

# Balance of Payments Update

September 2020



*Provisional data for the September 2020 quarter indicates that there was a current account surplus of Jamaica's Balance of Payments, an improvement when compared with the deficit for the September 2019 quarter. This outturn largely reflected an improvement in the Goods and Secondary income sub-accounts. The NIR of the Bank of Jamaica increased to US\$ 2747.5 million at end-September 2020.*

*For the Fiscal Year to September 2020/21, the current account deficit of the balance of payments improved relative to Fiscal Year to September 2019/20.*

- The current account of the balance of payments for the September 2020 quarter reflected a surplus of US\$38.4 million (0.3 per cent of GDP), an improvement of US\$176.6 million when compared with the deficit for the September 2019 quarter. This Improvement was primarily reflected in the Goods and Secondary Income sub-accounts, partly offset by a deterioration in the Services and Primary Income accounts (see Table 1).
- The Goods balance improved by US\$315.2 million due to a fall of US\$414.5 million in imports, partly offset by a decline of US\$99.3 million in exports.
- The fall in imports, primarily emanated from a reduction in Mineral Fuels (US\$221.3 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\$87.4 million) largely due to lower importation of road vehicles and general industrial machinery. In addition, reductions were reflected in Miscellaneous Manufactured Goods (US\$87.4 million) and Food imports (US\$41.6 million).
- With regard to exports, the fall mainly reflected a reduction of US\$65.0 million in Crude Materials, related to the temporary closure of the Jiuquan Iron & Steel (JISCO) alumina processing plant since October 2019. This was partly offset by an increase of US\$8.4 million in Food exports.
- There was also an increase of US\$217.0 million in the Secondary Income balance reflecting an increase of US\$222.1 million in net personal transfers partly offset by a decline of US\$5.1 million in net general government inflows.
- The Services balance declined by US\$352.1 million, reflecting a 73.1 per cent reduction in tourist expenditure in the context of a significant decrease in travel during the ongoing COVID-19 pandemic. Similarly, the Primary Income balance experienced a marginal decline for the quarter, mainly due to higher investment income outflows.
- The Financial Account reflected a net borrowing balance of US\$143.0 million for the September 2020 quarter, which represented a deterioration of US\$61.8 million, relative to the September 2019 quarter. There were capital inflows from official and private sources despite the surplus in the current account. In addition, there was a decline of US\$192.5 million in reserve assets.

- Within the financial account, Net Direct Investment inflows for the quarter of US\$22.1 million were lower than the net inflows of US\$165.0 million during the same period in the previous year. This change was due predominantly to lower levels of investment as a result of the global economic slowdown, as well as a reduction in direct investment liabilities owing to a major external investor divesting its shares in a local chain in the hotel industry. Portfolio Investments reflected a net inflow of US\$260.0 million, compared to a net outflow of US\$3.6 million for the September 2019 quarter. The net portfolio inflow for the review quarter was partly driven by a reduction in debt securities held by deposit taking institutions.
- Net Other Investment outflows amounted to US\$331.8 million for the review quarter, compared to a net outflow of US\$44.6 million for the September 2019 quarter. The net outflows for the review quarter largely reflected an increase in currency and deposits held abroad by deposit taking institutions. The effect of this outflow was partly offset by a US\$81.8 million net increase in resident's liabilities to non-residents.
- The current account of the balance of payments for Fiscal Year to September 2020/21 reflected a deficit of US\$34.6 million (0.3 per cent of GDP), an improvement of US\$164.8 million when compared with the deficit for Fiscal Year to September 2019/20. This improvement was primarily reflected in the Goods and Secondary Income accounts, partly offset by deteriorations in the Services and Primary Income balances.<sup>i</sup>

## 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	JUL - SEP		
	2019	2020	Change
<b>CURRENT ACCOUNT BALANCE</b>	<b>-138.2</b>	<b>38.4</b>	<b>176.6</b>
<b>CAB/GDP (%)</b>	-0.87	0.28	1.15
<i>CREDITS</i>	2216.9	1682.9	-553.9
<i>DEBITS</i>	2355.9	1644.5	-710.5
<b>GOODS &amp; SERVICES</b>	-624.1	-661.0	-36.9
<i>CREDITS</i>	1398.5	670.7	-727.8
<i>DEBITS</i>	2022.6	1331.7	-690.9
<b>GOODS</b>	-971.2	-656.0	315.2
<i>EXPORTS</i>	386.0	286.7	-99.3
<i>IMPORTS</i>	1357.2	942.7	-414.5
<b>SERVICES</b>	347.1	-5.0	-352.1
<i>CREDITS</i>	1012.4	384.0	-628.5
<i>DEBITS</i>	665.3	389.0	-276.4
<b>PRIMARY INCOME</b>	-161.4	-164.9	-3.5
<i>CREDITS</i>	105.2	92.4	-12.8
<i>DEBITS</i>	266.6	257.3	-9.3
<b>SECONDARY INCOME</b>	647.3	864.4	217.0
<i>CREDITS</i>	713.2	919.8	206.7
<i>DEBITS</i>	65.8	55.5	-10.4
<b>CAPITAL ACCOUNT</b>	-6.1	-5.8	0.3
<i>CREDITS</i>	6.1	-5.8	0.3
<i>DEBITS</i>	12.2	12.3	0.1
<b>NET LENDING (+) / NET BORROWING (-) (BALANCE FROM CURRENT AND CAPITAL ACCOUNT)</b>	-144.3	-32.6	176.9
<b>FINANCIAL ACCOUNT</b>	-		
<b>NET LENDING (+) / NET BORROWING (-) (BALANCE FROM FINANCIAL ACCOUNT)</b>	-81.1	-143.0	-61.8
<b>DIRECT INVESTMENT</b>	-165.0	-22.1	-142.9
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	4.0	0.0	-4.0
<i>NET INCURRENCE OF LIABILITIES</i>	169.0	22.1	-146.9
<b>PORTFOLIO INVESTMENTS</b>	-3.6	-260.0	263.6
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	56.0	-81.2	-137.2
<i>NET INCURRENCE OF LIABILITIES</i>	52.4	178.8	126.4
<b>FINANCIAL DERIVATIVES</b>	-8.9	-0.1	8.8
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	-0.6	0.0	0.6
<i>NET INCURRENCE OF LIABILITIES</i>	8.3	0.1	-8.2
<b>OTHER INVESTMENTS</b>	44.6	331.8	287.2
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	-19.4	413.6	432.9
<i>NET INCURRENCE OF LIABILITIES</i>	-64.0	81.8	145.7
<b>RESERVES ASSETS</b>	44.6	-192.5	-237.1
<b>NET ERRORS AND OMISSIONS</b>	<b>63.2</b>	<b>-175.6</b>	<b>-238.7</b>

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<sup>i</sup> Revision

The BOP data for the March 2020 quarter (and consequently for FY2019/20) was revised relative to the data disseminated on Oct 31, 2020. In particular, the CAD for the March 2020 quarter was revised up by US\$25.9 million, relative to the previous estimate, reflecting a revision to the trade balance. This revision entailed a US\$25.9 million increase in exports.

The revised data indicate that Jamaica's current account balance for the March 2020 quarter is now a deficit of US\$4.3 million (0.03 per cent of GDP) compared to the deficit of US\$ 30.2 (0.2 per cent of GDP) million previously reported.



# BALANCE OF PAYMENTS

September 2020 Quarter

KEY

↑ Improved by

↓ Deteriorated by

