0</b>         |
| INFLOWS   | 0.0        | 0.0          | 0.0          | 0.0                | 0.0                |
| OUTFLOWS  | 0.0        | 0.0          | 0.0          | 0.0                | 0.0                |

Source: Bank of Jamaica