



News Release
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JAMAICA: BALANCE OF PAYMENTS DEVELOPMENTS **February 2005 & April 2004 to February 2005**

The current account of the balance of payments recorded a deficit of US\$7.9MN for February 2005, relative to the surplus of US\$3.7MN for February 2004. This deterioration was largely due to an expansion of US\$14.3MN in the deficit on the income account, which was exacerbated by an increase of US\$5.9MN in the deficit on the merchandise trade account. Increases of US\$8.1MN and US\$0.6MN in the surpluses on the services and current transfers accounts had a partial countervailing effect on the deterioration in the current account. Within the financial account, net official and private capital investment outflows were recorded. In this context, there was a draw down of US\$16.5MN in the net international reserves of the Bank of Jamaica at the end of February 2005.

Merchandise Trade

The expansion in the merchandise trade deficit reflected a decline of US\$8.3MN in the receipts from exports (f.o.b.), which was partly offset by a reduction of US\$2.4MN in the value of imports, relative to February 2004. With the exception of non-traditional exports and goods procured in ports, all the export categories registered lower earnings. In particular, earnings from major traditional exports contracted by US\$11.2 MN, due to reductions of US\$13.4MN and US\$1.7MN in the values of alumina and banana exports. The fall in alumina exports stemmed from a decline of 19.6 per cent in volume exported, associated with maintenance and technical problems at one plant and ship rescheduling at another. Banana exports were affected by the impact of Hurricane Ivan in 2004. An expansion of US\$11.8MN in the value of non-traditional exports was related to an increase in the export of ethanol.

The decline in the import bill for the month was influenced mainly by a contraction of US\$23.0MN in the c.i.f. value of mineral fuels, possibly associated with a reduction in fuel imports by the mining companies. This was partly countered by increases of US\$11.2MN, US\$6.6MN and US\$2.8MN in manufactured goods, machinery and transport equipment and crude material imports, respectively.

Services

Higher receipts of US\$7.4MN on the travel sub-account supported by a reduction of US\$3.6MN in the deficit on the other services sub-account resulted in an expansion in the surplus on the services account. Inflows to the travel sector benefited from a US\$4.6MN increase in tourist expenditure, influenced by an 8.7 per cent increase in cruise passenger spending for the month.

Income

An increase of US\$14.4MN in net investment income outflows influenced by higher interest payments on Government of Jamaica's external debt was responsible for the growth in the deficit on the income account for the review month, relative to 2004. This was partly offset by a reduction in imputed profit remittances of the direct investment companies.

Current Transfers

The marginal increase in the surplus on the current transfers account was attributed primarily to a rise of US\$1.1MN in net inflows to the private sector. This improvement reflected an expansion in gross inflows of US\$8.8MN, which was partially offset by growth of US\$7.7MN in gross outflows.

Capital & Financial Accounts

A deficit of US\$0.4MN was recorded on the capital account, while within the financial account net official and private capital investment outflows of US\$6.2MN and US\$2.0MN were recorded. Given these outflows, as well as the deficit on the current account, there was a draw down of US\$16.5MN in the net international reserves of the Bank of Jamaica.

April 2004 to February 2005

For the fiscal period April to February 2004/05, the current account balance worsened by US\$172.0MN to a deficit of US\$733.8MN, relative to the deficit recorded for the corresponding period in FY 2003/04. This deterioration reflected respective increases of US\$173.0MN and US\$83.4MN in the deficits on the goods and income accounts, as well as a contraction of US\$26.8MN in the surplus on the services account. Partly offsetting these changes was an expansion of US\$111.3MN in the surplus on the current transfers account. Within the financial account net private and official investment inflows, combined with the surplus on the capital account, were more than sufficient to finance the deficit on the current account. Consequently, there was a build up of US\$262.5MN in the net international reserves during the review period.

Merchandise Trade

The widening in the merchandise trade deficit for the review period, relative to April to February 2003/04, reflected an expansion of US\$259.3MN in the value of imports as export earnings (f.o.b.) grew by US\$86.2MN. With the exception of chemicals and free zone imports, all categories of imports expanded in the review period. In particular, expenditure on miscellaneous manufactured goods and mineral fuels went up by US\$113.3MN and US\$63.4MN, respectively.

The higher value of exports principally reflected expansions of US\$73.6MN and US\$18.3MN in receipts from alumina and sugar exports. There were increases of 9.8 per cent and 1.1 per cent in the price and volume, respectively, of alumina exports. Earnings from sugar exports benefited from growth of 29.0 per cent and 3.6 per cent in volume and price, respectively.

Services

While there was an increase of US\$26.6MN in net receipts from travel, outflows from transportation and other service payments resulted in a reduction in the surplus on the services account, relative to FY2003/04. The higher net payment for transportation services was influenced by increased freight payments due to the expansion in imports, while the growth in net payments for other services was associated with higher charges for other business services, financial services and insurance premiums. The expansion in net inflows from the travel sector stemmed from growth of 4.1 per cent in total stop over arrivals for the review period, which was influenced by an increase of 4.4 per cent in foreign national stopover visitor arrivals. An expansion of US\$24.6MN in gross travel outflows, reflecting higher expenditure of Jamaicans while travelling abroad, partly offset the improvement in net inflows.

Income

The widening of the deficit on the income account for the review period stemmed from an expansion of US\$104.6MN in net investment income outflows, which was influenced by increases in imputed profit remittances by the direct investment companies and Government interest payments on external debt. Net receipts of US\$21.2MN in compensation to employees served as a partial countervailing influence.

Current Transfers

The improved surplus on the current transfers account was primarily influenced by an increase of US\$112.6MN in net private inflows. This improvement stemmed from an expansion of US\$164.5MN in gross inflows, which was partially offset by an increase of US\$51.9MN in gross outflows. Approximately 48.0 percent of the inflows were channelled through remittance companies.

Capital & Financial Accounts

Net private and official investment inflows amounted to US\$790.3MN and US\$203.4MN, respectively. These flows were more than sufficient to finance the deficit on the current account and consequently, there was a build up of US\$262.5MN in the net international reserves of the Bank of Jamaica. At the end of February 2005, the level of gross reserves stood at US\$1 854.4MN representing 24.1 weeks of imports of goods and 16.8 weeks of imports of goods and services.

The following table shows the balance of payments for February 2004, February 2005 and for the periods April to February 2003/04 and April to February 2004/05.

BALANCE OF PAYMENTS SUMMARY						
(US\$MN)						
	1/ Feb 2004	2/ Feb 2005	Change	1/ Apr-Feb 2003/04	2/ Apr-Feb 2004/05	Change
1. CURRENT ACCOUNT	3.7	-7.9	-11.6	-561.8	-733.8	-172.0
A. GOODS and SERVICES	-46.6	-44.4	2.2	-1143.8	-1343.7	-199.9
a. GOODS BALANCE	-113.8	-119.7	-5.9	-1671.6	-1844.6	-173.0
Exports (f.o.b.)	133.4	125.1	-8.3	1317.1	1403.3	86.2
Imports (f.o.b.)	247.2	244.8	-2.4	2988.6	3247.9	259.3
b. SERVICES BALANCE	67.2	75.3	8.1	527.7	500.9	-26.8
Transportation	-3.3	-6.2	-2.9	-126.1	-163.8	-37.7
Travel	107.1	114.5	7.4	1027.4	1054.0	26.6
Other Services	-36.6	-33.0	3.6	-373.6	-389.3	-15.7
B. INCOME	-60.0	-74.3	-14.3	-536.5	-619.9	-83.4
Compensation of employees	1.1	1.2	0.1	72.5	93.7	21.2
Investment Income	-61.1	-75.5	-14.4	-609.0	-713.6	-104.6
C. CURRENT TRANSFERS	110.2	110.8	0.6	1118.5	1229.8	111.3
Official	8.9	8.4	-0.5	96.3	95.0	-1.3
Private	101.3	102.4	1.1	1022.2	1134.8	112.6
2. CAPITAL & FINANCIAL ACCOUNT	-3.7	7.9	11.6	561.8	733.8	172.0
A. CAPITAL ACCOUNT	-0.4	-0.4	0.0	0.6	2.6	2.0
a. Capital Transfers	-0.4	-0.4	0.0	0.2	2.6	2.4
Official	0.0	0.0	0.0	0.1	0.0	-0.1
Private	-0.4	-0.4	0.0	0.1	2.6	2.5
b. Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.4	0.0	-0.4
B. FINANCIAL ACCOUNT	-3.2	8.3	11.5	561.2	731.2	170.0
Other official investment	239.1	-6.2	-245.3	108.3	203.4	95.1
Other private investment 3/	12.0	-2.0	-14.0	587.1	790.3	203.2
Reserves	-254.3	16.5		-134.2	-262.5	
1/ Revised						
2/ Provisional						
3/ Includes errors & omissions						