

Balance of Payments Update

June 2020



Provisional data for the June 2020 quarter indicates that there was a current account deficit of Jamaica's Balance of Payments, a deterioration when compared with the deficit for the June 2019 quarter. This outturn largely reflected a decline in the Services and Primary income sub-accounts. This deficit in the current account was financed by a net inflow in the Financial account, particularly Direct Investment and Other Investment. The NIR of the Bank of Jamaica increased to US\$2949.3 million at end-June 2020.

- The current account of the balance of payments for the June 2020 quarter reflected a deficit of US\$105.9 million (0.8 per cent of GDP), a deterioration of US\$44.7 million when compared with the deficit for the June 2019 quarter. This decline was primarily reflected in the Services and Primary Income sub-accounts, partly offset by an improvement in the Goods and Secondary Income accounts (see Table 1).
- The Goods balance improved by US\$423.0 million due to a fall of US\$599.1 million in imports, partly offset by a decline of US\$176.1 million in exports.
- The fall in imports, primarily emanated from a reduction in Mineral Fuels (US\$310.2 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\$119.1 million) largely due to lower importation of road vehicles and general industrial machinery. In addition, reductions were reflected in Manufactured Goods (US\$82.5 million), Miscellaneous Manufactured Goods (US\$51.7 million) and Food imports (US\$47.2 million).
- With regard to exports, the fall mainly reflected a reduction of US\$121.5 million in Crude Materials, related to the closure of the Jiuquan Iron & Steel (JISCO) alumina processing plant. This was partly offset by an increase of US\$6.6 million in Food exports.
- There was also an increase of US\$106.6 million in the Secondary Income balance reflecting an increase of US\$110.94 million in net personal transfers partly offset by a decline of US\$4.4 million in net general government inflows.
- The Services balance declined by US\$489.9 million, reflecting a 98.0 per cent reduction in tourist expenditure in the context of the travel ban instituted by the government during the ongoing COVID-19 pandemic. Similarly, the Primary Income balance declined for the quarter, mainly due to higher interest payments.
- The Financial Account reflected a net borrowing balance of US\$179.5 million for the June 2020 quarter, which represented a decline of US\$164.8 million, relative to the June 2019 quarter. Capital inflows from official and private sources exceeded the deficit in the current account. In addition, there was a build-up of US\$216.6 million in reserve assets.

- Within the financial account, Net Direct Investment inflows for the quarter of US\$89.9 million were higher than the net inflows of US\$40.1 million during the same period in the previous year. Portfolio Investments reflected a net outflow of US\$2.2 million, relative to a net inflow of US\$250.1 million for the June 2019 quarter. The net portfolio outflow for the review quarter was partly driven by residents acquiring GOJ global bonds from non-residents on the secondary market.
- Net Other Investment inflows amounted to US\$315.9 million for the review quarter, compared to a net outflow of US\$355.0 million for the June 2019 quarter. There was a net increase (inflow) of US\$378.1 million in the liabilities of residents during quarter, largely represented by an increase in liabilities held by deposit taking institutions. The effect of this inflow was partly offset by a US\$62.1 million net increase in resident's holdings of financial assets.



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	APR-JUN		
	2019	2020	Change
CURRENT ACCOUNT BALANCE	-61.2	-105.9	- 44.7
CAB/GDP (%)	-0.39	-0.78	-0.39
<i>CREDITS</i>	2205.7	1286.7	-919.0
<i>DEBITS</i>	2266.9	1392.7	-874.3
GOODS & SERVICES	-600.6	-677.6	-67.0
<i>CREDITS</i>	1475.7	482.4	-993.2
<i>DEBITS</i>	2076.3	1150.0	-926.3
GOODS	-1017.8	-594.9	423.0
<i>EXPORTS</i>	436.6	260.5	-176.1
<i>IMPORTS</i>	1454.5	855.4	-599.1
SERVICES	417.2	-72.7	-489.9
<i>CREDITS</i>	1039.1	222.0	-817.1
<i>DEBITS</i>	621.8	294.6	-327.2
PRIMARY INCOME	-45.0	-129.4	-84.4
<i>CREDITS</i>	72.3	57.4	-14.8
<i>DEBITS</i>	117.3	186.8	69.5
SECONDARY INCOME	584.4	691.0	106.6
<i>CREDITS</i>	657.8	746.8	89.0
<i>DEBITS</i>	73.4	55.8	-17.6
CAPITAL ACCOUNT	-8.5	-9.2	-0.7
<i>CREDITS</i>	3.7	3.2	-0.6
<i>DEBITS</i>	12.2	12.3	0.1
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM CURRENT AND CAPITAL ACCOUNT)	-69.7	-115.1	-45.4
FINANCIAL ACCOUNT	-14.7	-115.1	-45.4
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM FINANCIAL ACCOUNT)	-69.7	-179.5	-164.8
DIRECT INVESTMENT	-40.1	-89.9	-130.0
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	191.4	0.0	-191.4
<i>NET INCURRENCE OF LIABILITIES</i>	151.3	89.9	-61.4
PORTFOLIO INVESTMENTS	-250.1	2.2	252.3
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	18.6	113.5	94.9
<i>NET INCURRENCE OF LIABILITIES</i>	268.7	111.3	-157.4
FINANCIAL DERIVATIVES	-91.8	7.6	99.4
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	-70.7	-2.9	67.8
<i>NET INCURRENCE OF LIABILITIES</i>	21.0	-10.5	-31.5
OTHER INVESTMENTS	355.0	-315.9	-671.0
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	224.7	62.1	-162.5
<i>NET INCURRENCE OF LIABILITIES</i>	130.4	-378.1	508.4
RESERVES ASSETS	67.9	216.6	284.4
NET ERRORS AND OMISSIONS	55.0	-64.4	-119.4



BALANCE OF PAYMENTS

June 2020 Quarter

KEY

↑ Improved by

↓ Deteriorated by

