

Balance of Payments Update

December 2020



Provisional data for the December 2020 quarter indicates that the current account of Jamaica's Balance of Payments recorded a surplus, an improvement when compared with the deficit for the December 2019 quarter. This outturn largely reflected improvements in the Goods, Primary and Secondary income sub-accounts. The Net International Reserves of the Bank of Jamaica increased to US\$3126.1 million at end-December 2020.

For the Fiscal Year to December 2020/21, the current account recorded a surplus in the balance of payments, an improvement relative to the deficit in Fiscal Year to December 2019/20.

- The current account of the balance of payments for the December 2020 quarter reflected a surplus of US\$53.6 million (0.4 per cent of GDP), an improvement of US\$105.0 million when compared with the deficit for the December 2019 quarter. This improvement was primarily reflected in the Goods, Primary and Secondary Income sub-accounts, partly offset by a deterioration in the Services sub-account (see Table 1).
- The Goods balance improved by US\$236.5 million due to a fall of US\$263.7 million in imports, partly offset by a decline of US\$27.2 million in exports.
- The fall in imports primarily emanated from a reduction in Mineral Fuels (US\$169.0 million) which was related to both a decline in oil prices and lower import volumes. There was also a decline in Machinery and Transport equipment (US\$66.9 million) largely due to lower importation of road vehicles and general industrial machinery. In addition, reductions were reflected in Miscellaneous Manufactured Goods (US\$37.2 million) and Manufactured Goods imports (US\$13.9 million).
- With regard to exports, the fall mainly reflected reductions in Mineral Fuels (US\$15.6 million), Machinery and Transport equipment (US\$4.3 million) and Chemicals (US\$3.4 million). These reductions were partly offset by an increase of US\$19.5 million in Crude Material exports.
- The primary income reflected an improvement of US\$15.6 million relative to the similar period of the previous year. This improvement emanated from a decline in investment income outflows of US\$32.1 million, this was partly offset by a decline of US\$11.2 million in investment income inflows and a net decline of US\$5.5 million in compensation of employees.
- There was also an increase of US\$214.6 million in the Secondary Income balance reflecting an increase of US\$193.1 million in net personal transfers complemented by an increase of US\$21.5 million in net general government inflows.
- The Services balance declined by US\$361.6 million, reflecting a reduction of 59.8 per cent in tourist expenditure in the context of a significant decrease in travel during the ongoing COVID-19 pandemic.

- The Financial Account reflected a net borrowing balance of US\$111.3 million for the December 2020 quarter, which represented an improvement of US\$315.7 million, relative to the December 2019 quarter. There were capital inflows from official and private sources. In addition, there was a decline of US\$192.5 million in reserve assets.
- Net Direct Investment inflows for the quarter of US\$46.5 million were lower than the net inflows of US\$102.0 million during the similar period in the previous year. This change was due predominantly to lower levels of investment as a result of the global economic slowdown. Portfolio Investments reflected a net inflow of US\$45.6 million, which was mainly due to an increase in equity and investment funds by non-residents.
- Net Other Investment inflows amounted to US\$386.6 million for the review quarter, an increase of US\$155.7 million relative to December 2019 quarter. The net inflows for the review quarter largely reflected a draw down on deposits held abroad by deposit taking institutions.
- The current account of the balance of payments for Fiscal Year to December 2020/21 reflected a surplus of US\$21.4 million (0.2 per cent of GDP), an improvement of US\$332.5 million when compared with the deficit for Fiscal Year to December 2019/20. This improvement was primarily reflected in the Goods and Secondary Income accounts, partly offset by a deterioration in the Services balance.



Background

The Balance of Payments (BOP) is compiled using the 6th edition of the BOP manual. It comprises of the Current Account, Capital Account and Financial Account. The current account includes net trade in goods and services, net earnings on cross border investments (Primary Income) as well as net transfer payments (Secondary Income). The Financial Account records changes in Jamaica's external assets and liabilities. These assets and liabilities include foreign direct investments, Portfolio Investments such as stocks and bonds, Financial Derivatives, Other Investments, and Reserve assets. Net changes in assets or liabilities arise when gross increases in assets or liabilities differ from gross reductions in assets or liabilities and vice versa.

Table 1: Jamaica's Balance of Payments (US\$MN)

ACCOUNT	OCT - DEC		
	2019	2020	Change
CURRENT ACCOUNT BALANCE	-51.3	53.6	105.0
CAB/GDP (%)	-0.32	0.39	0.72
<i>CREDITS</i>	2248.9	1846.8	-402.1
<i>DEBITS</i>	2300.2	1793.2	-507.0
GOODS & SERVICES	-619.7	-744.8	-125.1
<i>CREDITS</i>	1446.0	843.5	-602.6
<i>DEBITS</i>	2065.7	1588.3	-477.4
GOODS	-1046.0	-809.5	236.5
<i>EXPORTS</i>	335.0	307.8	-27.2
<i>IMPORTS</i>	1380.9	1117.2	-263.7
SERVICES	426.3	64.7	-361.6
<i>CREDITS</i>	1111.0	535.7	-575.3
<i>DEBITS</i>	684.8	471.0	-213.7
PRIMARY INCOME	-45.4	-29.8	15.6
<i>CREDITS</i>	124.6	118.5	-6.2
<i>DEBITS</i>	170.0	148.3	-21.7
SECONDARY INCOME	613.7	828.3	214.6
<i>CREDITS</i>	678.2	884.9	206.7
<i>DEBITS</i>	64.5	56.6	-7.9
CAPITAL ACCOUNT	-5.0	-6.3	-1.3
<i>CREDITS</i>	7.3	6.0	-1.3
<i>DEBITS</i>	12.3	12.3	0.0
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM CURRENT AND CAPITAL ACCOUNT)	-56.3	47.3	103.6
FINANCIAL ACCOUNT			
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM FINANCIAL ACCOUNT)	-427.0	-111.3	315.7
DIRECT INVESTMENT	102.0	-46.5	-148.5
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	250.0	4.1	-245.9
<i>NET INCURRENCE OF LIABILITIES</i>	148.0	50.6	-97.4
PORTFOLIO INVESTMENTS	-334.5	-45.6	288.8
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	-277.5	13.0	290.5
<i>NET INCURRENCE OF LIABILITIES</i>	57.0	58.6	1.6
FINANCIAL DERIVATIVES	-12.8	-0.2	12.6
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	0.2	-0.1	-0.3
<i>NET INCURRENCE OF LIABILITIES</i>	13.0	0.1	-12.9
OTHER INVESTMENTS	-230.8	-386.6	-155.7
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	-74.4	-316.5	-242.2
<i>NET INCURRENCE OF LIABILITIES</i>	156.5	70.0	-86.4
RESERVES ASSETS	49.2	367.7	318.5
NET ERRORS AND OMISSIONS	-370.6	-158.6	212.1



BALANCE OF PAYMENTS

December 2020 Quarter

KEY

↑ Improved by

↓ Deteriorated by

