



News Release
07 December 2011

Jamaica Balance of Payments¹
July 2011

- *Provisional data for July 2011 show that there was deterioration in the current account deficit of Jamaica's Balance of Payments, compared to the deficit in July 2010. This was primarily due to an expansion in the merchandise trade deficit. Net inflows from private sources were insufficient to finance official capital outflows as well as the current and capital account deficits. In this context, the net international reserves (NIR) declined for the review month.*
- *For the period January to July 2011, the deficit on the current account widened relative to the corresponding period of 2010. This outcome reflected a worsening in the balances on all the sub-accounts, with the exception of the current transfers sub-account. Net private and official capital inflows were insufficient to finance the deficits on the current and capital accounts. As a result, there was a decline in the NIR of the Bank of Jamaica for the period.*

July 2011

Provisional data indicate that the current account deficit expanded by US\$56.8 million in July 2011, relative to the deficit in July 2010 (see Table). This deterioration primarily reflected the impact of a 76.9 per cent (US\$102.2 million) increase in payments for fuel. Given a 27.4 per cent increase in the average price of oil, this implies that the volume of fuel imported expanded significantly during the month. The impact of this growth in imports was partly countered by an increase of US\$18.7 million (96.9 per cent) in earnings from alumina, due to increases in both price and export volume for the month.

There was a US\$9.7 million decline in the surplus on the services sub-account for the review month, largely associated with higher freight charges on imports. With regard to the income sub-account, there was a marginal increase in the deficit due to higher imputed profit remittances of the direct investment companies. The impact of these changes on the current account was partly offset by growth in net current transfers, principally attributed to a 6.9 per cent increase in gross remittance inflows for the month.

¹ For more details see Balance of Payments Monthly Statistical Update at http://www.boj.org.jm/publications_home.php

With regard to financing, net private capital inflows were insufficient to finance official capital outflows and the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica declined by US\$110.7 million for the month.

January – July 2011

The current account deficit for the period January to July 2011 amounted to US\$943.3 million, representing a deterioration of US\$613.7 million, relative to the deficit for the corresponding period in 2010. This deterioration mainly reflected a widening in the deficit on the goods sub-account which stemmed from growth in all categories of imports, with the exception of miscellaneous manufactured goods, miscellaneous commodities and freezone imports. In particular, mineral fuel imports expanded by US\$562.8 million (61.1 per cent), partly reflecting a 25.7 per cent increase in the average price of oil for the period. Partly offsetting the impact of the expansion in imports on the goods balance were respective increases of US\$142.4 million (75.4 per cent), US\$18.3 million (22.4 per cent) and US\$13.8 million (37.7 per cent) in earnings from alumina, goods procured in Jamaican ports and sugar.

There was also a decline in the surplus on the services sub-account for the review period, principally reflecting a 15.0 per cent (US\$60.9 million) increase in freight charges related to the higher level of imports. The impact of the higher freight charges was partly offset by a US\$28.7 million expansion in net travel receipts, associated with respective increases of 13.9 per cent and 2.7 per cent in cruise and stopover visitor arrivals. Higher imputed profit remittances by foreign direct investment companies as well as increased interest payments by the public sector influenced the widening of the deficit on the income sub-account. The surplus on the current transfers sub-account expanded by US\$50.5 million, mainly reflecting growth of 6.4 per cent in gross private remittance inflows.

With regard to financing, net private capital inflows in conjunction with net official capital inflows were insufficient to offset the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica declined by US\$15.0 million for the review period. The Bank's gross reserves at end-July 2011 amounted to US\$3 045.2 million, representing 21.1 weeks of projected goods and services imports.

BALANCE OF PAYMENTS SUMMARY

US\$MN

	1/			1/		
	July	July	Change	Jan-July	Jan-July	Change
	2010	2011		2010	2011	
1. CURRENT ACCOUNT	68.0	-124.8	-56.8	-329.6	-943.3	-613.7
a. GOODS BALANCE	-283.4	-346.8	-63.4	-1781.7	-2307.6	-525.9
Exports (f.o.b.)	103.6	122.3	18.7	791.4	994.1	202.7
Imports (f.o.b.)	387.0	469.0	82.1	2573.1	3301.7	728.5
b. SERVICES BALANCE	109.9	100.1	-9.7	615.0	582.1	-32.9
Transportation	-33.8	-42.7	-8.9	-221.1	-275.1	-54.0
Travel	198.0	197.3	-0.7	1186.0	1214.7	28.7
Other Services	-54.3	-54.5	-0.2	-349.9	-357.6	-7.6
B. INCOME	-59.3	-62.1	-2.7	-306.7	-412.1	-105.4
Compensation of employees	7.2	6.9	-0.3	19.6	16.8	-2.8
Investment Income	-66.5	-69.0	-2.5	-326.4	-429.0	-102.6
C. CURRENT TRANSFERS	164.9	183.9	19.0	1143.8	1194.3	50.5
Official	17.1	21.1	3.9	104.9	91.7	-13.2
Private	147.8	162.8	15.1	1038.9	1102.6	63.6
2. CAPITAL & FINANCIAL ACCOUNT	68.0	124.8	56.8	329.6	943.3	613.7
A. CAPITAL ACCOUNT	-1.8	-1.9	-0.1	-11.9	-13.3	-1.4
a. Capital Transfers	-1.8	-1.9	-0.1	-11.9	-13.3	-1.4
Official	0.1	0.0	-0.1	4.1	2.7	-1.4
Private	-1.9	-1.9	0.0	-16.0	-16.0	0.0
b. Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	69.8	126.7	56.9	341.5	956.6	615.1
Other official investment	-10.1	-19.3	-9.2	520.6	109.9	-410.7
Other private investment 2/	16.8	35.3	18.5	-175.9	831.8	1007.7
Reserves	63.2	110.7		-3.2	15.0	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA