

Balance of Payments Update

September 2021



Provisional data for the September 2021 quarter indicates that the current account of Jamaica's Balance of Payments recorded a surplus, an improvement when compared with the deficit for the September 2020 quarter. This outturn largely reflected improvements in the Services, Secondary Income and Primary Income sub accounts, partly offset by a deterioration in the Goods sub-account. The NIR of the Bank of Jamaica increased to US\$3964.2 million at end-September 2021.

For Fiscal Year to September 2021/22, the current account of the balance of payments reflected a surplus, an improvement relative to the deficit for the corresponding period of the previous Fiscal year.

- The current account of the balance of payments for the September 2021 quarter reflected a surplus of US\$42.1 million (0.28 per cent of GDP), an improvement of US\$38.6 million when compared with the deficit for the September 2020 quarter. This improvement was primarily reflected in the Services, Secondary Income and Primary Income sub accounts, partly offset by a decline in the Goods sub-account (see Table 1).
- The Services balance improved by US\$145.1 million, reflecting a US\$436.3 million increase in tourist expenditure in the context of a partial recovery in travel expenditure following the decline which occurred due to the COVID-19 pandemic. This increase in expenditure was partly offset by the increase in freight charges for the period in comparison to the similar quarter of 2020.
- There was also an increase of US\$65.0 million in the Secondary Income balance reflecting increases of US\$57.9 million and US\$7.2 million in net personal transfers and net general government inflows, respectively, compared to the corresponding period in 2020.
- The Primary income balance reflected an improvement of US\$20.8 million relative to the similar period of calendar year 2020. This improvement emanated from an increase in net investment income inflows of US\$12.2 million complemented by an increase of US\$8.6 million for compensation of employees.
- The Goods balance deteriorated by US\$192.3 million stemming from an increase of US\$264.1 million in imports, partly offset by an increase of US\$71.1 million in exports.
- The increase in imports, primarily emanated from an increase in spending on Mineral Fuel (US\$167.1 million), largely due to higher fuel prices. There were also notable increases in the importation of Food (US\$81.5 million), Machinery & Transportation Equipment (US\$73.2 million), Manufactured Goods (US\$61.0 million) and Chemicals (US\$13.8 million).

- With regard to exports, the increase mainly reflected increases in Mineral Fuels (US\$42.1 million), Crude Materials (US\$ 6.6 million) and Food (\$4.5 million). This was partly offset by decline in the export of Machinery & Transportation Equipment (US\$2.0 million).
- The Financial Account reflected a net lending balance of US\$84.6 million for the September 2021 quarter, which represented an increase of US\$217.1 million, relative to the September 2020 quarter. In addition, there was a build-up of US\$549.1 million in reserve assets.
- Within the financial account, Net Direct Investment inflows for the quarter of US\$118.4 million were higher than the net inflows of US\$22.1 million during the similar period in the previous year. This change was due predominantly to the gradual rebound in economic activities following the heightened uncertainty that existed in the global economy in 2020 due to the pandemic. Portfolio Investments reflected a net inflow of US\$55.9 million. This outturn was mainly driven by an increase in financial liabilities, specifically an increase in purchases on the stock market by non-residents.
- Net Other Investment inflows amounted to US\$290.0 million for the review quarter, relative to the net outflow of US\$331.8 million recorded for the September 2020 quarter. The net inflows for the review quarter was largely driven by an increase in liabilities due to an increase in Special Drawing Rights (SDR), partly offset by a reduction in loans held by non-financial non-bank institutions and a reduction in government external debt. The August 2021 general Special Drawing Rights (SDR) allocation from the International Monetary Fund (IMF), the equivalent of US\$520.6 million, served to bolster the country's stock of FX reserves
- The current account of the balance of payments for Fiscal Year to September 2021/22 reflected a surplus of US\$276.7 million (1.87 per cent of GDP), an improvement of US\$360.0 million when compared with the deficit for the corresponding period of the previous Fiscal Year. This improvement was primarily reflected in the Goods and Secondary Income accounts, partly offset by a deterioration in the Services balance.¹



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.

¹ Revision: The BOP data for the June quarter 2021 was revised relative to the data disseminated on Oct 31, 2021. In particular, the Current account balance for the June 2021 quarter was revised downwards by US\$32.6 million, relative to the previous estimate, reflecting a downward revision to the estimates for the merchandise trade balance. The revised data indicates that the current account of Jamaica's balance of payments for the June 2021 quarter now reflects a surplus of US\$234.6 million (1.72 per cent of GDP) compared to the surplus of US\$267.2 million (1.96 per cent of GDP) previously reported.

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

ACCOUNT	JUL-SEP		
	2020	2021	Change
CURRENT ACCOUNT BALANCE	3.5	42.1	38.6
CAB/GDP (%)	0.03	0.28	0.26
<i>CREDITS</i>	1,631.8	2,281.1	649.2
<i>DEBITS</i>	1,628.3	2,238.9	610.6
GOODS & SERVICES	-718.7	-765.9	-47.2
<i>CREDITS</i>	619.6	1,176.8	557.2
<i>DEBITS</i>	1,338.3	1,942.7	604.4
GOODS	-667.4	-859.7	-192.3
<i>EXPORTS</i>	295.5	367.2	71.7
<i>IMPORTS</i>	962.8	1,226.9	264.1
SERVICES	-51.3	93.8	145.1
<i>CREDITS</i>	324.2	809.6	485.4
<i>DEBITS</i>	375.4	715.8	340.3
PRIMARY INCOME	-142.1	-121.3	20.8
<i>CREDITS</i>	92.4	108.4	16.0
<i>DEBITS</i>	234.5	229.7	-4.8
SECONDARY INCOME	864.4	929.4	65.0
<i>CREDITS</i>	919.8	995.9	76.1
<i>DEBITS</i>	55.5	66.5	11.0
CAPITAL ACCOUNT	-5.8	-7.7	-1.8
<i>CREDITS</i>	6.5	4.7	-1.8
<i>DEBITS</i>	12.3	12.3	0.0
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM CURRENT AND CAPITAL ACCOUNT)	-2.3	34.5	36.7
FINANCIAL ACCOUNT			
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM FINANCIAL ACCOUNT)	-132.6	84.6	217.1
DIRECT INVESTMENT	-22.1	-118.4	-96.3
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	0.0	0.0	0.0
<i>NET INCURRENCE OF LIABILITIES</i>	22.1	118.4	96.3
PORTFOLIO INVESTMENTS	-249.6	-55.9	193.7
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	-81.2	-16.8	64.4
<i>NET INCURRENCE OF LIABILITIES</i>	168.4	39.1	-129.3
FINANCIAL DERIVATIVES	-0.1	-0.2	-0.1
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	0.0	11.5	11.5
<i>NET INCURRENCE OF LIABILITIES</i>	0.1	11.7	11.6
OTHER INVESTMENTS	331.8	-290.0	-621.9
<i>NET ACQUISITION OF FINANCIAL ASSETS</i>	413.6	37.6	-376.0
<i>NET INCURRENCE OF LIABILITIES</i>	81.8	327.6	245.9
RESERVES ASSETS	-192.5	549.1	741.6
NET ERRORS AND OMISSIONS	-130.3	50.1	180.4



BALANCE OF PAYMENTS

September 2021 Quarter

KEY

↑ Improved by

↓ Deteriorated by

