



THE BALANCE OF PAYMENTS

Preliminary QUARTERLY REPORT September 2012

**External Sector Statistics Unit
Economic Information & Publications Department
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**



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BANK OF JAMAICA
P.O. BOX 621
Kingston, Jamaica

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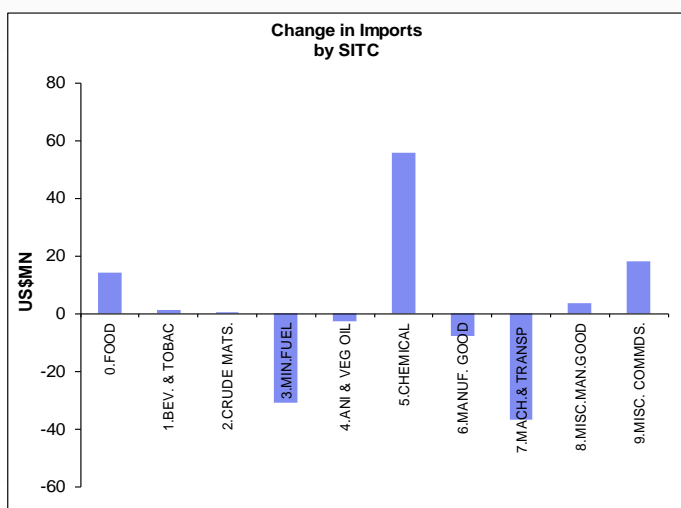
Overview

Table 1
Balance of Payments
July to September 2012/2013

BALANCE OF PAYMENTS OF JAMAICA (US\$MN)			
	Jul-Sep 2011/12	Jul-Sep 2012/13	Change
1. Current Account	-609.8	-623.2	-13.4
A. Goods	-1115.7	-1127.2	-11.6
Exports	407.0	405.8	-1.2
Imports	1522.7	1533.0	10.3
B. Services	112.6	117.7	5.0
C. Income	-114.7	-101.6	13.1
D. Current Transfers	508.0	488.0	-20.0
2. Capital & Financial Account	609.8	623.2	13.4
A. Capital Account	1.5	-6.5	-8.0
B. Financial Account	608.3	629.7	21.4
Official Investment	177.8	-179.4	-357.2
Private Investment	243.9	526.6	282.6
Reserves	186.5	282.6	

Source: Bank of Jamaica

Graph 1
Change in Value of Imports
July to September 2012/2013



Source: STATIN

July to September 2012/2013

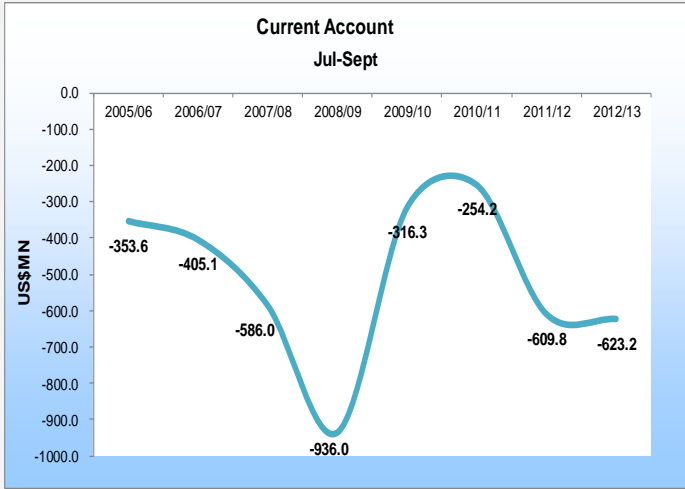
For the second quarter of the 2012/13 fiscal year, there was a Current Account deficit of **US\$623.2 million**, representing a deterioration of **US\$13.4 million** relative to the corresponding period in the preceding fiscal year. The deterioration in the Current Account emanated from the Goods and the Current Transfers sub-accounts (Table 1).

For the Goods sub-account, there was a deficit of **US\$1 127.2 million**, a marginal deterioration of **US\$11.6 million** relative to the corresponding period in the preceding fiscal year. The increase in imports was primarily driven by an increase in chemicals of **US\$55.7 million** (Graph 1). The decline in exports resulted primarily from a reduction of **US\$23.9 million** in alumina exports.

There was an increase in the surplus balance on the Services sub-account of **US\$5.0 million** during the review period. This resulted primarily from an increase in travel inflows. The Income sub-account improved by **US\$13.1 million** during the review period. This emanated primarily from a **US\$6.1 million** decrease in official interest payments on external debt by GOJ.

Relative to the corresponding period in 2011/2012, Current Transfers decreased by **US\$20 million** to **US\$488.0 million**. This decrease primarily resulted from a **US\$17.70 million** decrease in net private transfers. Flows from official and private sources were insufficient to finance the Current Account deficit.

Graph 2
Current Account
July to September 2005/2006 - 2012/2013

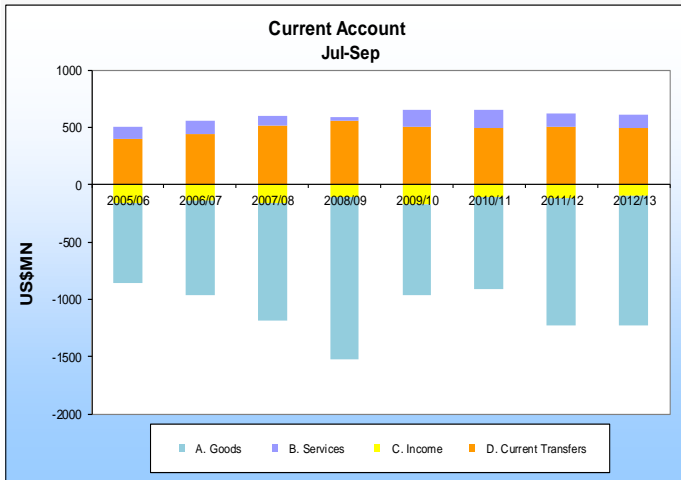


Source: Bank of Jamaica

Consequently, the NIR declined by **US\$282.6 million** during the review period.

Historically, the Current Account balance for recent September quarters ranged from a large deficit of **US\$936.0 million** in 2008/09, to a much improved deficit of **US\$254.2 million** in 2010/11. The current deficit of **US\$623.2 million** reflected a deterioration relative to the smaller deficit of **US\$609.8 million** in previous year (Graph 2). This deterioration primarily resulted from the Goods and the Current Transfers sub-accounts (Graph 3).

Graph 3
Current Account Components
July to September 2005/2006 - 2012/2013



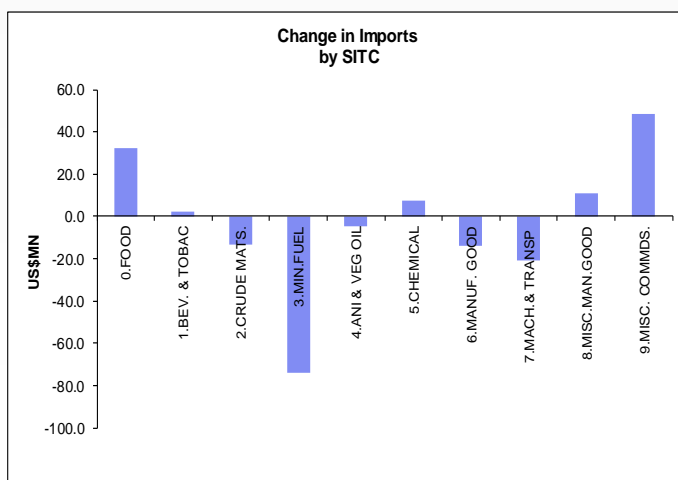
Source: Bank of Jamaica

Table 2
Balance of Payments
January to September 2012

BALANCE OF PAYMENTS OF JAMAICA (US\$MN)			
	Jan-Sep 2011	Jan-Sep 2012	Change
1. Current Account	-1400.5	-1280.8	119.7
A. Goods	-3067.7	-3064.6	3.2
Exports	1286.9	1268.4	-18.4
Imports	4354.6	4333.0	-21.6
B. Services	563.1	544.9	-18.2
C. Income	-383.7	-252.6	131.1
D. Current Transfers	1487.9	1491.5	3.6
2. Capital & Financial Account	1400.5	1280.8	-119.7
A. Capital Account	-8.6	-23.6	-15.0
B. Financial Account	1409.1	1304.4	-104.7
Official Investment	355.3	193.3	-162.0
Private Investment	962.9	402.8	-560.2
Reserves	90.8	708.3	

Source: Bank of Jamaica

Graph 4
Change in Value of Imports
January to September 2012



Source: STATIN

January to September 2012

For the first three quarters of 2012, there was a Current Account deficit of **US\$1 280.8 million**, which represented an improvement of **US\$119.7 million** relative to the corresponding period in 2011. The improvement in the Current Account emanated from all sub-accounts excepting the Services account (Table 2).

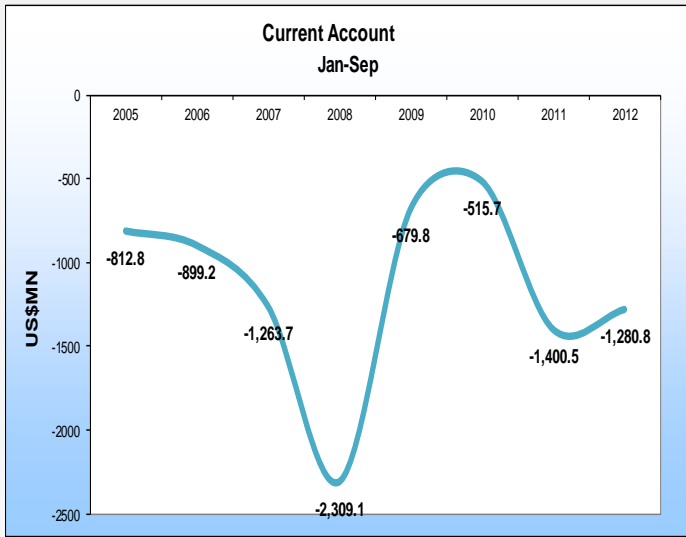
During the period, the Goods balance recorded a deficit of **US\$3 064.6 million**, an improvement of **US\$3.2 million** when compared to the corresponding period in 2011. This resulted primarily from a **US\$21.6 million** decrease in imports, which was significantly influenced by a decrease in mineral fuel of **US\$74.2 million** (Graph 4). The decrease in exports of **US\$18.4 million** stemmed mainly from a decrease in alumina exports of **US\$70.7 million**.

In relation to the Services balance, there was a decline of **US\$18.2 million** in its surplus position. This was primarily attributed to an increase in estimated freight cost associated with imports. The Income sub-account improved by **US\$131.1 million** during the review period. This increase emanated primarily from a decrease of **US\$ 82.6 million** in profits remitted by foreign direct investment companies.

During the review period, Current Transfers increased by **US\$3.6 million** to **US\$1 491.5 million**. This improvement resulted primarily from an increase in net private transfers of **US\$12.3 million**.

Flows from official and private sources were insufficient to finance the Current Account deficit. Consequently, the NIR declined by **US\$708.3 million** during the period.

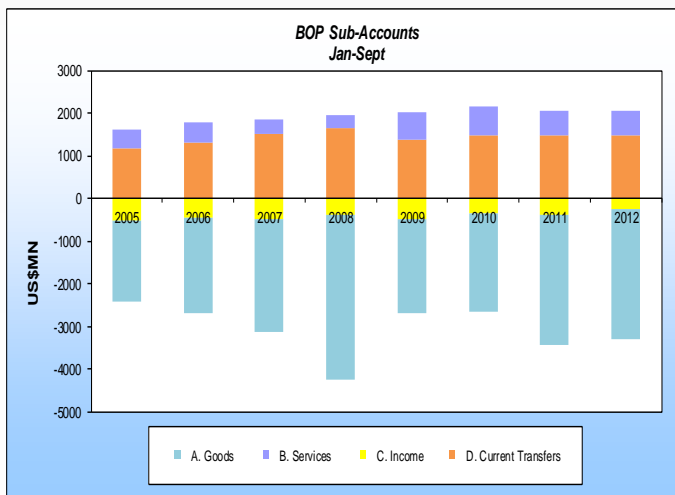
Graph 5
Current Account
January to September 2005-2012



Source: Bank of Jamaica

Historically for the January to September period, the Current Account balance ranged from a large deficit of **US\$2 309.1 million** in 2008/09, to a much improved deficit of **US\$515.7 million** in 2010/11. The current deficit of **US\$1 280.8 million** reflected an improvement relative to the larger deficit of **US\$1 400.5 million** in previous year (Graph 5). This improvement resulted from the Goods and the Income sub-accounts (Graph 6).

Graph 6
Current Account Components
January to September 2005-2012



Source: Bank of Jamaica

Introduction to the Balance of Payments Manual 6th Edition

Since the first edition of the Balance of Payments (BOP) Manual was published in 1948, developments in global transactions have created the need for amendments to the publication, which adequately capture economic transactions. Currently, the manual utilized by most economies is the fifth edition, which was published in 1993. However, the Sixth Edition to the manual was released in 2009 and is titled the *Balance of Payments and International Investment Position Manual*. The IMF is expected to commence publishing data in the BPM6 format in 2012. The following section highlights some of the main amendments to the previous BOP manual.

Table 3^A

BPM 5 Summary

Balance of Payments (US\$MN)	Jul-Sept 1/ 2012/13
1. Current Account	-623.2
A. Goods	-1127.2
Exports	405.8
Imports	1533.0
B. Services	117.7
Transportation	-167.4
Travel	433.5
Other Services	-148.5
C. Income	-101.6
Compensation of Employees	9.3
Investment Income	-110.9
D. Current Transfers	488.0
Official	35.3
Private	452.7
2. Capital & Financial Account	623.2
A. Capital Account	-6.5
Capital Transfers	-6.5
Official	2.7
Private	-9.2
Acq/Disp. of Non-produced Non-fin. Assets	0.0
B. Financial Account	629.7
Official Investment (incl. Govt. Reserves)	-179.4
Central Government	-327.3
Other Official Investment	147.8
Private Investment (incl. Errors & Omissions)	526.6
Reserves	282.6

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Table 3^B

BPM6 Summary

Balance of Payments (US\$MN)	Jul-Sept 1/ 2012/13
Current Account Balance	-623.2
Credits	1,646.8
Debits	2,269.9
Goods & Services	-1,009.6
Credits	1,031.0
Debits	2,040.6
Goods	-1,127.2
Exports	405.8
Imports	1,533.0
Services	117.7
Credits	625.2
Debits	507.5
Primary Income	-101.6
Credits	58.1
Debits	159.7
Secondary Income	488.0
Credits	557.7
Debits	69.7
Capital Account	-6.5
Credits	7.3
Debits	13.8
Net lending (+) / net borrowing (-) (balance from current and capital account)	-629.7
Financial Account	
Net lending (+) / net borrowing (-) (balance from financial account)	-553.6
Direct Investment	-60.2
Net acquisition of financial assets	-5.2
Net incurrence of liabilities	55.0
Portfolio Investments	182.1
Net acquisition of financial assets	-15.9
Net incurrence of liabilities	-198.0
Financial derivatives	1.5
Net acquisition of financial assets	-3.3
Net incurrence of liabilities	-4.7
Other Investments	-394.4
Net acquisition of financial assets	-118.1
Net incurrence of liabilities	276.3
Reservs Assets	-282.6
Net Errors and Omissions	76.1

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Comparison of Terminologies (BPM5 vs. BPM6)

Old (BPM5 - BOJ version)		New (BPM6 version)
Goods + Services	=	Goods & Services
Current a/c + Capital a/c	=	Net lending (+) / Net borrowing (-)

Balance of Payments Summary: July-September 2012 (BPM 6th Edition)

Consistent with the IMF's *Balance of Payments and International Investment Position Manual (BPM6)*, Table 3^B above represents the total value of international transactions conducted between the residents of Jamaica and non-residents for the March 2012 quarter. One major change in the sixth edition of the Balance of Payments (BOP) manual is that the *Capital Account* will no longer be grouped with the *Financial Account*¹ as was done previously, but with the *Current Account* instead. The balance from the *Current* and the *Capital account* is now referred to as *Net Lending or Borrowing* (See Table 3B). Also, the use of debits and credits for the *Financial Account* is replaced by *Net acquisition of financial assets* and the *Net incurrence of liabilities*. BPM6 also introduces the categories of *Primary* and *Secondary Income*, which is conceptually consistent with the System of National Accounts (SNA). *Primary Income* encompasses returns that accrue to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources, while *Secondary Income* contains *Current Transfers* between residents and non-residents. The presentation under the previous manual instead had the sub-accounts *Goods* and *Services*, *Income* and *Current Transfers* (See Table 3A).

For the September quarter, using BPM6 methodology, net borrowing as per the balance on the *Current* and *Capital* accounts amounted to **US\$629.7 million**. This means that the country could not finance the balances on the *Current* and *Capital* accounts with its own earnings of foreign exchange within the period. The *Current Account* for the quarter showed a deficit of **US\$623.2 million** which was driven primarily by the deficit in the *Goods Account* whose deficit was mainly driven by *Imports* of **US\$1 533.0 million** outweighing *Exports* of just **US\$405.8 million**. The *Secondary Income* account,

largely comprised of net Remittance inflows of **US\$429.8 million**, was not enough to prevent the deficit in the *Current Account*.

On the *Financial Account* side of the BOP, net borrowing amounted to **US\$553.6 million**. The largest contributing sub-component to the negative figure of the *Financial Account* was *Other Investments*. The *Other Investments* sub-account had a net borrowing position of **US\$394.4 million**. This was attributed largely to the category of *Long Term Loans*.

Note that the *Bank of Jamaica* will be phasing out the production of the BOP according to the prescribed format of the old manual (BPM5), and will make a transition to the BPM6 methodology. Under this new methodology the Bank will now produce more detailed *Financial Account* data which is aimed at enhancing our understanding of how net lending is invested and how net borrowing is financed. The Tables above provide some more details on the differences between both old and new methodologies.

¹ Note that the *Financial Account*, according to the new BPM6 method, will now be produced using quarterly BOP and IIP surveys, whereas previously it was done by way of an estimation process.

Current Balance of Payments Tables

Table 4			
Balance of Payments of Jamaica			
(USMn)			
	Jul-Sept	Jul-Sept 1/	
	2011/12	2012/13	Change
1. Current Account	-609.8	-623.2	-13.4
A. Goods	-1115.7	-1127.2	-11.6
Exports	407.0	405.8	-1.2
Imports	1522.7	1533.0	10.3
B. Services	112.6	117.7	5.0
Transportation	-157.5	-167.4	-9.8
Travel	415.1	433.5	18.4
Other Services	-144.9	-148.5	-3.6
C. Income	-114.7	-101.6	13.1
Compensation of Employees	11.8	9.3	-2.5
Investment Income	-126.5	-110.9	15.6
D. Current Transfers	508.0	488.0	-20.0
Official	37.6	35.3	-2.3
Private	470.3	452.7	-17.7
2. Capital & Financial Account	609.8	623.2	13.4
A. Capital Account	1.5	-6.5	-8.0
Capital Transfers	1.5	-6.5	-8.0
Official	10.7	2.7	-8.0
Private	-9.2	-9.2	0.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0
B. Financial Account	608.3	629.7	21.4
Official Investment (incl. Govt. Reserves)	177.8	-179.4	-357.2
Central Government	-10.9	-327.3	-316.4
Other Official Investment	188.7	147.8	-40.9
Private Investment (incl. Errors & Omissions)	243.9	526.6	282.6
Reserves	186.5	282.6	
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Table 5			
Balance of Payments of Jamaica			
(US\$Mn)			
	Jul-Sept	Jul-Sept 1/	
	2011/12	2012/13	Change
Services (Net)	112.6	117.7	5.0
Inflows	604.1	625.2	21.0
Outflows	491.5	507.5	16.0
Transportation	-157.5	-167.4	-9.8
Inflows	60.8	59.3	-1.5
Outflows	218.3	226.6	8.3
Travel	415.1	433.5	18.4
Inflows	461.8	484.0	22.2
Outflows	46.7	50.5	3.8
Other Services	-144.9	-148.5	-3.6
Inflows	81.5	81.9	0.4
Outflows	226.4	230.4	3.9
Income (Net)	-114.7	-101.6	13.1
Compensation of Employees	11.8	9.3	-2.5
Inflows	23.0	23.8	0.8
Outflows	11.2	14.5	3.3
Investment Income	-126.5	-110.9	15.6
Inflows	35.3	34.3	-1.1
Outflows	161.8	145.2	-16.6
- Bank of Jamaica	4.0	0.0	-4.0
- Government Direct	102.5	96.3	-6.1
- Government Guaranteed	2.8	1.1	-1.7
- Private	0.0	0.0	0.0
- Direct Investment	29.4	24.6	-4.8
- Other	23.1	23.1	0.0
Current Transfers (Net)	508.0	488.0	-20.0
Inflows	582.6	557.7	-24.9
Outflows	74.7	69.7	-5.0
Official	37.6	35.3	-2.3
Inflows	39.6	37.2	-2.3
Outflows	1.9	1.9	0.0
Private	470.3	452.7	-17.7
Inflows	543.1	520.4	-22.6
Outflows	72.7	67.8	-5.0
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Table 6			
Balance of Payments of Jamaica			
(US\$Mn)			
	Jul-Sept	Jul-Sept 1/	
	2011/12	2012/13	Change
Capital & Financial Account (Net)	609.8	623.2	13.4
Capital Account (Net)	1.5	-6.5	-8.0
1. Capital Transfers	1.5	-6.5	-8.0
Official	10.7	2.7	-8.0
Inflows	10.7	2.7	-8.0
Outflows	0.0	0.0	0.0
Private	-9.2	-9.2	0.0
Inflows	4.6	4.6	0.0
Outflows	13.8	13.8	0.0
2. Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0
Inflows	0.0	0.0	0.0
Outflows	0.0	0.0	0.0
Financial Account (Net)	608.3	629.7	21.4
Official Investment (incl. Govt. Reserves)	177.8	-179.4	-357.2
Inflows	381.1	243.3	-137.8
Outflows	203.3	422.7	219.4
Private Investment (incl. Errors & Omissions)	243.9	526.6	282.6
Inflows	880.4	1142.0	261.6
Outflows	636.5	615.4	-21.0
Reserves	186.5	282.6	
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Historical Balance of Payments Tables

	Balance of Payments of Jamaica							
	(US\$Mn)							
	Jul-Sep 2005/06	Jul-Sep 2006/07	Jul-Sep 2007/08	Jul-Sep 2008/09	Jul-Sep 2009/10	Jul-Sep 2010/11	Jul-Sep 2011/12	Jul-Sep/ 2012/13
1. Current Account	-353.6	-405.1	-586.0	-936.0	-316.3	-254.2	-609.8	-623.2
A. Goods	-700.2	-821.7	-1020.5	-1417.6	-791.2	-798.1	-1115.7	-1127.2
Exports	427.2	534.8	543.8	701.5	371.3	329.5	407.0	405.8
Imports	1127.4	1356.5	1564.3	2119.1	1162.5	1127.7	1522.7	1533.0
B. Services	109.6	117.2	80.4	35.0	149.7	163.5	112.6	117.7
Transportation	-82.2	-126.7	-142.1	-189.3	-113.8	-111.1	-157.5	-167.4
Travel	296.3	380.9	383.4	376.6	385.2	410.1	415.1	433.5
Other Services	-104.5	-137.0	-160.9	-152.3	-121.7	-135.5	-144.9	-148.5
C. Income	-157.1	-144.1	-164.1	-108.4	-173.6	-109.5	-114.7	-101.6
Compensation of Employees	35.4	33.6	26.5	28.2	22.7	30.2	11.8	9.3
Investment Income	-192.5	-177.7	-190.6	-136.6	-196.4	-139.8	-126.5	-110.9
D. Current Transfers	394.1	443.5	518.2	555.0	498.8	490.0	508.0	488.0
General Government	30.8	34.8	33.6	24.9	65.6	44.2	37.6	35.3
Other Sector	363.3	408.7	484.6	530.1	433.2	445.8	470.3	452.7
2. Capital & Financial Account	353.6	405.1	586.0	936.0	316.3	254.2	609.8	623.2
A. Capital Account	-4.9	-6.1	-9.0	11.3	-2.0	-6.1	1.5	-6.5
Capital Transfers	-4.9	-6.1	-9.0	11.3	-2.0	-6.1	1.5	-6.5
General Government	0.1	1.6	0.3	19.1	3.4	0.2	10.7	2.7
Other Sector	-5.0	-7.8	-9.3	-7.8	-5.3	-6.3	-9.2	-9.2
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	358.5	411.2	595.0	924.8	318.3	260.3	608.3	629.7
Official Investment (incl. Govt. Reserves)	219.8	171.7	55.7	333.0	309.8	199.4	177.8	-179.4
Central Government	-46.0	-43.5	-261.4	-18.8	-44.8	149.5	-10.9	-327.3
Other Official Investment	265.8	215.2	317.1	351.8	354.6	50.0	188.7	147.8
Private Investment (incl. Errors & Omissions)	100.9	471.5	216.6	614.0	322.4	238.8	243.9	526.6
Reserves	37.8	-232.0	322.7	-22.3	-313.9	-177.9	186.5	282.6

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 2012 December

Glossary

Balance of Payments

The balance of payments (BOP) is a summary of economic activities between the residents of a country and the rest of the world during a given period, usually one year. The main purpose of keeping these records is to inform government authorities of the overall international economic position of the country in order to assist them in arriving at decisions on monetary and fiscal policy, on the one hand, and trade and payments policy on the other. BOP statistics are therefore helpful to government authorities charged with maintaining macroeconomic stability.

The BOP is divided into two main categories according to the broad nature of the transactions.

These categories are:

1. *The Current Account, and*
2. *The Capital and Financial Account*

1. Current Account

The current account includes all transactions (excluding those recorded in the capital and financial account) between resident and non-resident entities that that involve economic value.

This account is sub-divided into:

- a. *Goods and Services*
- b. *Income, and*
- c. *Current Transfers*

a. The **Goods** and **Services** account covers merchandise trade, travel, transportation and other services.

i. **Merchandise trade** records the value of exports and imports, of tangible goods, including those of the free-zones and goods procured in ports by international carriers.

ii. **Travel** covers goods and services acquired from an economy by non-resident travellers for business and personal purposes during their visits (of less than one year). Expenditures made by seasonal workers (e.g. Jamaican farm workers) and those for educational and health-related purposes made by students and medical patients are recorded in this sub-account.

- iii. **Transportation** covers all transportation services (sea, air and land), bought and sold, that involve the carriage of passengers, movement of goods (freight), charter of carriers with crew and other supporting services.
 - iv. **Other Services** consist of the purchase and sale of: communication services, construction services, insurance services, financial services, computer and information services, royalties and licences fees and government services.
- b. **Income** encompasses the compensation of employees, that is, salaries, wages and benefits of seasonal and other non-resident workers. In addition, it includes investment income that consists of dividends, profits, reinvested earnings, interest on debt and income on portfolio investment.
- c. **Current Transfers** cover transactions such as taxes on income, workers' remittances, and premiums and claims on non-life insurance.

2. Capital and Financial Account

The **capital** and **financial** account records transactions that directly affect the wealth and debt of the country. The account is sub-divided into two main categories:

- a. *The Capital Account, and*
- b. *The Financial Account*

- a. The Capital Account covers (i) capital transfers and (ii) the acquisition/disposal of non-produced, non-financial assets.
 - (i) **Capital Transfers** include the transfer of ownership of fixed assets, the transfer of funds linked to disposal/acquisition of fixed assets and the cancellation of debt by creditors. Acquisition/disposal of non-produced, non-financial assets mainly involves intangibles such as patents and leases. It also includes purchases and sales of land by foreign embassies.
- b. The Financial account covers (i) direct investment, (ii) portfolio investment, (iii) other investments (trade credits, loans, currencies and deposits) and (iv) changes in reserves.
 - (i) **Direct Investment** is the category of international investment in which a resident entity in one economy acquires or disposes of 10 per cent or more of the ordinary shares or voting power of an enterprise located in another economy and has an effective voice in management.

(ii) **Portfolio Investment** covers transactions in equity securities and debt securities. With respect to equity, a portfolio investment would imply less than 10 per cent ownership of the voting power of an enterprise located in another country. Debt securities include bonds and notes, money market instruments and financial derivatives.

(iii) **Other Investment** is a residual category that includes all financial transactions not covered in direct investment, portfolio investment or reserve assets. It includes trade credits, (the direct extension of credit by suppliers to buyers of goods and services), loans to finance trade, other loans and advances and financial leases.

(iv) **Reserves** represent the foreign exchange which the country has available for financing an imbalance of payments with the rest of the world.



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