

PREFACE

Following the revised growth estimate of 3.5 per cent in 1999, world output increased by 4.8 per cent in 2000. The acceleration in output growth was influenced mainly by the continued buoyancy of the economies in North America, the strengthening of the economies in the Euro area, and also by the sustained recovery in some emerging market economies, particularly Brazil and Mexico. While inflationary pressures picked up in the advanced economies in response to shocks to energy prices, inflation in the developing countries continued on a downward path. In the context of the increased threat of inflation in the advanced economies, interest rates were increased throughout these economies during 2000.

Macroeconomic policy in Jamaica continued to focus on the maintenance of economic stability as the basis for stronger output growth. Despite the shocks to oil and domestic agricultural prices during the year, inflation fell relative to 1999, marking the first time in three decades that monetary policy has been successful in maintaining single digit inflation for four consecutive years. The economy also returned to a growth path in the year, reversing the recessionary trends of the previous four years. This turn-around in economic activity occurred despite the fall in output in both the mining and agricultural sectors, the consequence of the highly publicised explosion at the Kaiser refinery in Gramercy, Louisiana, and adverse weather conditions.

For the external sector, while there was a deterioration in the current account in 2000 relative to 1999, Government and private sector investment activities led to a surplus on the financial account, which outweighed the current account deficit and resulted in a substantial build-up in the Net International Reserves (NIR). The slide in the current account reflected a marked deterioration in the trade balance as the growth in imports was exacerbated by increases in the country's fuel bill. The current account, however, benefited from continued buoyancy in international travel receipts, private transfers, and a one-time inflow from Government's sale of cellular licences.

As has now become the practice, we set out the balance of payments accounts for 2000 in conformity with the Fifth Manual published by the International Monetary Fund (IMF). An explanation of the changes to the accounts has been included at Appendix I to facilitate the understanding of the methodology.

We are grateful to the companies, institutions and individuals that have continued to support us over the years. Without their cooperation in supplying data, filling out questionnaires and granting interviews, this publication would not be possible. The Bank of Jamaica remains committed to its mandate of serving the Jamaican economy by being a strong and efficient institution. We trust that this publication will continue to inform and educate.

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BALANCE OF PAYMENTS OF JAMAICA

2000

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Part I

INTERNATIONAL ECONOMIC DEVELOPMENTS

1.0 OVERVIEW

Following the rebound in 1999, there was a further expansion in global economic activity during 2000, with an estimated 4.8 per cent increase being registered in world output, up from 3.5 per cent in 1999. The acceleration in output growth was influenced mainly by the continued buoyancy of the economies in North America, the strengthening of the economies in the Euro area and also by the sustained recovery in some emerging market economies.

Among the primary contributory factors to the increase in output during 2000 was the commitment to economic stability on the part of policy makers in these economies, coupled with continued structural reforms. These measures were reflected in strong growth in export earnings, notwithstanding the presence of price volatility in the commodity markets during the year. The positive performance in exports facilitated a further recovery in world

trade, which increased by 12.4 per cent in 2000, compared with 5.3 per cent in 1999 and a decline of 4.2 per cent in 1998.

20 OUTPUT, INFLATION AND EMPLOYMENT

2.1 Advanced Economies

2.1.1 Output

During 2000, the advanced economies registered increases in economic activity, as reflected in a 4.1 per cent growth in their overall output, up from 3.4 per cent in 1999 (see Table 1). This emanated from the protracted robust performance of the economy of the United States of America (USA) in the first half of the year, supported by the upswing in economic activity in the Euro area during the latter half. For 2000, the US economy registered an expansion in real Gross Domestic Product (GDP) of 5.0 per cent, relative to growth of 4.2 per cent in 1999. The performance of the US economy, which was in its tenth consecutive year of growth, was attributable mainly to a rapid increase in investment in the technology sector, following the phenomenal gain in financial asset prices in 1999. Strong business confidence also helped to mitigate against a weakening of economic activity, which was anticipated to commence from as early as the first quarter of 2000. The expected weakening in economic activity was associated with the pursuit of continued restrictive monetary policy during

TABLE 1

ADVANCED ECONOMIES									
Real GDP, Consumer Prices, Unemployment Rates (Annual % change and per cent of labour forces)									
	REAL GDP			CONSUMER PRICES			UNEMPLOYMENT RATES		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
ADVANCED ECONOMIES	2.4	3.4	4.1	1.5	1.4	2.3	6.7	6.4	5.9
MAJOR INDUSTRIAL COUNTRIES	2.5	3.0	3.8	1.3	1.4	2.3	6.2	6.1	5.7
United States	4.3	4.2	5.0	1.6	2.2	3.4	4.5	4.2	4.0
Japan	-2.5	0.8	1.7	0.6	-0.3	-0.6	4.1	4.7	4.7
Euroarea	2.4	2.6	3.4	1.2	1.2	2.4	10.9	9.9	9.0
Germany	2.2	1.6	3.0	0.6	0.7	2.1	9.4	8.3	7.8
France	3.4	3.2	3.2	0.7	0.6	1.8	11.7	11.3	9.7
Italy	1.5	1.6	2.9	1.7	1.7	2.6	11.8	11.4	10.6
UK	2.2	2.3	3.0	2.7	2.3	2.1	4.7	6.0	5.6
Canada	3.1	4.5	4.7	1.0	1.7	2.7	8.3	7.6	6.8
OTHER ADVANCED ECONOMIES	2.0	4.8	5.2	2.4	1.3	2.4	8.1	7.3	6.3

Source: World Economic Outlook - May 2001



the year, following the initiation of a series of interest rate hikes in 1999.

The Canadian economy grew by 4.7 per cent in 2000, relative to 4.5 per cent in 1999. This resulted mainly from an increase in exports and higher investment spending.

During 2000, the United Kingdom (U.K.) recorded 3.0 per cent economic growth, up from 2.3 per cent in 1999. The acceleration in growth emanated from a general increase in private demand and a narrowing of the trade deficit.

Economic growth in the Euro area was 3.4 per cent in 2000, compared with 2.6 per cent in 1999. This stronger growth was exhibited in most of the major economies in the region. In particular, the German and Italian economies grew by 3.0 per cent and 2.9 per cent, respectively, while economic output in France continued at the same rate of 3.2 per cent in 2000 as in 1999. The main factors underlying this improved performance in the Euro area were the recovery in business and consumer confidence and increased exports, facilitated by higher demand and a weakened Euro.

The Japanese economy registered a 1.7 per cent increase in output in 2000, compared with 0.8 per cent in 1999. This out-turn came against the background of a strengthening in economic activity in the first quarter of 2000, accommodated by the payment of wage bonuses that had been postponed from December 1999 to January 2000. Subsequently, the economy was adversely affected by a slowdown in the level of private consumption, engendered by dampened consumer and corporate confidence in Japan's future growth prospects. The persistence of structural weaknesses, particularly in the banking sector, was the primary source of the volatility in investor confidence in the Japanese economy.

2.1.2 *Inflation*

Inflation, which has been on a downward path in the advanced economies as a group over the previous five years, accelerated to 2.3 per cent in 2000 from the 1.4 per cent recorded in 1999. The relaxation of monetary

conditions in a number of these economies, which began in 1998 and continued in 1999, coupled with volatility in energy prices, was primarily responsible for the upsurge in inflation during 2000.

The US economy registered the highest increase in consumer prices with an inflation rate of 3.4 per cent for 2000, up from 2.2 per cent in 1999. Higher inflationary pressures were also evident in Canada, where the inflation rate increased by 1.0 percentage point to 2.7 per cent for 2000. For its part, the Euro area recorded a doubling of its inflation rate to 2.4 per cent in 2000, relative to 1999. However, the UK's inflation rate declined marginally to 2.1 per cent in 2000, compared with a rate of 2.3 per cent in 1999. This relative inflation out-turn in the UK largely reflected a moderation in wage claims. The -0.6 per cent inflation out-turn for Japan mirrored a continuation of the deflationary trend in domestic consumption.

2.1.3 *Unemployment*

The advanced economies experienced a reduction in their overall unemployment rate to 5.9 per cent in 2000, from 6.4 per cent in 1999. With the exception of Japan, whose unemployment rate remained constant, all other economies in the group contributed to the accelerated pace of growth in employment for 2000. In this regard, the technology sector generally remained the main source of labour absorption.

2.2 *Developing Countries*

2.2.1 *Output*

The pace of GDP growth in the developing countries accelerated during 2000. Output in these economies as a whole grew by 5.8 per cent in 2000, compared with 3.8 per cent in 1999 (see Table 2). While all the regions in this group experienced enhanced economic growth, the most significant increases in growth rates were recorded for those countries in the Western Hemisphere, Middle East and Europe. Economic activity in the countries in the Western Hemisphere increased by 4.1 per cent in 2000, relative to 0.2 per cent in 1999. The economies



TABLE 2

SELECTED DEVELOPING COUNTRY INDICATORS						
Real GDP, Consumer Prices (Annual per cent change)						
	REAL GDP			INFLATION		
	1998	1999	2000	1998	1999	2000
DEVELOPING COUNTRIES	3.2	3.8	5.8	10.4	6.7	6.1
Africa	3.1	2.3	3.0	9.1	11.5	13.5
Asia	3.8	6.1	6.9	7.7	2.5	1.9
Middle East and Europe	2.7	0.8	5.4	27.6	23.2	20.7
Western Hemisphere	2.1	0.2	4.1	8.8	8.8	8.1

Source: World Economic Outlook - May 2001

in the Middle East and Europe experienced a 5.4 per cent increase in output in 2000, up from 0.8 per cent in 1999. For their part, the economies in Africa and Asia registered respective growth in output of 3.0 per cent and 6.9 per cent in 2000, up from 2.3 per cent and 6.1 per cent in 1999.

The remarkable outturn in the Western Hemisphere emanated from increasing investor confidence arising from the stabilization measures that were implemented in a number of these economies, and also the prolonged expansion in the U S economy. For Brazil, the largest economy in the region, economic growth accelerated to 6.5 per cent in 2000, compared with 1.0 per cent in 1999. The primary impetus to growth in Brazil was the depreciation of its currency, the *real*, which occurred in the wake of the crisis in 1999. This provided a boost to the export sector, which facilitated an increase in domestic consumer demand and a rapid expansion in industrial output.

The Mexican economy expanded more rapidly in 2000, with growth accelerating to 6.5 per cent from 3.5 per cent in 1999. This was attributable primarily to increased private demand due to more favourable export prices, especially oil, and the continued buoyancy of economic growth of its NAFTA partners. The increase in exports was however, not sufficient to compensate for the growth in imports, which resulted in a widening of Mexico's trade deficit to US\$8.0 billion in 2000, from US\$5.2 billion in 1999.

Economic growth in the other major developing economies in the Western Hemisphere ranged between 0.5 per cent and 6.0 per cent in 2000, compared with a range of -7.3 per cent to 3.8 per cent in 1999. Higher exports, partly arising from a weakening of some of the major currencies in this region, contributed to the strengthening of these economies, in particular, Colombia, Ecuador and Venezuela.

The economic performance of the major English-speaking economies within the Caribbean was positive. For 2000, the economy of Trinidad and Tobago expanded by 7.9 per cent, relative to an expansion of 7.0 per cent in 1999. In Barbados, economic activity increased by 3.2 per cent in 2000, compared with 1.3 per cent in 1999. Guyana registered economic growth of 3.0 per cent in 2000, the same growth rate as in 1999. For the review period, the Jamaican economy registered a modest recovery in economic activity, with growth of 0.8 per cent, compared with a decline of 0.4 per cent in 1999.

For the Asian region, the annual economic growth rates ranged between -1.2 per cent to 8.5 per cent in 2000, compared with a range of -2.5 per cent to 10.9 per cent in 1999. The positive performance of these economies is ascribable to the continuation of stabilization measures that were implemented following the financial crisis in 1997, and was reflected in strong export growth. Despite the continued presence of some degree of structural weaknesses, there was a further strengthening of the financial systems of the region and the accumulation of foreign reserves.



Increased demand for electronic devices from East Asia remained the primary source of growth in export earnings during the review period. The bulk of these exports was concentrated in the US market, as consumer demand in the Japanese economy remained sluggish during 2000. The increase in exports was not sufficient to offset the expansion in imports, resulting in a further widening of the trade gap for the region.

The positive performance of economic activity in the Middle East and Europe during 2000 was underpinned by the commitment to ongoing implementation of structural reforms, which resulted in an improvement in the fiscal and external balances of a number of economies in the region. These economies also benefited from the rebound in international oil prices during the year.

For the African region, the growth in output was ascribable primarily to increased export earnings as there has been renewed commitment to greater participation in international trade and adherence to sound macroeconomic policies.

2.2.2 Inflation

Inflation in the developing countries continued on a downward path in 2000 with an overall inflation rate of 6.1 per cent for the year, compared with 6.7 per cent in 1999 and 10.4 per cent in 1998. With the exception of an increase in Africa, all other regions contributed to the more subdued inflation out-turn.

In the Western Hemisphere, inflation for the constituent economies declined to 8.1 per cent in 2000 from 8.8 per cent in 1999. This emanated mainly from a significant reduction in inflationary impulses in Mexico and Venezuela, despite an almost doubling of the inflation rate in Ecuador. For 2000, the inflation rates for Mexico and Venezuela declined to 9.5 per cent and 16.2 per cent, respectively, compared with 16.6 per cent and 23.6 per cent in 1999, while that for Ecuador increased to 96.2 per cent in 2000, from 52.2 per cent in 1999. The inflation rate in Ecuador was engendered by a substantial devaluation of the *sucre* during the year.

The inflation results for Jamaica, Barbados and Guyana were 6.1 per cent, 1.8 per cent and 4.8 per cent respectively, in 2000 down from 6.8 per cent, 2.6 per cent and 8.6 per cent in 1999. However, the inflation rate for Trinidad and Tobago increased to 3.6 per cent in 2000, from 3.4 per cent in 1999.

For the Middle East and Europe, the inflation rate contracted to 20.7 per cent in 2000, from 23.2 per cent in 1999. The containment of fiscal deficits has been a major influence on the positive inflation out-turn in a number of these economies, in particular those in Europe.

For Asia, the increase in economic activity was not transmitted into higher consumer prices, as the inflation rate fell to 1.9 per cent in 2000, from 2.5 per cent in 1999. By contrast, the rate of change in consumer prices for the African economies was adversely affected by the growth in output in the region, as the inflation rate rose to 13.5 per cent in 2000, from 11.5 per cent in 1999.

30 INTEREST RATE AND EXCHANGE RATE DEVELOPMENTS

3.1 Interest Rate Developments

There was a general increase in interest rates throughout the advanced economies during 2000. Long-term interest rates in these economies increased to 5.1 per cent in 2000, from 4.7 per cent in 1999 (see Table 3). This was reflective of the need to remain competitive in the global capital market in light of the rebound in the emerging market economies, which facilitated an improvement in their credit ratings. The most significant increase in long-term rates was exhibited in the Euro area, where there was a strong need for long-term financing to facilitate further infrastructural development.

The movement in short-term interest rates in the advanced economies was more pronounced than that for the longer-term rates in 2000. For the review period, short-term interest rates increased to 4.5 per cent, from 3.5 per cent in 1999. While all the countries in the group contributed to the upward movement in these rates, the most significant changes were exhibited in the US and the Euro



TABLE 3

ADVANCED ECONOMIES INTEREST RATES						
(In per cent a year)						
	SHORT-TERM RATES ^{1/}			LONG TERM RATES ^{2/}		
	1998	1999	2000	1998	1999	2000
ADVANCED ECONOMIES	4.0	3.5	4.5	4.6	4.7	5.1
MAJOR INDUSTRIAL COUNTRIES	3.7	3.3	4.4	4.3	4.6	5.0
United States	4.9	4.8	6.0	5.3	5.6	6.0
Japan	0.2	0.0	0.2	1.3	1.7	1.7
Euroarea	4.0	3.1	4.5	4.8	4.6	5.4
UK	7.4	5.4	6.1	6.6	6.7	6.5
Canada	4.7	4.7	5.5	5.3	5.6	5.9
OTHER ADVANCED ECONOMIES	5.7	4.2	5.1	5.9	5.5	5.8

1/ For the U.S., 3-month CD's in secondary markets; for Japan, 3-month CD's; for the U.K., 3-month inter-bank deposits; and for Canada, 3-month prime corporate paper.

2/ For the U.S., yield on ten-year treasury bonds; for Japan over-the-counter sales yield on ten-year government bonds with longest residual maturity; for the U.K., yield on medium-dated government stock; and for Canada, average yield on government bonds with maturities of over 10 years.

Source: World Economic Outlook - May 2001

area, with respective increases of 1.2 percentage points and 1.4 percentage points, to 6.0 per cent and 4.5 per cent. The reversal in the movement of interest rates in 2000 came against the background of mounting inflationary expectations that emanated from the loosening of monetary conditions in most of these economies between 1998 and early 1999.

3.2 Exchange Rate Developments

During 2000, the performance of the U.S. dollar against the other major currencies was mixed (see Table 4). While

the dollar remained stable vis-à-vis its Canadian counterpart, it strengthened against the British Pound and the Euro and depreciated against the yen.

The Euro depreciated by approximately 18.2 per cent against the dollar to an average of €1 = US\$0.90 in 2000, from an average of €1 = US\$1.10 in 1999. The British Pound on the other hand, which averaged £1 = US\$1.60 in 1999, depreciated to an average rate of £1 = US\$1.50 in 2000. The continued appreciation of the dollar against its European counterparts was underpinned by the more robust growth in the U.S. economy. This

TABLE 4

ADVANCED ECONOMIES: EXCHANGE RATES						
	US DOLLAR NOMINAL EXCHANGE RATES			REAL EFFECTIVE ^{1/} EXCHANGE RATES		
	National Currency per unit of US\$			Annual Per Cent Change		
	1998	1999	2000	1998	1999	2000
Canadian Dollar	1.5	1.5	1.5	-5.0	-3.2	1.1
Deutsche Mark	1.8	1.8	2.1	-3.9	-5.7	-5.6
French Franc	5.9	6.2	7.1	-1.5	-3.2	-4.3
Italian Lira	1 736.0	1 817.0	2 102.0	0.4	-2.0	-3.8
Japanese Yen	130.9	113.9	107.8	-9.3	9.8	6.4
Pound Sterling ^{2/}	1.7	1.6	1.5	10.3	3.5	8.0
Euro ^{2/}	-	1.1	0.9	-3.9	-5.7	-11.1

1/ Defined as the ratio, in common currency, of the normalized unit labour costs in the manufacturing sector to the weighted average of those of its industrial country trading partners, using 1989-91 trade weights.

2/ Expressed in U.S. dollars per currency unit.

Source: World Economic Outlook - May 2001



improvement in real activity in the USA served to allay fears of a slowdown in economic activity, resulting in increased international portfolio inflows and hence the increase in the value of the dollar.

The rise in the value of the yen from ¥113.9=US\$1.00 in 1999 to ¥107.8=US\$1.00 in 2000 emanated from the intervention of the Japanese monetary authorities in the foreign exchange market to support the currency. Among the measures that were implemented was the abandonment of the zero interest rate policy, with an increase in the overnight call rate to 0.25 per cent. This was intended to facilitate increased business confidence in the authorities' commitment to expedite the process of economic recovery. In light of this development, there has been a marked improvement in the volume of inflows into the Japanese capital market, particularly in the telecommunications and technology sector.

Notwithstanding, the yen remains fragile as the economy continues to exhibit structural imbalances, particularly in the banking sector.

With the exception of a substantial devaluation of the Ecuadorian sucre, the foreign exchange markets in the emerging market economies remained relatively stable throughout 2000. The fall in the value of the sucre was linked to Ecuador's default on its external obligations in 1999, which resulted in massive capital outflows and a deep recession. Conversely, the stability in the other major emerging markets was attributable to the continued pursuit of sound macroeconomic policies. In light of these structural adjustment policies, a number of economies received improvements in their credit ratings from the international credit rating agencies, which helped to facilitate improved investor confidence and increased investment inflows.

4.0 COMMODITY PRICES

The recovery in global commodity prices intensified at the beginning of the year, but lost momentum following the gradual slowdown in consumer demand in the larger export markets during the latter part of 2000. Accordingly, the US-Dollar All Items Index indicated a 17.31 per cent

reduction in commodity prices for 2000. Among the major commodities affected were oil, base metals and food (see Table 5).

TABLE 5

SUMMARY OF WORLD COMMODITY PRICES (Annual per cent change)				
	1997	1998	1999	2000
Terms of Trade				
Advanced economies	-0.6	1.7	0.1	-3.4
Developing countries	-0.7	-7.1	5	6.4
Fuel exporters	-0.4	-26.5	31.2	45.6
Non-fuel exporters	-0.9	-2	-0.3	-2.9
Non-fuel primary commodities^{1/}				
Food	-10.6	-12.6	-15.6	-0.5
Beverages	32.6	-15.2	-21.3	-16.6
Agricultural raw materials	-6.8	-16.4	2.2	1.8
Metals	3.7	-16.2	-1.5	12.1
Fertilizers	1.1	2.8	-4.0	-5.0
Memorandum				
Avg. oil spot price (in US\$/barrel) ^{2/}	19.3	13.1	18.14	28.2
Export unit value of manufactures ^{3/}	-7.3	-1.7	-2.0	-6.2

1/ A average of world market prices for individual commodities weighted by 1987-89 exports as share of world commodity exports and total commodity exports for the indicated country group.

2/ A average of U.K. Brent, Dubai and West Texas Intermediate crude oil spot prices

3/ For the manufactures exported by the advanced economies.

Source: World Economic Outlook - May 2001

The benchmark Brent crude oil prices, declined to US\$22.39 per barrel at end 2000, from US\$25.27 per barrel at end 1999. However, oil prices exhibited some amount of instability during the year, climbing to US\$36.15 per barrel in September, the highest level since the Gulf War in 1991. Consequently, the average price per barrel of oil in 2000 was approximately 56.0 per cent higher than the same measure in 1999. The volatility experienced in the market for oil emanated from the continuation of a series of daily production cuts led by the Organization of Petroleum Exporting Countries (OPEC), which began in March 1999. Amidst rising international pressures and slowing consumer spending, the OPEC agreed to contain the rise in oil prices by introducing a more realistic price-setting mechanism, which resulted in the gradual lowering of oil prices in the latter part of the year.



During 2000, the average price for base metals fell by an approximate 7.2 per cent. This was due in part to a reduction in the sale of automobiles, which have a high metal content, and was reflective of the deceleration in the growth rate of global economic activity. Of particular interest was the reduction in aluminium prices, which declined to US\$1567.50 per tonne at end 2000, from US\$1624.50 per tonne at end 1999. Food prices continued to decline in 2000 as growth in output outstripped the growth in demand. This was reflected in a 19.4 per cent reduction in the US-based food index for 2000. The most significant decline was in coffee prices, which fell to US\$46.91 per pound in 2000, from US\$88.55 per pound in 1999. On the other hand, there was an increase in wheat prices, which climbed to US\$2.72 per 60 pound bushel in 2000 from US\$2.46 in 1999.

50 TRADE RELATIONS

Arising out of the discussions that ensued in 1999 between the European Union and the African, Caribbean and Pacific countries (EU/ACP), was the signing of the partnership agreement named the "Cotonou Agreement" in June 2000. Among the signatories to this agreement was Jamaica. The primary objectives of the agreement are poverty reduction and ultimately its eradication, sustainable development and the progressive integration of ACP countries into the world economy. This agreement extended the country's non-reciprocal trade preferences applied under the Lomé IV convention, with a scheduled implementation date of 2008. A major condition under which the Cotonou Agreement was established is that it should be compatible with the World Trade Organisation's (WTO) guidelines.

60 SUMMARY

Global output increased in 2000, as the corrective macroeconomic measures, implemented in the wake of the global financial crisis of 1997, continued their transmission process. Leading this growth process was the phenomenal strengthening of the US economy, accompanied by the improved performance of economies in the Euro area and the emerging markets. The increase in economic output affected consumer prices in the advanced economies, resulting in an increase in the inflation rate. Conversely, inflationary pressures in the emerging market economies on a whole remained subdued, in response to the pursuit of restrictive monetary policies.



Part II

MACROECONOMIC DEVELOPMENTS IN JAMAICA

1.0 OVERVIEW

Macroeconomic policy in 2000 continued to focus on the maintenance of economic stability that should create a basis for stronger output growth. Most of the changes in the key indicators of economic performance reflected this stance. Interest rates continued on a downward trend, partly facilitated by the continued reduction in the cash reserve requirements of the Central Bank. A reduction in the fiscal deficit as a result of lower expenditure by Government also contributed to the downward trend in interest rates. Inflation for the year was 6.1 per cent, 0.7 percentage points lower than the rate in 1999, and represented a record fourth consecutive year of single digit inflation. Conservative monetary policy, which led to a reduction in base money, underpinned this trend. The reduction in the monetary base was achieved despite a record build up in NIR. After four years of economic contraction, the economy grew by 0.8 per cent in 2000. This emanated from growth in basic services, financial services and tourism, as there were significant declines in agriculture and mining.

2.0 MONETARY AND FOREIGN EXCHANGE MARKETS DEVELOPMENTS

2.1 Monetary Developments

For 2000, the money supply increased at a slower rate than in the previous year. The broad measure of the money supply (M3J)¹ increased by 10.9 per cent in 2000, compared with an increase of 19.1 per cent in 1999.

¹This is the local currency component of M3. M3 is comprised of currency in circulation, local demand saving, time and other deposits.

The lower growth in money supply was achieved in the context of deliberate monetary policy decisions focused on the objective of price stability.

The monetary base recorded an overall decline of 5.4 per cent during 2000, which compares favourably with the 8.7 per cent growth registered in 1999 and was consistent with the target outlined in the IMF Staff Monitored Programme (SMP). The reduction in the monetary base was achieved through a lowering of the Bank of Jamaica's net domestic assets, which more than offset the accumulation in its NIR.

The net domestic assets of the Central Bank declined by \$24.0 billion, facilitated largely by increased open market operations. In addition, Government operations were broadly supportive of the Bank's operations with net claims on the public sector declining by \$3.7 billion during the year. Growth in the NIR of US\$523.0 million during the period to US\$969.5 million represented the primary source of Jamaica Dollar liquidity. The Bank's foreign reserve position was significantly boosted by foreign currency inflows from Government of Jamaica Eurobonds, multilateral loans and a relatively buoyant foreign exchange market.

There was a general reduction in interest rates during the year. The Bank of Jamaica's 30-day signal rate declined by 1.9 percentage points from 18.35 per cent at end December 1999 to 16.45 per cent by end December 2000. Rates on the other existing tenors of reverse repurchase instruments also exhibited a similar trend. The pace of reduction in interest rates was, however, affected by developments in the foreign exchange market in the last quarter of the year. In the context of an unsettled foreign exchange market, the Bank was challenged to absorb liquidity. The Bank consequently adjusted the range of instruments offered and the interest rate structure with a view to restoring stability to the market. In this regard, 270-day and 365-day open market instruments were introduced in September at premium rates. With these developments, the pace of interest rate reduction was retarded during the second half of the year, with the signal rate being adjusted down by only 0.55 percentage points during the period.



Other interest rates in the economy also declined during the year. The weighted average deposit and lending rates of the commercial banks declined to 8.92 per cent and 22.12 per cent at end 2000, respectively, from 9.74 per cent and 24.64 per cent at end 1999. Similarly, the average yield for Treasury bill auctions with 6-month tenors fell from 21.0 per cent in 1999 to 18.1 per cent in 2000.

2.2 Foreign Exchange Market Developments

Developments in the foreign exchange market during 2000 engendered a moderate pace of depreciation in the exchange rate. The weighted average selling exchange rate depreciated by 10.2 per cent to US\$1.00=J\$45.48 at end December 2000, from US\$1.00=J\$41.27 at end December 1999. While conditions in the market during the first half of the year were relatively stable, conditions changed in the second half of the year. For the period July to December 2000, the exchange rate depreciated by 7.1 per cent, relative to a depreciation of 2.6 per cent in the January to June period. This acceleration reflected the floating of a Government of Jamaica (GOJ) Eurobond in July 2000, which spurred increased demand for foreign currency as investors sought to secure placements in this instrument. In addition, the reduction in the cash reserve ratio from 14 per cent to 13 per cent in September added liquidity to the financial system in a context where the expected demand for credit did not materialize.

As part of its efforts to foster the development of the foreign exchange and capital market, the Bank of Jamaica implemented the Electronic Gateway for Auctions Trade and Foreign Exchange (EGATE) information system in November 2000. This system provides an interface between the Bank and traders in the foreign exchange market that facilitates the on-line reporting of market information. An important feature of the system is that it allows traders to keep abreast of developments in the market throughout the day, thereby allowing for more informed decisions to be made.

30 FISCAL DEVELOPMENTS

Central Government operations for fiscal year 2000/01 resulted in a deficit of \$3.1 billion (approximately 1.01% of GDP), which was consistent with the targeted deficit under the Staff Monitored Programme. The attainment of the fiscal target occurred in a context of a shortfall in total revenue flows being offset by a commensurate containment in total expenditure.

For the fiscal year, the primary balance amounted to 13.14 per cent of GDP, marginally above the anticipated 12.60 per cent, as the containment of non-interest expenditure more than compensated for the shortfall in revenue flows. Further, the borrowing requirement ratio² of 1.0 per cent of GDP, as well as the fiscal stability ratio³ of 1.03 per cent was consistent with the targets. On the other hand, the current balance of 1.18 per cent of GDP was below the anticipated 1.80 per cent of GDP, as the curtailment of recurrent expenditure did not negate the shortfall in recurrent revenues, particularly taxes.

The cut in expenditure was mainly reflected in capital expenditure as wages and salaries and interest payments, which accounted for 34.0 per cent and 41.25 per cent of total expenditure, exceeded their respective SMP targets. The deviation from target of payments for wages and salaries reflected the higher than programmed payment of retroactive salaries. Interest payments on the other hand deviated from target in a context of greater-than-anticipated reliance on domestic financing in the first half of the fiscal year, due to the later-than-programmed receipt of planned foreign financing from the international capital markets. In addition, demand pressures in the foreign exchange market, coupled with incremental domestic borrowing by Government, resulted in a slower than expected decline in domestic interest rates.

² The borrowing requirement ratio is the difference between total expenditure and total income expressed as a percentage of gross domestic product.

³ Fiscal stability ratio is the fiscal balance expressed as a proportion of total revenue.



4.0 INFLATION

The inflation out-turn for 2000 was 6.1 per cent, which compared favourably with the 6.8 per cent recorded in 1999. This out-turn reflected the continuation of a declining trend in annual inflation over the past ten years. It also marks the first time in the last three decades that Jamaica has attained four consecutive years of single digit inflation. On a quarterly basis, the highest inflation rate of 2.9 per cent was recorded in the September quarter, while there was deflation of 0.5 per cent in the December quarter. The major shocks to inflation in 2000 emanated from the upward movements in oil prices, exchange rate depreciation and increases in domestic food prices. The reference West Texas Intermediate (WTI) crude oil prices was 56 per cent higher in 2000 compared to 1999. Over the course of the year the weighted average selling exchange rate depreciated by 10.2 per cent, compared with a depreciation of 10.7

per cent in 1999. Inflationary pressures also resulted from increases in the prices of agricultural food items due to adverse weather conditions during the first half of the year. Notwithstanding these shocks, the containment of monetary impulses by the Central Bank along with the resurgence in agricultural supply in the latter part of the year, were conducive to a curtailment in inflation between October and December 2000.

An examination of the sub-categories of the Consumer Price Index (CPI) reveals that the impulses to inflation were reflected in the *Food and Drink*, *Housing and Other Housing Expenses* and *Miscellaneous Expenses* groups (See Table 6). These three sub-indices expanded by 4.4 per cent, 17.5 per cent, and 6.3 per cent, respectively, and contributed 39.7 per cent, 23.6 per cent, and 8.5 per cent to the total inflation out-turn. Within the *Food and Drink* sub-category, the Starchy Foods, Baked Products, Cereals and Breakfast Drinks and Meat, Poultry

TABLE 6

COMPONENT CONTRIBUTION TO INFLATION 2000				
	Group Weights	Inflation (%) 2000	Weighted Inflation	% Contribution to Inflation
FOOD & DRINK	55.6	4.4	2.3	39.7
Meats Away from Home	7.4	5.6	0.4	7.1
Meat, Poultry & Fish	16.1	2.7	0.4	7.4
Dairy Products Oils & Fats	6.7	4.2	0.3	4.8
Baked Products Cereals & Breakfast Drinks	8.6	5.9	0.5	8.7
Starchy Foods	5.3	8.9	0.5	8.0
Vegetables & Fruits	6.5	-0.1	0.0	-0.1
Other Food & Beverages	5.0	4.6	0.2	3.9
FUELS & OTHER HOUSEHOLD SUPPLIES	7.4	7.6	0.5	7.7
Household Supplies	4.8	2.6	0.1	2.2
Fuels	2.5	12.8	0.3	5.5
HOUSING & OTHER HOUSING EXPENSES	7.9	17.5	1.4	23.6
Rental	2.1	18.5	0.4	6.6
Other Housing Expenses	5.8	17.3	1.0	17.0
HOUSEHOLD FURNISHINGS & FURNITURE	2.8	8.9	0.3	4.4
Furniture	0.7	6.0	0.0	0.7
Furnishings	2.2	10.1	0.2	3.7
HEALTH CARE & PERSONAL EXPENSES	7.0	6.7	0.5	7.9
PERSONAL CLOTHING FOOTWEAR & ACCESSORY	5.1	4.5	0.2	3.8
Clothing Materials	0.6	0.6	0.0	0.1
Ready-made Clothing & Accessories	2.4	3.2	0.1	1.3
Footwear	1.6	7.1	0.1	1.9
Making & Repairs	0.5	5.5	0.0	0.5
TRANSPORTATION	6.4	3.9	0.3	4.3
MISCELLANEOUS EXPENSES	7.9	6.3	0.5	8.5
ALL GROUPS	100.0	6.1	5.9	100.0



and Fish sub-groups provided the main impetus to inflation. Price increases in these sub-groups resulted largely from the effects of the drought and imported inflation.

The *Housing and Other Housing Expenses* group was mainly influenced by the escalation in utility charges. Over the course of the year, electricity, water and telephone rates increased by approximately 34.0 per cent, 20.0 per cent and 17.0 per cent, respectively. In addition, the index of the *Rental* sub-group rose by 18.5 per cent. The chief contributors to the rate of inflation in the *Miscellaneous Expenses* group were cigarettes, preparatory school fees, CXC examination fees and books.

Core inflation, which abstracts from the overall inflationary impact of non-monetary shocks, was estimated at 4.0 per cent, or 0.8 percentage points above the rate achieved for the previous year. This was consistent with the Bank's conservative monetary policy stance over the year.

50 REAL SECTOR

5.1 Production

After four years of contraction, the Jamaican economy registered economic growth in 2000. Real GDP increased by 0.8 per cent, relative to the decline of 0.4 per cent in 1999. The expansion in the economy was due to a 4.4 per cent growth in the services sector as the goods sector registered a decline of 2.3 per cent (See Table 7).

The negative performance of the goods sector was influenced primarily by a significant decline in agriculture and a marginal contraction in the mining and quarrying sector. The manufacturing and construction sectors, however, recorded respective growth rates of 0.7 per cent and 0.1 per cent in 2000 in contrast to contraction in 1999.

The agriculture sector registered a significant contraction of 11.2 per cent in 2000 due to the effects of adverse weather conditions experienced in the island over the last

TABLE 7

GROSS DOMESTIC PRODUCT 2000 (CONSTANT PRICE, BASE = 1986) Growth Rate by Sectors (%)		
	1999	2000
1. GOODS	-0.6	-2.3
Agriculture, Forestry & Fishing	1.3	-11.6
Mining & Quarrying	-1.2	-1.6
Manufacturing	-0.9	0.7
Construction & Installation	-1.5	0.1
2. SERVICES	4.4	4.4
Basic Services	7.6	6.7
Electricity & Water	4.8	3.3
Transport, Storage & Communication	8.6	7.8
Other Services	3.4	3.6
Distributive Trade	-0.9	1.0
Financial Institutions	18.0	10.6
Real Estate & Business Services	-0.8	0.3
Producers of Government Services	0.3	-1.3
Miscellaneous Services	1.4	5.3
Households & Private Non-Profit	-2.1	-1.6
3. LESS IMPUTED SERVICE CHARGES	19.7	8.2
Total GDP	-0.4	0.8

Source: STATIN

two years. Flooding in some parishes in late 1999, followed by severe drought conditions in the first half of the year, along with an increase in the cost of planting materials contributed to a lower rate of planting.

The decline of 1.6 per cent in the mining sector resulted from the reduction of 1.7 per cent in the bauxite and alumina sub-sector. The performance of this sub-sector continued to be adversely affected by the fallout in demand for bauxite precipitated by the explosion of the Gramercy plant in the USA, which necessitated cutbacks in the production of the ore. This was partly offset by continued buoyancy in alumina production, as increased productivity was realised through improved labour relations and increases in capacity.

After seven years of recession, the manufacturing sector recorded growth of 0.7 per cent. This performance was due mainly to expansions in food processing, petroleum refining and a significant increase in the production of alcoholic and non-alcoholic beverages. However, there were declines in the production of sugar, rum and molasses, tobacco and tobacco products and non-metallic products.



Within the services sector, basic services were estimated to have expanded by 6.7 per cent, while other services recorded an increase of 3.6 per cent. The communication and transportation sub-sectors were mainly responsible for the robust growth in basic services, while growth in financing and insurance services (10.6 per cent) and miscellaneous services (5.3 per cent) were the main contributors to the other services category. The performance of the financial services sector reflected the continued restructuring and consolidation in the sector. Growth in the miscellaneous services sub-sector was due primarily to the positive out-turn in the tourism sector, which reflected an expansion of 10.8 per cent in visitor arrivals and increased expenditure of 6.6 per cent, relative to 1999.

52 Unemployment

The unemployment rate as at October 2000 was 15.6 per cent, reflecting a marginal decline from the 16.0 per cent recorded at October 1999. Both the male and female unemployment rates declined to 10.2 per cent and 22.4 per cent respectively, relative to 10.5 per cent and 22.9 per cent at the end of October 1999. The construction and installation sector accounted for the largest growth in employment, while employment in the manufacturing sector suffered the greatest decline. Other notable increases in employment were recorded in the wholesale and retail trade and the hotel and restaurants sub-sectors. Among the occupational groups that showed increases in employment were clerks, shop and sales personnel, while the largest decline in employment was in the plant and machine operators and assemblers group.

60 SUMMARY

While there was a general decline in interest rate during 2000, the reduction was slower than anticipated due to demand pressures associated with the foreign exchange market. The continuation of prudent management of base money by the Bank has resulted in ten years of consistent decline in inflation, and a fourth year of single digit inflation. These achievements were realised despite a significant build up in the NIR. Efforts at economic management were aided by tight fiscal operations, which were kept within the targets specified by the SMP. Real output in the economy grew in 2000 after four years of decline. This turn-around in the economy was also reflected in a lowering of the unemployment rate.



Part III

REVIEW OF THE BALANCE OF PAYMENTS

A SUMMARY OF THE BALANCE OF PAYMENTS

While there was a deterioration in the current account balance in 2000 relative to 1999, Government and private sector investment activities led to a surplus on the financial account. This surplus outweighed the current account deficit and led to a substantial build-up in the NIR.

For the year, the current account recorded a deficit of US\$337.9 million, representing a widening of US\$64.4 million relative to the deficit recorded for 1999 (see Table 8). This out-turn was influenced mainly by a deterioration on the goods account, which was partly countered by an improvement in net receipts from current transfers.

Compared with 1999, the deficit on the goods account grew by US\$219.8 million to US\$1 353.5 million. While total export earnings in 2000 increased by US\$53.9 million to US\$1 554.6 million, this improvement was outweighed by a US\$273.7 million expansion in the value of imports to US\$2 908.1 million.

In contrast, the *services account* recorded a surplus of US\$538.6 million, as net inflows of US\$1 123.9 million on the travel sub-account exceeded the respective deficits of US\$247.2 million and US\$338.1 million on the transportation and other services sub-accounts. The balance on the services account was, however, US\$1.9 million below the surplus recorded for 1999, as an increase of US\$71.5 million in net travel receipts was outweighed by higher outflows of US\$17.7 million and US\$55.7 million on the transportation and other services sub-accounts, respectively.

TABLE 8

BALANCE OF PAYMENTS SUMMARY (US\$M)		
	1999 ^{1/}	2000 ^{2/}
1. CURRENT ACCOUNT	-273.5	-337.9
A. GOODS & SERVICES	-593.2	-814.9
a. Goods Balance	1 133.7	-1 353.5
Export (f.o.b.)	1 500.7	1 554.6
Imports (f.o.b.)	2 634.4	2 908.1
b. Services Balance	540.5	538.6
Transportation	-229.5	-247.2
Travel	1 052.4	1 123.9
Other Services	-282.4	-338.1
B. INCOME	-332.5	-336.0
Compensation to employee	70.3	67.4
Investment Income	-402.8	-403.4
C. CURRENT TRANSFERS	652.2	813.0
Official	45.8	147.9
Private	606.4	665.1
2. CAPITAL & FINANCIAL ACCOUNT	273.5	337.9
A. CAPITAL ACCOUNT	-10.9	2.2
a. Capital transfers	-10.9	2.2
Official	4.1	15.6
Private	-15.0	-13.4
b. Acq./disposal of non-prod. non-fin'l assets	0.0	0.0
B. FINANCIAL ACCOUNT	284.4	335.7
Other official investments	-331.4	395.8
Other private investments ^{3/}	482.2	462.9
Reserves	133.6	-523.0

^{1/} Revised^{2/} Provisional^{3/} Includes errors & omissions

The *income account* recorded a deficit of US\$336.0 million in 2000, which was US\$3.5 million more than the deficit recorded in 1999. Net inflows on the *compensation to employees* sub-account fell by US\$2.9 million to US\$67.4 million, while a slight increase of US\$0.6 million to US\$403.4 million in *net investment income* payments was recorded.

Net inflows of *current transfers* increased to US\$813.0 million in 2000, from US\$652.2 million in the previous year. This was due to respective expansions of US\$102.1 million and US\$58.7 million in net inflows to the public and private sectors.

The *capital and financial accounts* recorded surpluses of US\$2.2 million and US\$335.7 million in 2000, respectively, US\$13.1 million and US\$51.3 million higher



than the surpluses recorded on the two accounts in 1999. Within the *financial account*, net inflows for official investments of US\$395.8 million complemented net private investment inflows of US\$462.9 million. The surpluses on the *capital* and *financial accounts* were more than sufficient to finance the *current account* deficit. As a consequence, the NIR of Jamaica grew by US\$523.0 million in 2000.

B MERCHANDISE TRADE

1.0 OVERVIEW

The value of Jamaica's total merchandise trade (exports plus imports) amounted to US\$4 462.7 million in 2000 compared with US\$4 135.1 million in 1999. This expansion resulted from increases in the values of both imports and exports. Total exports for 2000 grew by 3.6 per cent or US\$54.0 million to US\$1555.0 million, while imports increased by 10.4 per cent or US\$273.7 million to US\$2 908.1 million. As a result, the merchandise trade deficit widened by US\$219.8 million or 19.4 per cent to US\$1 353.5 million.

2.0 EXPORTS

A breakdown of exports for 2000, shown in Table 9, reveals that general merchandise exports amounted to US\$1 293.1 million and accounted for approximately 83.2 per cent of total exports. Relative to 1999, this category of exports increased by US\$45.8 million, or 3.7 per cent. Freezone exports and goods procured in Jamaican ports by foreign carriers amounted to US\$224.0 million and US\$37.9 million, representing 14.4 per cent and 2.4 per cent of total exports, respectively. Goods procured in Jamaican ports by foreign carriers increased by US\$8.4 million, while freezone exports showed a marginal decline of US\$0.2 million relative to 1999.

The increase in general merchandise exports in 2000 largely reflected the influence of increased earnings of US\$47.5 million, US\$3.4 million, US\$19.4 million and US\$4.0 million from crude materials, beverages and tobacco, chemicals and manufactured goods exports, respectively. Partly offsetting the effect of these increases were respective contractions of US\$15.8 million and

TABLE 9

VALUE OF EXPORTS (US\$M)				
SECTION	1999	2000	Change	% Change
SECTION I				
0. Food	243.7	227.9	-15.8	-6.5
Bananas	29.8	22.9	-6.9	-23.2
Citrus & Citrus Products	4.4	4.6	0.2	4.5
Sugar & sugar Preparations	95.3	83.3	-12.0	-12.6
Other	114.2	117.1	2.9	2.5
1. Beverages & Tobacco	56.6	60.0	3.4	6.0
Rum	27.6	26.4	-1.2	-4.3
Tobacco & Tobacco Products	12.2	13.3	1.1	9.0
Other	16.8	20.3	3.5	20.8
2. Crude Materials	689.8	737.3	47.5	6.9
Bauxite	56.0	45.5	-10.5	-18.8
Alumina	628.0	684.3	56.3	9.0
Other	5.8	7.5	1.7	29.3
3. Mineral Fuels	3.7	3.8	0.1	2.7
4. Animal & Vegetable Oils & Fats	0.0	0.1	0.1	0.0
5. Chemicals	49.1	68.5	19.4	39.5
6. Manufactured Goods	8.4	12.4	4.0	47.6
7. Machinery & Transport Equipment	27.6	26.9	-0.7	-2.5
8. Misc. Manufactured Goods	168.4	156.2	-12.2	-7.2
9. Misc. Commodities	0.0	0.0	0.0	0.0
A. TOTAL MERCHANDISE EXPORTS	<u>1 247.3</u>	<u>1 293.1</u>	<u>45.8</u>	<u>3.7</u>
B. FREEZONE EXPORTS	224.2	224.0	-0.2	-0.1
C. GOODS PROCURED IN PORTS	29.5	37.9	8.4	28.5
TOTAL EXPORTS (FOB)	<u>1 501.0</u>	<u>1 555.0</u>	<u>54.0</u>	<u>3.6</u>

Source: Statistical Institute of Jamaica



US\$12.2 million in the export values of food and miscellaneous manufactured goods.

2.1 Major Traditional Exports

For 2000, the value of major traditional exports expanded by US\$26.9 million to US\$836.0 million relative to 1999. While price increases within this group facilitated higher earnings of US\$49.5 million, this was partially countered by a reduction in earnings of US\$22.6 million due to lower export volumes. Notwithstanding the expansion in earnings from major traditional exports, this category's share of general merchandise exports declined to 64.6 per cent, relative to the 64.9 per cent recorded in the previous year. Details on the performance of major traditional exports are provided in Table 10.

Of the major traditional exports, alumina was the only commodity that recorded an increase in value in 2000. Receipts from alumina increased, relative to 1999, by US\$56.3 million or 9.0 per cent to US\$684.3 million. In contrast, earnings from bauxite exports went down by US\$10.5 million, or 18.8 per cent, while the values of sugar and banana exports fell by US\$12.0 million, or 12.6 per cent, and US\$6.9 million, or 23.2 per cent, respectively.

The alumina industry recorded increased production for the fifth consecutive year. The export volume of alumina

expanded by 3.3 thousand tonnes, or 0.1 per cent, to approximately 3.6 million tonnes. The higher export volumes benefited from the initiatives and progress under the Memorandum of Understanding, undertaken in 1998, between the GOJ, the companies in the mining sector and the Unions, aimed at improving productivity by linking wage increases to production. However, the slowdown in growth of alumina production was due to the fact that the plants were operating at almost full capacity.

Given the marginal growth in export volumes, the expansion in the value of alumina exports implied an increase of 8.9 per cent in the price of alumina. For the year, alumina prices averaged US\$191.10 per tonne, relative to the average price per tonne of US\$175.50 that was realised in 1999. The appreciable increase in the spot price of alumina in 2000 was due to supply constraints created by the closure of the Gramercy refinery, as well as increased world demand for metal arising from the economic performance of some developed countries.

The decline in the value of bauxite exports for 2000 also reflected the impact of the explosion at the Kaiser alumina refinery. The explosion forced a reduction in export levels by 642.2 thousand tonnes, or 23.0 per cent, to 2.2 million tonnes for the year. However, alternative sale arrangements were secured by the GOJ for the shipment of 250.0 thousand tonnes of bauxite to the Ukraine. In

TABLE 10

PERFORMANCE OF THE MAJOR EXPORT COMMODITIES 1999-2000 (US\$M)				
	1999	2000	Change	%Change
BAUXITE				
Volume (000 tonnes)	2 795.4	2 153.2	-642.2	-23.0
Value (US\$M)	56.0	45.5	-10.5	-18.8
Unit price (US\$/tonne)	20.0	21.1	1.1	5.5
ALUMINA				
Volume (000 tonnes)	3 578.2	3 581.5	3.3	0.1
Value (US\$M)	628.0	684.3	56.3	9.0
Unit price (US\$/tonne)	175.5	191.1	15.6	8.9
SUGAR				
Volume (000 tonnes)	177.7	169.0	-8.7	-4.9
Value (US\$M)	95.3	83.3	-12.0	-12.6
Unit price (US\$/tonne)	536.3	492.9	-43.4	-8.1
BANANAS				
Volume (000 tonnes)	51.5	41.7	-9.8	-19.0
Value (US\$M)	29.8	22.9	-6.9	-23.2
Unit price (US\$/tonne)	578.6	549.2	-29.5	-5.1
TOTAL	809.1	836.0	26.9	3.3

Source: Statistical Institute of Jamaica



addition, the partial re-opening of the Gramercy plant in the last quarter of the year saw bauxite exports amounting to approximately 572.7 thousand tonnes for that quarter. Relative to 1999, the average price of crude bauxite was adjusted upwards by US\$1.10 per tonne, to US\$21.15 per tonne. This upward adjustment occurred because of a change in Kaiser's pricing formula, aimed at facilitating greater transparency in the pricing arrangement for crude bauxite exports.

The outlook for the domestic mining industry suggests that there will be growth in earnings for 2001. Receipts from alumina exports are expected to be influenced by continued buoyancy in prices, due to the curtailment of smelting activities, particularly, in the Pacific Northwest region of the U.S.A. In addition, as part of the 1998 Memorandum of Understanding, Alpart has embarked on an expansion programme to increase its annual output from 1.6 million in 2000 to 1.8 million tonnes of alumina by the year 2003. In an attempt to promote continuous growth in the near term, the expansion of the Winalco (formerly Jamalcan) Ewarton and Kirkvine plants from a combined capacity of 1.2 million tonnes to 1.5 million tonnes is currently being explored. With the return to full capacity of the Gramercy processing plant in the March quarter of 2001, bauxite exports are expected to surpass 4.0 million tonnes for the year. The sale of Alcan to a new owner is not expected to have any significant effect on the local industry in the near term.

Earnings from sugar exports amounted to US\$83.3 million in 2000, US\$12.0 million less than what was recorded in 1999. Export volumes contracted by 4.9 per cent to approximately 169.0 thousand tonnes, while the average realized price per tonne of sugar in 2000 fell by approximately 8.1 per cent. The fall-off in export volume resulted entirely from the non-shipment of sugar to the USA. This was as a consequence of an over-supply of sugar on the USA market, necessitating the purchase of Jamaica's certificate of eligibility for the year. The certificate of eligibility guarantees Jamaica an export quota to the USA market on an annual basis. The sale of the certificate yielded US\$2.2 million as compensation to the local industry for the non-shipment of sugar to that market. On the European market, the export volume

under the regular protocol agreement, and under the Special Preferential Sugar (SPS) access arrangement, expanded by 1.6 per cent, with Jamaica surpassing its export quota for the UK by approximately 13.0 thousand tonnes. However, the average price of sugar on the European market fell by approximately 8.0 per cent to US\$492.90 per tonne. This decline occurred in the context of 10.0 per cent depreciation in the average exchange rate over the crop year for the Euro vis-à-vis the US dollar. The crop year ran from November 1999 to July 2000.

Despite the decline in export volume, sugar production in 2000 was maintained at the levels realized in 1999. This performance was facilitated by favourable harvesting conditions, which served to enhance the sucrose content of the crop, as well as by improved factory efficiency, brought about by significant investment in technology in the industry by both private and public sector interests in 1999. In this context, an improvement in the tonnes of cane to tonnes of sugar ratio (T C/T S) from 11.3 in 1999 to 9.3 in 2000 was achieved.

The medium-term prospects for the sugar industry will be determined by the outcome of trade agreements that are currently being re-negotiated, and the ability of the industry to improve its efficiency. New initiatives in the wake of the Cotonou Agreement threaten to negate the benefits that are anticipated by the ACP countries from the new Lomé IV agreement, particularly where the eight-year preparatory period for liberalization of the European market is concerned. On the domestic side, producers in the industry are optimistic of the sector's ability to reduce cost from the present US\$0.30 per pound of sugar to US\$0.20 per pound by 2004. Beyond this, the investments in the industry in 1999 in terms of new equipment, improved farm roads, and accelerated and improved planting schedules imply that the industry is poised to significantly increase its production and export volumes over the medium-term. In the short-run, however, the industry's production and exports are expected to be adversely impacted by the drought that affected the island during the planting season in 2000.



Earnings from banana exports amounted to US\$22.9 million in 2000, which was US\$6.9 million or 23.2 per cent below the 1999 level. The fall-off in earnings from banana in 2000 was influenced by declines in both export price and volume. The average price per tonne of banana in 2000 was US\$549.20, US\$29.50 or 5.1 per cent below the average price in 1999. Prices, expressed in US dollars, were affected by the depreciation of the Euro vis-à-vis the US dollar. The export volume of bananas in 2000 amounted to 41.7 thousand tonnes, which was approximately 9.8 thousand tonnes, or 19.0 per cent below the level exported in 1999.

In addition to the effects of adverse weather conditions, inclusive of drought and wind damage, the contraction in the volume of banana exported continued to reflect the impact of praedial larceny and the transitional effects of removing inefficient and unproductive acreages from cultivation. Notwithstanding the decline in export price and volumes, there were marked improvements in the quality of exportable fruits as indicated by the Percentage Units Weights Specification (PUWS), and hence the spot price, denominated in Euro, per tonne of fruit exported. This improvement in the spot price served to offset some of the adverse effects of the depreciation of the Euro vis-à-vis the US dollar during the year.

There was a continuation of the restructuring of the banana industry during the year, which included staff rationalization and the introduction of systems and measures to promote greater efficiency and productivity. These adjustments came against the background of the WTO's ruling in favour of the USA and against the EU in relation to the existing banana regime, which gives preferences to former British and French colonies. The banana industry also received a pledge of €26.5 million over the next five years, provided under the European Union Banana Support Programme (EUBSP), to spur development in the industry.

2.2 Other domestic exports

The value of the other domestic exports expanded by US\$12.6 million, or 3.1 per cent, to US\$415.2 million in 2000 relative to 1999. An examination of Table 11 reveals that with the exception of four SITC sections, all the groups contributed to the increase in this category of exports, with chemical exports having the principal influence.

Earnings from chemical exports increased by US\$19.4 million or 42.2 per cent to US\$65.4 million. The growth in the value of chemical exports in 2000 mainly reflected increased exports of ethanol and aluminium hydroxide.

TABLE 11

OTHER DOMESTIC EXPORTS BY SITC (US\$M)				
	1999	2000	Change	% Change
0. Food	118.4	121.1	2.7	2.3
Citrus & Citrus Products	4.4	4.6	0.2	4.5
Other	114.0	116.5	2.5	2.2
1. Beverages & Tobacco	56.5	59.9	3.4	6.0
Rum	27.6	26.4	-1.2	-4.3
Tobacco & Tobacco Products	12.2	13.3	1.1	9.0
Other	16.7	20.2	3.5	21.0
2. Crude Materials	4.5	5.1	0.6	13.3
3. Mineral Fuels	3.6	3.6	0.0	0.0
4. Animal & Vegetable Oils & Fats	0.0	0.1	0.1	0.0
5. Chemicals	46.0	65.4	19.4	42.2
6. Manufactured Goods	6.4	7.3	0.9	14.1
7. Machinery & Transport Equipment	1.7	1.1	-0.6	-35.3
8. Misc. Manufactured Goods	165.5	151.6	-13.9	-8.4
9. Misc. Commodities	0.0	0.0	0.0	0.0
TOTAL	402.6	415.2	12.6	3.1

Source: Statistical Institute of Jamaica



Miscellaneous manufactured goods recorded a significant decline of US\$13.9 million or 8.4 per cent to US\$151.6 million, influenced by activities in the garment sector as Jamaican operators continued to either scale down or withdraw from the sector.

23 Exports of Free Zones and Goods Procured in Ports

There was relative stability in operations within the three free zones in 2000. Export earnings totalled US\$224.0 million for the year, similar to the estimated earnings of the industry in 1999. In conjunction with government initiatives aimed at stabilizing the sector, the passing of the Caribbean Basin Initiative (CBI) enhancement bill by the United States Congress may have served to stem the recent spate of relocation of companies to lower cost countries. The Bill will ensure duty-free and quota-free access for apparel made in CBI countries from US-formed fabrics and US yarn. This means that the Caribbean will enjoy access to the US apparel market similar to that enjoyed by Mexico under the North American Free Trade Agreement (NAFTA).

Bunker supplies and other items procured in Jamaican ports by foreign carriers were valued at US\$37.9 million in 2000, US\$8.4 million higher than in 1999. The increase in 2000 largely reflected a higher value for fuel sold to foreign carriers, stemming from increases in fuel prices.

30 IMPORTS

Total imports (c.i.f.) for 2000 were valued at US\$3380.7 million, an increase of US\$293.6 million above the value recorded in 1999. Table 12 shows that the growth in total imports was attributable to increases of US\$296.4 million, or 10.2 per cent, and US\$15.9 million, or 71.0 per cent, in the general merchandise group and goods procured in foreign ports by Jamaican carriers, respectively. On the other hand, the value of imports by the free zones declined to US\$142.3 million in 2000 from US\$161.0 million in 1999. The general merchandise group accounted for over 94.0 per cent of total imports in 2000, while free zone imports and goods procured in foreign ports by Jamaican carriers accounted for 4.2 per cent and 1.1 per cent of total imports, respectively.

Within the general merchandise category of imports, mineral fuels, machinery and transportation equipment, miscellaneous manufactured goods and chemicals recorded significant increases of US\$214.8 million, US\$84.3 million, US\$8.5 million and US\$7.2 million, respectively. There were, however, partially offsetting contractions in the values of food, beverages and tobacco, animal and vegetable oils and fats, manufactured goods and miscellaneous commodities.

The value of imports for the free zones amounted to US\$142.3 million in 2000, US\$18.7 million, or 11.6

TABLE 12

VALUE OF IMPORTS (US\$M)				
	1999	2000	Change	% Change
SITC SECTIONS				
O. Food	453.8	446.6	-7.2	-1.6
1. Beverages & Tobacco	32.6	28.1	-4.5	-13.8
2. Crude Materials	51.3	51.9	0.6	1.2
3. Mineral Fuels	380.4	595.2	214.8	56.5
4. Animal & Vegetable Oils & Fats	21.1	19.6	-1.5	-7.1
5. Chemicals	332.8	340.0	7.2	2.2
6. Manufactured Goods	437.1	436.9	-0.2	0.0
7. Machinery & Transport Equipment	660.9	745.2	84.3	12.8
8. Misc. Manufactured Goods	440.5	449.0	8.5	1.9
9. Misc. Commodities	93.2	87.6	-5.6	-6.0
A. TOTAL GENERAL IMPORTS	2 903.7	3 200.1	296.4	10.2
B. FREE ZONE IMPORTS	161.0	142.3	-18.7	-11.6
C. GOODS PROCURED IN PORTS	22.4	38.3	15.9	71.0
TOTAL IMPORT (CIF)	3 087.1	3 380.7	293.6	9.5

Source: Statistical Institute of Jamaica



per cent, below the 1999 value. The fall in imports by the free zones largely reflected the decline in demand for raw materials resulting from the closure of a number of plants during the year. Expenditures on bunker supplies by the domestic carrier in foreign ports increased by US\$15.9 million to US\$38.3 million, reflecting the impact of higher fuel costs incurred during the year.

The components of general merchandise imports for 1999 and 2000, categorised by economic function, are provided in Table 13. This classification reveals that the expansion in the general merchandise imports category in 2000 was mainly concentrated in the raw material category, which grew by US\$242.2 million. Increased spending on consumer and capital goods imports of US\$12.5 million and US\$41.7 million, respectively, was also recorded for the year. These changes resulted in the raw material's share of general merchandise imports in 2000 increasing to 53.5 per cent from 50.7 per cent in 1999, while the shares accounted for by consumer and capital goods declined to 30.5 per cent and 16.0 per cent, respectively, from 33.2 per cent and 17.1 per cent.

The growth in the value of raw material imports was largely influenced by a US\$213.8 million or 56.3 per cent expansion in the value of fuel imports. The rise in the fuel bill in 2000 was attributable to the increases in international fuel prices relative to the previous year. In the context of the increase in oil prices over the year, the volume of fuel imported into the island is estimated to have fallen by 1.7 per cent in 2000, reflecting reduced

demand from mining-related activities. Notwithstanding this reduction, it should be noted that non-mining related demand for fuel is estimated to have grown by 9.3 per cent.

Other raw material imports grew by US\$28.4 million or 3.2 per cent in 2000. Within this category, respective expansions of US\$2.6 million, US\$2.2 million and US\$21.5 million were recorded in spending on imports of foods, industrial supplies and parts and accessories. A wide range of items comprised the increase in food imports, with the major elements being corn, cereals, cheese, wheat, and soybeans. This increase was partially offset by a substantial fall in the value of white rice imports. The reduction in the value of white rice imports mirrored a fall in world prices for the staple in 2000. For industrial supplies, notable increases were recorded in, imports of cement, steel bars, selected lubricants, garments and optical cables among others. The principal element affecting the expansion in parts and accessories was growth in the value of imports of transmission equipment and radio receivers. The increased spending on selected imported building materials is an encouraging sign for the domestic construction sector, while the upturn in imports of telecommunications related items highlights the rapid development taking place in the communication sector, particularly the expansion of wireless telephone operations.

Expenditure on imported consumer goods in 2000, valued at approximately US\$975.9 million, reflected

TABLE 13

IMPORTS BY ECONOMIC FUNCTION (US\$M)				
	1999	2000	Change	% Change
CONSUMER GOODS	963.4	975.9	12.5	1.3
Food	274.1	264.7	-9.4	-3.4
Other non-durables	313.4	324.6	11.2	3.6
Durables	375.9	386.6	10.7	2.8
RAW MATERIALS	1 471.0	1 713.2	242.2	16.5
Fuels	379.8	593.6	213.8	56.3
Other raw materials	1 091.2	1 119.6	28.4	3.2
CAPITAL GOODS	469.3	511.0	41.7	8.9
Transport equipment	86.6	111.4	24.8	28.6
Construction materials	156.4	144.4	-12.0	-7.7
Other machinery & equipment	226.3	255.2	28.9	12.8
TOTAL	2 903.7	3 200.1	296.4	10.2

Source: Statistical Institute of Jamaica



respective increases of US\$11.2 million and US\$10.7 million in the other non-durable and durable subgroups, which were partially counteracted by a contraction of US\$9.4 million in food imports. The growth in other non-durable consumer goods mainly reflected increased imports of medicines, books and other pharmaceuticals. The increase in the durables component was mainly accounted for by an expansion in the value of motorcar imports.

The value of capital goods imports grew by US\$41.7 million or 8.9 per cent to US\$511.0 million in 2000. This growth was due to expansions of US\$24.8 million in transport and equipment and US\$28.9 million in other machinery and equipment. Public sector capital projects, particularly in the area of road repair and construction, transportation, and security services, were the main factors underpinning the growth in spending on transport and equipment. In this context, very strong expansion was recorded in the value of heavy equipment, presumably for the purpose of the road projects that were undertaken in 2000. Beyond this, a large number of police cars and motorbuses for the public transportation system was imported during the year. Increased activity within the telecommunication sector was largely responsible for the expansion of imports of other machinery and equipment, reflected as increased spending on facsimile machines, cellular telephones and other telephone and telegraphic equipment.

The growth in imports of capital goods for 2000 was partially countered by a decline of US\$12.0 million in construction materials. The main item accounting for this downturn was prefabricated buildings, with partial

offsetting increases in the value of cement and PVC pipe imports being recorded.

40 DIRECTION OF TRADE (GENERAL MERCHANDISE)

With a total share of general merchandise trade of 53.8 per cent in 2000 relative to 56.2 per cent in 1999, the USA, Canada and the UK remained Jamaica's principal trading partners. Combined, these three countries provided markets for US\$791.0 million or 61.2 per cent of Jamaica's total exports, and supplied US\$1627.7 million or 50.9 per cent of its imports in 2000. Tables 14 to 16 provide statistics on Jamaica's international trade by major trading partner in 2000 compared with 1999.

The USA retained its position as Jamaica's main trading partner in 2000, supplying 44.7 per cent of the country's general merchandise imports, relative to 47.7 per cent in 1999, while absorbing 39.3 per cent of its general merchandise exports relative to 37.0 per cent in the previous year. Imports from the U.S.A., comprising mainly manufactured goods, machinery and transport equipment, mineral fuels and food, totalled US\$1431.2 million, US\$46.8 million above the 1999 level. Concurrently, the value of exports to the USA increased in 2000 by US\$47.9 million to US\$508.8 million. Alumina, garments and miscellaneous manufactured goods were the principal items exported to that country in 2000. The movements in both exports and imports for 2000 resulted in Jamaica's general merchandise trade deficit with the USA narrowing by US\$1.1 million to US\$922.4 million.

TABLE 14

VALUE OF EXPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)						
COUNTRY	1999	% of Total	2000	% of Total	2000/99	% Change
United Kingdom	157.9	12.7	149.3	11.5	-8.6	-5.4
United States	460.9	37.0	508.8	39.3	47.9	10.4
Canada	135.5	10.9	132.9	10.3	-2.6	-1.9
Other E.E.C. countries	220.0	17.6	242.9	18.8	22.9	10.4
Caricom	42.0	3.4	48.6	3.8	6.6	15.7
All other countries	231.0	18.5	210.6	16.3	-20.4	-8.8
TOTAL	1 247.3	100.0	1 293.1	100.0	45.8	3.7



TABLE 5

VALUE OF IMPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)						
COUNTRY	1999	% of Total	2000	% of Total	2000/99	% Change
United Kingdom	96.0	3.3	98.2	3.1	2.2	2.3
United States	1 384.4	47.7	1 431.2	44.7	46.8	3.4
Canada	96.6	3.3	98.3	3.1	1.7	1.8
Other E.E.C. countries	135.8	4.7	167.4	5.2	31.6	23.3
Caricom	366.4	12.6	401.6	12.5	35.2	9.6
All other countries	824.5	28.4	1 003.4	31.4	178.9	21.7
TOTAL	2 903.7	100.0	3 200.1	100.0	296.4	10.2

TABLE 6

TRADE BALANCE BY PRINCIPAL TRADING PARTNERS (US\$M)				
COUNTRY	1999	2000	Change	% Change
United Kingdom	61.9	51.1	-10.8	-17.4
United States	-923.5	-922.4	1.1	-0.1
Canada	38.9	34.6	-4.3	-11.1
Other E.E.C. countries	84.2	75.5	-8.7	-10.3
Caricom	-324.4	-353.0	-28.6	8.8
All other countries	-593.5	-792.8	-199.3	33.6
TOTAL	-1 656.41	-1 907.0	-250.6	15.1

Source: Statistical Institute of Jamaica

Canada absorbed US\$132.9 million of Jamaica's exports in 2000, US\$2.6 million less than in 1999. The level of exports to Canada in 2000 represented 10.3 per cent of Jamaica's total merchandise exports, down from the 10.9 per cent recorded for the previous year. Imports, which comprised goods similar to those from the U.S., were US\$1.7 million higher than the previous year and accounted for 3.1 per cent of the total general merchandise bill. The movement in both exports and imports led to Jamaica's trade surplus with Canada narrowing by US\$4.3 million or 11.1 per cent to US\$34.6 million.

Jamaica's trade surplus with the UK also narrowed in 2000, moving down by US\$10.8 million to US\$51.1 million. General merchandise exports to the UK, which were comprised mainly of sugar, bananas and rum, declined by US\$8.6 million to US\$149.3 million. Nonetheless, the UK's share of Jamaica's exports market declined to 11.5 per cent in 2000 from 12.7 per cent in 1999. Imports from the UK in 2000, which consisted mainly of machinery and transport equipment,

manufactured goods and chemicals, increased by US\$2.2 million to US\$98.2 million.

Jamaica's trade with other European Economic Community (E.E.C.) countries resulted in increases of US\$22.9 million and US\$31.6 million in exports and imports, respectively. The growth in exports was largely due to increased earnings from alumina, while the increase in imports was influenced by the importation of 100 water trucks valued at US\$75.5 million.

All the remaining trading partners (excluding CARICOM states) recorded a combined trade deficit of US\$792.8 million with Jamaica, relative to the deficit of US\$593.5 million recorded in the previous year. Exports to these markets fell by US\$20.4 million but were outweighed by an expansion of US\$178.9 million in imports. The growth in the value of imports was due mainly to higher oil imports from Mexico and Venezuela.

Jamaica's trade with the CARICOM region expanded by US\$41.8 million to US\$450.2 million in 2000. As a



consequence, the region's share of Jamaica's total trade increased to 10.0 per cent in 2000, from 9.8 per cent in 1999. The value of total exports increased by US\$6.6 million in 2000 to US\$48.6 million, but this was offset by an expansion of US\$35.2 million to US\$401.6 million in the value of imports. Consequently, Jamaica's trade deficit with the region widened in 2000 by US\$28.6 million to US\$353.0 million.

4.1 CARICOM

The details of Jamaica's trade with the CARICOM region for 2000 compared with 1999 are presented in Table 17. Trinidad and Tobago continued to be Jamaica's major regional trading partner in 2000. During the year, the twin island republic consumed 44.4 per cent of Jamaica's total exports to the region, 7.5 percentage points more than in 1999, and supplied 80.4 per cent of its total imports from the region, up from the 78.8 per cent recorded in 1999. As a consequence, Jamaica's trade deficit with Trinidad and Tobago increased by US\$28.0 million to US\$301.4 million. Imports from the twin island republic expanded by US\$34.0 million to US\$322.9 million, while exports grew by US\$6.0 million to US\$21.5 million. The growth in imports was largely attributable to an increase of US\$33.9 million, or 18.0 per cent in the fuel bill, associated with the increases in international oil prices.

Guyana remained Jamaica's second largest trading partner in CARICOM in 2000, absorbing US\$3.0 million or 6.1 per cent of Jamaica's regional exports, while supplying US\$33.2 million or 8.3 per cent of its import demand. Exports to that country declined by US\$0.1 million relative to 1999, but imports, which consisted mainly of shrimp and rice, increased by US\$4.0 million. Consequently, Jamaica's trade deficit with Guyana rose by US\$4.1 million to US\$30.2 million.

Although ranking third among CARICOM countries in terms of overall trade with Jamaica, Barbados remained the second largest market for Jamaican exports in 2000. During the year, exports to Barbados, which declined by US\$0.4 million to US\$7.8 million, accounted for 16.0 per cent of total exports to the region, while imports from that country declined by US\$0.7 million to US\$16.5 million. The movement resulted in imports accounting for 4.1 per cent of Jamaica's total imports from the region. As a consequence, Jamaica's trade deficit with Barbados narrowed by US\$0.3 million to US\$8.7 million in 2000.

Jamaica's trade deficit with Belize, Suriname, St. Vincent and Dominica also narrowed, while higher trade surpluses were recorded with Grenada, St. Kitts, Montserrat and Antigua. The surplus with St. Lucia contracted in 2000. The major imports from these countries consisted of manufactured household products such as soaps, edible oils, fish and shrimp, while the main export commodities to these markets included manufactured foods, drinks and household items.

TABLE 17

CARICOM TRADE BY COUNTRY						
US\$M						
	1999			2000		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
Barbados	8.2	17.2	-9.0	7.8	16.5	-8.7
Guyana	3.1	29.2	-26.1	3.0	33.2	-30.2
Belize	2.8	5.9	-3.1	3.5	6.0	-2.5
St. Kitts	1.9	0.0	1.9	1.5	0.0	1.5
Antigua	2.5	0.2	2.3	2.7	0.0	2.7
Montserrat	0.1	0.0	0.1	0.4	0.0	0.4
Trinidad & Tobago	15.5	288.9	-273.4	21.5	322.9	-301.4
Dominica	1.6	13.9	-12.3	1.9	14.0	-12.1
Grenada	1.1	1.0	0.1	1.6	0.5	1.1
St. Lucia	2.9	0.2	2.7	2.5	0.0	2.5
St. Vincent	1.2	2.0	-0.8	1.2	1.8	-0.6
Suriname	1.1	7.9	-6.8	1.0	6.7	-5.7
TOTAL	42.0	366.4	-324.4	48.6	401.6	-353.0

Source: Statistical Institute of Jamaica



C. SERVICES

1.0 OVERVIEW

During 2000, net earnings from services amounted to US\$538.6 million, US\$1.9 million below the figure recorded for the previous year. The out-turn for the services account was influenced by expansions of US\$17.7 million and US\$55.7 million in net payments for *transportation* and *other services*, respectively, which were almost offset by an increase of US\$71.5 million in net earnings from *travel*.

2.0 TRANSPORTATION

The *transportation* sub-account recorded a net outflow of US\$247.2 million in 2000 relative to US\$229.5 million in 1999. An expansion of US\$28.4 million to US\$328.7 million in gross earnings from transportation services was more than offset by a US\$46.1 million growth, to US\$575.9 million, in gross transportation payments. The increase in gross transportation inflows stemmed from higher receipts from passenger fares by the domestic carrier. Higher payments resulted from an increase in freight and other transportation payments, with the former reflecting the increased volume of imports into the island over the year. Table 18 summarises the transportation sub-account for 2000 compared with 1999.

3.0 TRAVEL

In 2000, the estimated foreign exchange earnings from the tourism industry amounted to approximately 20.0 per

cent of Jamaica's GDP. Gross travel earnings amounted to US\$1 332.6 million for the year, representing a growth of 4.1 per cent relative to 1999. Despite a decline in the average length of stay by visitors, the positive performance of the industry was spurred by a 10.7 per cent expansion in total visitor arrivals, supported by a slight increase in their average expenditure.

3.1 Stopover Arrivals

As shown in Table 19, visitor arrivals in 2000 totalled 2.2 million, an increase of 217.0 thousand relative to the number of visitors that came to the island in 1999. The cruise passenger and armed force personnel category registered a marked increase of 18.5 per cent to approximately 909 thousand in 2000, and accounted for approximately 41.0 per cent of the total number of visitors to the island. This rate of increase compares favourably with the 13.1 per cent growth recorded in 1999. Stopover visitors, which increased by 6.0 per cent to 1.3 million in the year, accounted for approximately 59.0 per cent of the total number of visitors. Within this category, the arrival of foreign nationals expanded by 6.3 per cent, while, relative to 1999, the number of visiting non-resident Jamaicans increased by 2.1 per cent.

Table 20 shows a breakdown of stopover visitors by country of origin. The USA, UK and Canada remained Jamaica's main provider of visitors. Stopover arrivals from the US, which accounted for about 71.0 per cent of total stopover visitors, registered an improvement of 8.3 per cent during the year. The number of foreign nationals from this market increased by 9.3 per cent to 863.0 thousand, while the arrival of Jamaicans living in the USA declined by 1.4 per cent to approximately 80.0 thousand.

Visitor arrivals from the UK grew by 8.3 per cent to approximately 135.0 thousand in 2000. Of note was the significant increase of 41.7 per cent in arrivals of non-resident Jamaican visitors from the UK. Canada, which accounts for the third largest source market, showed an improvement of 7.1 per cent in stopover arrivals to roughly 107.0 thousand in 2000.

TABLE 18

TRANSPORTATION (US\$M)				
	1999	2000	Change	%Change
TRANSPORTATION (NET)	-229.5	-247.2	-17.7	7.7
TOTAL RECEIPTS	300.3	328.7	28.4	9.5
Passenger fares	206.3	243.7	37.4	18.1
Freight	7.7	6.5	-1.2	-15.6
Other	86.3	78.5	-7.8	-9.0
TOTAL PAYMENTS	529.8	575.9	46.1	8.7
Passenger fares	28.6	28.5	-0.1	-0.3
Freight	404.3	422.1	17.8	4.4
Other	96.9	125.3	28.4	29.3

Source: Bank of Jamaica



TABLE 9

VISITOR ARRIVALS STATISTICS				
	1999	2000	Change	% Change
Total Stop-Overs	1 248 397	1 322 690	74 293	6.0
Foreign Nationals	1 147 135	1 219 311	72 176	6.3
Long-Stay	1 084 553	1 151 682	67 129	6.2
Short-Stay	62 582	67 629	5 047	8.1
Non-resident Jamaicans	101 262	103 379	2 117	2.1
Cruise Passengers & Armed Forces	766 873	909 075	142 202	18.5
TOTAL	2 015 270	2 231 765	216 495	10.7

Source: Jamaica Tourist Board

TABLE 10

STOP-OVER TOURIST ARRIVALS BY COUNTRY OF ORIGIN Thousand (000)												
	Foreign Nationals				Non-Resident Jamaicans				Total Stopovers			
	1999	2000	Change	% Change	1999	2000	Change	% Change	1999	2000	Change	% Change
USA	789.3	863.0	73.8	9.3	80.6	79.6	-1.2	-1.4	870.0	942.6	72.6	8.3
Canada	91.1	97.9	6.8	7.5	9.3	9.6	0.3	3.6	100.3	107.5	7.2	7.1
UK	120.5	129.1	8.6	7.1	4.4	6.2	1.8	41.7	125.0	135.3	10.4	8.3
West Germany	38.5	25.1	-13.4	-34.8	0.0	0.0	-0.0	-7.7	38.6	25.2	-13.4	-34.7
Other Europe	45.0	38.3	-6.7	-14.9	0.2	0.2	0.0	4.4	45.1	38.4	-6.7	-14.8
Latin America	15.4	14.5	-0.9	-6.0	0.2	0.2	-0.0	-0.5	15.6	14.7	-0.9	-6.0
Japan	8.4	7.7	-0.6	-7.7	0.0	0.0	0.0	93.8	8.4	7.8	-0.6	-7.5
Caribbean	31.7	36.6	4.9	15.3	6.3	7.4	1.1	17.3	38.0	44.0	6.0	15.6
Other Countries	7.2	7.1	-0.1	-1.9	0.0	0.1	0.0	8.6	7.33	7.2	-0.1	-1.8
TOTAL	1 147.1	1 219.3	72.2	6.3	101.3	103.4	2.1	2.1	1 248.4	1 322.7	74.3	6.0

Source: Jamaica Tourist Board

The expansion in visitor arrivals from Jamaica's main source markets reflected, among other things, increased promotional and advertising efforts, continued expansion in economic activity in these markets during the year and the strengthening of international currencies vis-à-vis the Jamaica Dollar, particularly the US Dollar, which boosted consumer expenditure on travel.

Stopover visitors originating from the Caribbean also increased by approximately 6.0 thousand or 15.6 per cent to 44.0 thousand visitors reflecting, in part, increased air linkages and promotional efforts of the national airline to Caribbean destinations.

For the second consecutive year, visitor arrivals from Germany, Latin America, Japan and other European countries (comprising Italy, France and Spain) recorded notable declines of 34.7 per cent, 6.0 per cent, 7.5 per cent and 14.8 per cent, respectively. The weakening of

the Euro, which affected the value of associated currencies, as well as incidences of crime and visitor harassment, was partly responsible for the decline observed in the European market. Further, arrivals from the European market were influenced by the loss of charter flights to the island since the latter part of 1999, due to the strong competition from the Dominican Republic and Cuba. Japan continued to be affected by a weakening yen and growing unemployment, while the Latin American region was affected by a weaker Argentine economy.

On a regional basis, the overall increase of 6.0 per cent in stopover arrivals to Jamaica was below the 7.1 per cent for the Caribbean. However, Jamaica was still ranked as one of the top five Caribbean destinations. The number of stopover visitors to Cuba, which ranks third within the region as a tourist destination, increased by 10.6 per cent for the year, while the Bahamas, which has begun



to show signs of product maturity, registered a 3.0 per cent increase in stopover arrivals and ranked fourth in terms of stopover arrivals. It is estimated that the number of stopover visitors to the Dominican Republic and Puerto Rico grew by 13.9 per cent and 7.8 per cent, respectively for the year (see Table 21).

TABLE 21

STOPOVER ARRIVALS TO THE CARIBBEAN AND MEXICO (000)				
Country	1999	2000	Change	%Change
Mexico (Cancun)	2 819.2	3 044.7	225.5	8.0
Dominican Republic	2 103.2	2 395.5	292.3	13.9
Cuba	1 602.6	1 772.5	169.9	10.6
Bahamas	1 438.4	1 481.5	43.2	3.0
Jamaica	1 248.4	1 322.7	74.3	6.0
Puerto Rico	1 089.5	1 174.5	85.0	7.8
Aruba	683.6	721.2	37.6	5.5
Barbados	518.1	543.0	24.9	4.8

Source: World Tourism Organisation

The Dominican Republic and Cuba have maintained their dominance in the market, not only as a result of aggressive advertising and marketing strategy, but also due to their rich cultural heritage. This reflected the contribution of the European visitors to these islands. Visitors from Europe are normally higher spenders and stay longer nights than their North American counterparts.

During 2000, international tourism grew by 7.4 per cent, recording its highest growth rate in nearly a decade and almost doubling the increase recorded in 1999. The growth in travel was spurred on by strong global economies and special events staged to commemorate the new millennium (see Table 22).

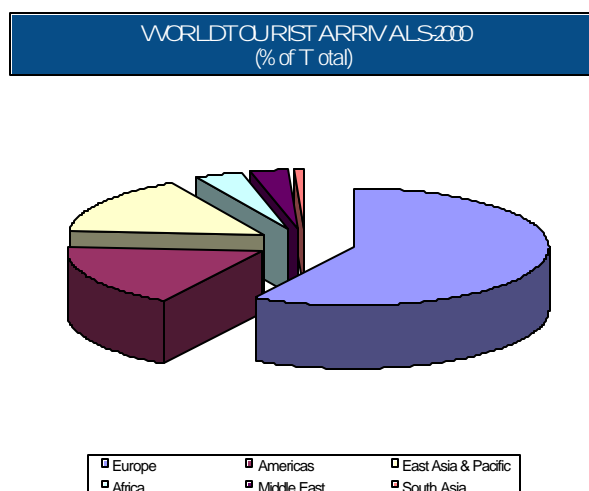
All regions of the world hosted more tourists in 2000, although the fastest growing areas were East Asia and the Pacific with a growth rate of 14.5 per cent. Europe, which accounts for 58.0 per cent of international tourists, grew by 6.2 per cent, while the Americas, which encompass the Caribbean, grew by 6.5 per cent.

TABLE 22

WORLD TOURIST ARRIVALS (Million)				
Country	1999	2000	%Change	
			1999/98	2000/99
World	6 499	6 983	3.8	7.4
Europe	3 798	4 033	1.7	6.2
Americas	1 302	1 223	23	6.5
East Asia & Pacific	976	1 117	10.8	14.5
Africa	265	269	6.1	1.5
Middle East	18.1	20.0	18.1	10.2
South Asia	5.8	6.3	10.7	9.0

Source: World Tourism Organisation

CHART 1



The seasonal distribution of stopover arrivals in 2000 was comparable to that of 1999. As shown in Table 23, visitor arrivals during the winter period (January to April), accounted for 34.9 per cent of arrivals, while summer visitors (May to December) accounted for 65.1 per cent. This compares with respective shares of 35.1 per cent and 64.9 per cent for the two seasons in 1999. In 2000, the number of winter visitors totalled approximately 461.7 thousand, representing an increase of 5.5 per cent or 24.0 thousand persons, while the number of summer visitors increased by 6.2 per cent to approximately 861.0 thousand persons.



TABLE 23

DISTRIBUTION OF STOPOVERS BY SEASON						
Year	No. of Visitors (000)			% of Total		
	1999	2000	Change	% Change	1999	2000
	Winter	437.6	461.7	24.0	5.5	35.1
Summer	810.8	861.0	50.3	6.2	64.9	65.1
TOTAL	1248.4	1	74.3	6.0	100.0	100.0

Source: Jamaica Tourist Board

The performance of visitor arrivals during the winter period reflected the success of the 'Spring Break' activities for college students with an estimated increase of 36.0 per cent in student arrivals relative to 1999. In addition, the winter performance was influenced by the resumption of travel activities as the 1999 season was affected by a reduction in travel amidst concerns surrounding the Y2K phenomenon. During the summer months, the country benefited from the staging of the Jamaica Product Exchange (JAPEX) Trade Show in Kingston, which was held in May 2000, and a wide range of other events, including sports, food and music festivals.

For the year, visitor accommodation statistics showed an increase in the number of available rooms and beds as indicated in Table 24. The number of rooms available increased by 573 or 2.5 per cent to 23.6 thousand and the available beds grew by 1.3 thousand or 2.8 per cent to 48.9 thousand. The table shows that all the major resort areas experienced growth in the number of rooms and beds in 2000, with Montego Bay accounting for approximately 78.0 per cent of this increase. During the review period, Montego Bay benefited from the construction of two new hotels with 520 available rooms, while, as a result of the construction of two new villa properties, Port Antonio and the South Coast increased their occupancy capacity marginally. The renovation of existing hotels and villa accommodations in Montego Bay, Ocho Rios and Negril also resulted in the availability of 66 additional rooms.

TABLE 24

VISITOR ACCOMMODATION STATISTICS (By resort area) Thousand (000)				
	1999	2000	Change	% Change
No. of Rooms	23.1	23.6	0.6	2.5
Montego Bay	7.5	8.0	0.5	6.3
Ocho Rios	6.8	6.8	0.0	0.5
Negril	5.0	5.1	0.0	1.1
Kingston	2.1	2.1	0.0	0.2
Port Antonio	0.9	0.9	0.0	0.6
South Coast	0.7	0.7	0.0	0.7
No. of Beds	47.6	48.9	1.3	2.8
Montego Bay	15.3	16.3	1.0	6.4
Ocho Rios	14.7	14.7	0.0	0.2
Negril	10.2	10.4	0.2	2.2
Kingston	4.1	4.2	0.0	0.9
Port Antonio	1.8	1.8	0.0	0.6
South Coast	1.4	1.5	0.0	3.0

Source: Jamaica Tourist Board

Table 25 gives a breakdown of the average length of stay of visitors in Jamaica by country of origin. On average, the length of stay of stopover visitors declined to 10.1 days in 2000 from 10.3 days in 1999. With the exception of the UK and other countries, there was a decline in the average length of stay of visitors from all the major markets. Of note was the significant reduction in the average length of stay of visitors from the Caribbean, which may be attributed to the improved attractiveness of weekend packages that were offered, as well as the tendency for visitors to take shorter vacations in an effort to visit more destinations.

TABLE 25

AVERAGE LENGTH OF STAY (Days) By Country of Residence		
	1999	2000
USA	8.5	8.4
Canada	12.4	12.2
UK	18.1	18.6
Europe	13.3	13.2
Latin America	8.8	8.7
Caribbean	11.6	10.8
Other Countries	9.8	10.1
TOTAL	10.3	10.1

Source: Jamaica Tourist Board



32 Cruise Passengers

During the year, the growth rate in cruise passenger arrivals to Jamaica was approximately 11.0 percentage points below the average growth rate of roughly 30.0 per cent recorded for the Caribbean region. Jamaica, however, maintained its position among the top ten cruise destinations in the Caribbean. Other Caribbean destinations such as Aruba, Antigua and Barbuda, Bahamas, Barbados, Mexico (Cozumel), Curacao, St. Maarten and Dominica were able to achieve much higher growth rates than the regional average (see Table 26).

TABLE 26

SELECTED CRUISE SHIP PASSENGERS The Caribbean & Mexico Thousand (000)					
Port of Call	1998	1999	2000	% Change	
				1999/98	2000/99
Mexico (Cozumel)	840.4	960.0	2394.0	14.2	149.4
U.S. Virgin Islands	1107.7	1214.9	1494.5	9.7	23.0
Puerto Rico	887.7	878.1	987.5	-1.1	12.5
Jamaica	538.5	764.3	907.6	13.1	18.7
St. Maarten	881.4	615.6	868.3	-30.2	41.1
Bahamas	1224.2	568.3	685.1	-53.6	20.6
Barbados	393.5	432.9	533.3	10.0	23.2
Aruba	156.2	289.0	490.2	85.0	69.6
Antigua and Barbuda	336.2	327.7	427.4	-2.5	30.4
Curacao	231.2	220.7	309.4	-4.5	40.2
Dominica	83.8	202.0	239.8	141.0	18.7
Trinidad and Tobago	245.0	57.0	82.2	127.9	44.3

Source: Caribbean Tourism Organisation

The growth rate in cruise passenger arrivals in Jamaica continued to be driven primarily by the industry's ability to attract larger sized vessels and the increased effort at containing the negative effects of visitor harassment in the major ports of call. During the year, the number of cruise ship calls increased by 3.1 per cent to 504. The Ocho Rios port, which has the largest capacity accommodation, continued to account for the major share of the cruise sub-sector, recording a 23.0 per cent expansion in the number of arrivals and a 13.8 per cent increase in the number of ship calls relative to 1999. Montego Bay registered an increase of 5.1 per cent in cruise passenger arrivals. However, as a result of the

increased use of mega-liners within the industry, the number of ship calls to that port fell by 11.9 per cent. The performance in Port Antonio was affected by poor road infrastructure and the incapacity to accommodate large vessels.

Of particular interest was the performance of the sector during August 2000. During that month, approximately 78.0 thousand cruise passengers from 37 calls visited the island, reflecting respective increases of 72.5 per cent and 54.2 per cent in passengers and calls relative to the same month in 1999. Of the total calls, six cruise ships with roughly 15.0 thousand passengers made unexpected calls to the Ocho Rios port, while 36.4 per cent more passengers or 27.3 per cent additional calls arrived at the Montego Bay port during the month. This increase in the number of calls to the two major ports was due to the threat of hurricane Debbie in the Eastern Caribbean.

As shown in Table 27, gross earnings from tourism amounted to US\$1332.6 million, an increase of US\$53.0 million or 4.1 per cent relative to gross tourism receipts in 1999. Of the total earnings, foreign national stopovers contributed US\$1207.7 million or approximately 91.0 per cent of the total, while non-resident Jamaicans and cruise passengers accounted for US\$51.7 million (3.9 per cent) and US\$73.2 million (5.5 per cent), respectively. Of the amount spent by the stopover visitors, US\$415.1 million or 34.4 per cent was expended during the winter period and US\$792.6 million in the summer period.

Gross expenditure by Jamaicans travelling abroad declined by 12.1 per cent during 2000 to US\$174.3 million from US\$198.4 million in the previous year, while expenditure by seasonal workers grew by 19.4 per cent to US\$34.4 million relative to 1999. Net earnings from foreign travel for 2000 was US\$1123.9 million, an increase of US\$71.5 million relative to the figure recorded in 1999.

Overall, the performance of the tourism sector for 2000 was influenced broadly by the notable improvement in cruise arrivals, stemming from unexpected cruise ship calls to the island and infrastructural improvements in the major



TABLE 27

TOURIST EXPENDITURE (US\$M)				
	1999	2000	Change	%Change
Total Foreign National Stopover Expenditure	1 170.4	1 207.7	37.3	3.2
Winter Expenditure	389.4	415.1	25.7	6.6
Summer Expenditure	781.0	792.6	11.6	1.5
Non-resident Jamaican Expenditure	47.9	51.7	3.8	7.9
Cruise Passengers & Armed Forces	61.3	73.2	11.9	19.4
Total Expenditure	1 279.6	1 332.6	53.0	4.1
Less Jamaican Expenditure Overseas	198.4	174.3	-24.1	-12.1
Less Expenditure of Resident Workers Overseas	28.8	34.4	5.6	19.4
Net Expenditure	1 052.4	1 123.9	71.5	6.8

Source: Jamaica Tourist Board

ports of call. In addition, increased stopover visitors resulted from the effects of stronger economic growth in Jamaica's major source countries, increased consumer spending on travel activities, enhanced advertising and promotional efforts and the continued trend of visitors taking shorter vacations during the period.

The outlook for the industry points to continued improvement in visitor arrivals and expenditure and the consolidation of the gains achieved in 2000. Currently, plans are being implemented to accelerate growth and investment in the tourism industry on a sustainable basis. This programme should facilitate the continued diversification of the tourism product and improve the quality of visitor experiences by involving the wider community. Within this context, Government's efforts geared towards expanding interest and participation in community tourism through public education and training, as well as the inclusion of tourism in the schools' curriculum have been initiated.

Efforts to address the issue of competitiveness of the industry have resulted in a number of on-going collaborative investment projects between the private sector and the Government. Several upgrading and modernization activities were undertaken under the Airport Reform and Improvement project. In addition, the continued infrastructure development work along the North Coast saw most of the activities concentrated on the South Gully Project in Montego Bay.

The future performance of Jamaica's tourism industry will be dependent, *inter alia*, on efforts at curtailing visitor harassment and crime levels; the re-investment of private sector earnings to facilitate improved product quality; the timely completion of infrastructural work to improve the aesthetic appearance of resort towns and aggressive marketing strategy geared particularly towards the European market to achieve higher occupancy levels in both the All-inclusive and European Plan hotels.

4.0 OTHER SERVICES

The *other services* sub-account recorded a deficit of US\$338.1 million in 2000, which was US\$55.7 million higher than the deficit in 1999. This out-turn resulted from an increase of US\$75.1 million in gross payments to US\$626.3 million, which was only partially offset by an expansion of US\$19.4 million to US\$288.2 million in gross inflows.

Table 28 indicates that the main improvement in inflows came from the *Government* sector, which recorded an expansion of US\$8.4 million in earnings to US\$37.6 million. Marginal improvements were also recorded in earnings for all other services, the primary ones being *financial services* and *personal, cultural, and recreational services*. Earnings from the *communication* sector, resulting from inflows through incoming calls, continued to account for the largest source of inflows in the *other services* sub-account, and represented 51.5 per cent of



TABLE 28

OTHER SERVICES (US\$M)				
	1999	2000	Change	% Change
OTHER SERVICES (NET)	-282.4	-338.1	-55.7	19.7
RECEIPTS	268.8	288.2	19.4	7.2
Insurance	6.4	12.0	5.6	87.5
Computer & Information	40.0	40.4	0.4	1.0
Other	181.9	185.6	5.0	2.6
Government	29.2	37.6	8.4	28.8
Communication Services	145.3	133.2	-12.1	-8.3
PAYMENTS	551.2	626.3	75.1	13.6
Insurance	55.6	55.4	-0.2	-0.4
Computer & Information	5.9	7.1	1.2	20.3
Other	449.6	513.4	63.8	14.1
Government	36.6	32.0	-4.6	-12.6
Financial Services	3.5	18.4	14.9	425.7

Source: Bank of Jamaica

total earnings in the year, relative to 50.8 per cent in 1999.

On the payments side, while increases were recorded for all the components except insurance and Government services, more significant expansions were recorded in payments for financial services and *other business services*. A US\$14.9 million increase in payments for financial services was partly attributable to financial charges on GOJ Eurobond issues.

D INCOME

During 2000, the *income* account recorded a deficit of US\$336.0 million, compared with a deficit of US\$332.5 million in 1999. The deterioration on the income account resulted from the combined effect of a reduction of US\$2.9 million in net inflows for compensation to employees, and a slight increase of US\$0.6 million in net outflows on the investment income account.

Gross inflows from compensation to Jamaicans for work performed on behalf of foreigners while abroad declined by US\$5.8 million to US\$88.2 million. Gross payments to non-residents for work performed while staying in Jamaica also declined moving by US\$2.9 million to US\$20.8 million for the period.

The slight deterioration in the *investment income* sub-account was attributable to an expansion of US\$33.3 million in gross payments to US\$507.9 million, which marginally exceeded the improvement of US\$32.7 million in gross inflows. The improvement in gross income inflows partly reflected growth in interest earnings on foreign assets held by the Bank of Jamaica and the private sector, which occurred in the context of a substantial increase in these foreign assets in 2000. On the payments side, the higher outflow was attributable to an improvement in the imputed profit position of the foreign owned companies. Partly countering the effect of this increase in investment income outflows was a US\$13.5 million contraction in other payments, reflecting a reduction of US\$16.6 million in Central Government's interest payment on its foreign debt. The decline in interest payments on foreign debt largely reflected lower debt obligations during the review year. Table 29 summarises the income account for 2000 compared with 1999.

TABLE 29

INCOME (US\$M)				
	1999	2000	Change	% Change
INCOME ACCOUNT (NET)	-332.5	-336.0	-3.5	1.1
INFLOWS	165.8	192.7	26.9	16.2
OUTFLOWS	498.3	528.7	30.4	6.1
1. Compensation to Employees	70.3	67.4	-2.9	-4.1
Inflows	94.0	88.2	-5.8	-6.2
Outflows	23.7	20.8	-2.9	-12.2
2. Investment Income (net)	-402.8	-403.4	-0.6	0.1
Inflows	71.8	104.5	32.7	45.5
Direct Investment	8.1	8.5	0.4	4.9
Portfolio Investment	2.6	2.3	-0.3	-11.5
Other Investment	61.1	93.7	32.6	53.4
Central Government	1.0	1.0	0.0	0.0
Bank of Jamaica	33.1	47.8	14.7	44.4
Other	27.0	44.9	17.9	66.3
Outflows	474.6	507.9	33.3	7.0
Direct Investment	228.0	275.6	47.6	20.9
Portfolio Investment	8.4	7.6	-0.8	-9.5
Other Investment	238.2	224.7	-13.5	-5.7
Central Government	169.6	153.0	-16.6	-9.8
Bank of Jamaica	7.3	6.5	-0.8	-11.0
Government Guaranteed	8.5	9.5	1.0	11.8
Other	52.8	55.7	2.9	5.5

Source: Bank of Jamaica



E CURRENT TRANSFERS

A surplus of US\$813.0 million was recorded on the *current transfers* sub-account in 2000 relative to the surplus of US\$652.2 million in the previous year. This out-turn was attributed to respective expansions of US\$102.1 million and US\$58.7 million in net inflows to the public and private sectors. Table 30 shows a breakdown of current transfers by sector for 2000 compared with 1999.

TABLE 30

CURRENT TRANSFERS (US\$M)				
	1999	2000	Change	% Change
NET CURRENT TRANSFERS	652.2	813.0	160.8	24.7
TOTAL RECEIPTS	762.8	961.6	198.8	26.1
GENERAL GOVERNMENT	53.5	155.1	101.6	189.9
OTHER SECTOR	709.3	806.5	97.2	13.7
Remittances thru'				
the Postal System	1.2	1.2	0.0	0.0
Remittances thru'				
the Financial System	326.2	334.5	8.3	2.5
Remittance Companies	358.5	446.0	87.5	24.4
Other	23.4	24.8	1.4	6.0
TOTAL PAYMENTS	110.6	148.6	38.0	34.4
GENERAL PAYMENTS	7.7	7.2	-0.5	-6.5
OTHER SECTOR	102.9	141.4	38.5	37.4
Remittances thru'				
the Financial System	95.8	131.2	35.4	37.0
Other	7.1	10.2	3.1	43.7

Source: Bank of Jamaica

The level of inflows to the government sector grew substantially by US\$101.6 million to US\$155.1 million in 2000, while outflows of US\$7.2 million were US\$0.5 million below the 1999 figure. The large expansion in inflows reflected the receipt from the sale of two licences to operate mobile telephone services in Jamaica.

Gross inflows to the private sector increased by US\$97.2 million to US\$806.5 million, the effect of which was partly offset by an increase of US\$38.5 million to US\$141.4 million in gross outflows. The remittance companies, with 55.3 per cent of total private sector inflows, continued to account for the largest share of inflows in 2000. Remittances through financial institutions accounted for

41.5 per cent of inflows while 3.1 per cent came through other sources. For the previous year, approximately 50.1 per cent of total inflows was channelled through the remittance companies, while 46.4 per cent and 3.5 per cent were channelled through financial intermediaries and other sources, respectively.

Inflows through the remittance companies during 2000 amounted to US\$446.0 million, representing growth of US\$87.5 million. In comparison, the financial system facilitated inflows of US\$334.5 million, which reflected growth of US\$8.3 million for the year.

F CAPITAL AND FINANCIAL ACCOUNT

The *capital and financial accounts* recorded respective surpluses of US\$2.2 million and US\$335.7 million in 2000 as shown in Table 31. The balance on the *capital account* represented an increase of US\$13.1 million when compared with the 1999 out-turn, and resulted from higher capital grants to the Government. The performance on the *financial account* represented an increase of US\$51.3 million when compared with the previous year, influenced by a substantial increase in net official inflows.

TABLE 31

CAPITAL AND FINANCIAL ACCOUNT (US\$M)				
	1999	2000	Change	% Change
CAPITAL & FINANCIAL ACCOUNT (NET)	273.5	337.9	64.4	23.5
A. CAPITAL ACCOUNT	-10.9	2.2	13.1	-120.2
Capital Transfers	-10.9	2.2	13.1	-120.2
General Government	4.1	15.6	11.5	280.5
Other Capital Transfers	-15.0	-13.4	1.6	-10.7
Acq./disposal of non-prod. non-fin assets	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	284.4	335.7	51.3	18.0
Other Official Investment	-331.4	395.8	727.2	-219.4
Other Private Investments ^{1/}	482.2	462.9	-19.3	-4.0
Change in Reserves (increase = minus)	133.6	-523.0	-656.6	-491.5

^{1/} Include errors & omissions

Source: Bank of Jamaica



Within the financial account, *other official investments* inflows amounted to US\$395.8 million, relative to net outflows of US\$331.4 million in the previous year. While *gross official investment inflows* grew by US\$631.7 million in 2000 to US\$679.8 million, *gross official payments* of US\$284.0 million were US\$95.5 million lower than in 1999. The higher level of gross inflows in 2000 relative to 1999 reflected the Government's receipt of US\$162.5 million in loans from multilateral lending agencies, US\$421.5 million from Euro-bond placements, and US\$34.0 million in commercial bank loans. The loans from the multilateral agencies represented the first tranche of assistance aimed at resuscitating the financial sector, and was comprised of US\$75.0 million from the World Bank, US\$75.0 million from the Inter-American Development Bank, and US\$12.5 million from the Caribbean Development Bank. Project loans during 2000 were US\$13.7 million more than in 1999. Table 32 provides information on the country's net official investments for 2000 compared with 1999.

TABLE 32

OTHER OFFICIAL INVESTMENT FLOWS (US\$M)				
	1999	2000	Change	% Change
NET OFFICIAL INVESTMENTS	-331.4	395.8	727.2	-219.4
GROSS OFFICIAL INFLOWS	48.1	679.8	631.7	1 313.3
Donor Countries	0.0	0.0	0.0	0.0
Multilateral Institutions	0.0	162.5	162.5	0.0
Other Assistance	0.0	455.5	455.5	0.0
Refinancing	0.0	0.0	0.0	0.0
Project Loans	48.1	61.8	13.7	28.5
GROSS OFFICIAL OUTFLOWS	379.5	284.0	-95.5	-25.2
Government Direct	370.4	280.5	-89.9	-24.3
Bank of Jamaica	9.1	3.5	-5.6	-61.5

Source: Bank of Jamaica

The level of net private financial investments fell by US\$19.3 million to US\$462.9 million in 2000. The private sector surplus, in conjunction with the other surpluses recorded in the *capital and financial accounts*, was more than sufficient to cover the *current account* deficit. Consequently, the NIR of the country grew by US\$523.0 million to US\$974.0 million at the end of 2000.

The increase in the NIR reflected an expansion of US\$500.0 million in Bank of Jamaica's gross foreign holdings as indicated in Table 33. In addition, the increase in Jamaica's NIR reflected a reduction of US\$23.1 million to US\$82.8 million in the country's gross foreign liabilities. At the end of December 2000, the level of gross reserves stood at US\$1 056.8 million, representing approximately 19.0 weeks of goods imports, or 12.7 weeks of imports of goods and services.

TABLE 33

GROSS AND NET FOREIGN EXCHANGE RESERVES 1999 and 2000 (As at 31 December) (US\$M)			
	1999	2000	Change
NET FOREIGN RESERVES	451.0	974.0	523.0
GROSS FOREIGN EXCHANGE RESERVES	556.9	1 056.8	499.9
Holdings of SDRs	0.7	0.1	-0.6
Supplementary Fund	35.2	36.4	1.2
Other Bank of Jamaica	516.3	1 016.3	500.0
Central Government	1.5	0.8	-0.7
Other Official Institutions	3.2	3.2	0.0
(of which CDF)	2.1	2.0	-0.1
(of which EDF)	1.1	1.2	0.1
GROSS FOREIGN LIABILITIES	105.9	82.8	-23.1
IMF Liabilities	83.4	60.3	-23.1
Iraq	22.5	22.5	0.0

Source: Bank of Jamaica



APPENDIX I

REVIEW OF THE BALANCE OF PAYMENTS METHODOLOGY:

THE FIFTH EDITION

The fifth edition of the IMF Balance of Payments (BOP) Manual now replaces the fourth edition as the standard conceptual framework underlying balance of payments statistics. The revisions to the balance of payments methodology have been largely influenced by the changes in the manner in which international transactions are conducted. A number of these changes has resulted from the liberalization of financial markets, innovations in the creation and packaging of financial instruments, new approaches to the restructuring of external debt and the tremendous growth in the volume of international trade in services. These developments have necessitated changes in the treatment and classification of such transactions within the structure of the balance of payments accounts. Another important reason for the revisions to the accounting methodology was to achieve, as much as possible, harmonization between the balance of payments accounts, and the System of National Accounts (SNA) and other IMF international statistical systems.

The basic definitions and concepts of residence, economic transactions, valuation and time of recording remain the same as in the fourth edition of the manual. However, the classification and standard components of the balance of payments have undergone some changes. These are highlighted in this section.

MAJOR CATEGORIES OF THE BALANCE OF PAYMENTS

Based on the recommendations of the fifth edition of the manual, the components of the balance of payments are grouped under two major headings:

- A. The current account, and
- B. The capital and financial account.

A THE CURRENT ACCOUNT IS COMPRISED OF THREE BROAD SUBCATEGORIES

1. Goods and Services
2. Income, and
3. Current transfers

1.0 GOODS AND SERVICES

This sub-account covers *merchandise trade, travel, transportation, and other services.*

1.1 Merchandise Trade

Consistent with the fifth edition of the BOP manual, merchandise trade encompasses general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and imports and exports of the free zones. The Statistical Institute of Jamaica (STATIN) provides data on the first three components in an aggregated form, which are based on custom's records. The data from STATIN are categorized as general merchandise in this report. It should be noted that general merchandise transactions of the free zones are not reported by STATIN, and are therefore, carried as a line item in the trade tables. Data on the other components are obtained by way of enterprise surveys.

1.2 Services

The services account reflects a major restructuring of the components. While travel and transportation have remained the main components, each has undergone varying degrees of adjustments. Of particular note, is the clear distinction made in the fifth edition between transactions in services and income.

- (i) *Transportation:* In the new BOP methodology, transportation encompasses earnings and expenditures associated with the carriage of passengers and the movements of goods (freight), as well as, rentals or charters of carriers with crew.



Auxiliary services such as cargo handling, airport and harbour dues, and the maintenance of carriers are also included. In addition, commissions and agents' fees associated with the transportation of passengers and freight are now included. However, excluded from this account are freight insurance, repairs of transportation equipment, goods procured in ports and the rentals of carriers without crew.

(ii) *Travel*: The travel component of the balance of payments covers goods and services acquired by individuals staying in an economy, of which he is not a resident, for less than one year. These individuals are usually tourists, excursionists, students or medical patients. Under the new methodology, travel debits include expenditures by seasonal workers while on contract overseas (e.g. farm workers and waiters).

(iii) *Other Services*: Significant adjustments have been made with regards to the composition and structure of the other services account. Specific components have been highlighted to reflect their growing importance in international trade. Included in this group are services related to:

- Communication
- Construction
- Insurance
- Finance
- Computer and Information
- Personal, Cultural and Recreational activities
- Government, and
- Royalties and Licenses fees

Based on the reclassification of the free zone companies as direct investment income companies, payments for wages, utilities and rent are no longer reported in the balance of payments. As pointed out earlier, commissions and agents' fees associated with the transportation of goods and passengers are no longer carried in this account while expenditures by farm workers overseas have been shifted to travel. Compensation to seasonal workers has been shifted to the income account.

20 INCOME

This sub-account encompasses the compensation of employees and investment income. The former component includes salaries, wages and benefits of seasonal and other short-term workers and local staff employed to foreign embassies. The latter component of the income sub-account includes dividends, profits, reinvested earnings, and interest on debt.

30 CURRENT TRANSFERS

These are now distinguished from capital transfers and cover transactions such as taxes on income, workers' remittances, premiums and claims on non-life insurance. In general, current transfers consist only of those flows that affect the income and consumption possibilities of the recipient and the donor.

B CAPITAL AND FINANCIAL ACCOUNT

The Capital and Financial Account has two major components:

- 1.0 The Capital Account
- 2.0 The Financial Account

1.0 THE CAPITAL ACCOUNT COVERS

1.1 Capital transfers

These include the transfer of ownership of fixed assets, and cash transfers linked to disposal or acquisition of fixed assets and the cancellation of debt by creditor.

1.2 Acquisition/disposal of non-produced, non-financial assets

This component essentially captures transactions in intangibles such as patents, copyrights and licenses, as well as, leases and the purchases and sales of land by foreign embassies.



20 THE FINANCIAL ACCOUNT COVERS

2.1 Direct Investment

This item covers all transactions between direct investors and direct investment enterprises. Direct investments generally reflect the lasting interest of a resident entity of one economy (direct investor) in an entity or enterprise in another economy.

2.2 Portfolio Investment

This category refers to transactions of an investor that does not have an effective voice in the management of the enterprise in which investments are made. The investor is instead, motivated by such considerations as income yield, capital appreciation, tax advantages, exchange rate prospects and safety of principal investments. Portfolio investment covers transactions in equity securities and debt securities.

2.3 Other Investments

This is a residual category comprising all other kinds of financial transactions, including loans, trade credits and bank deposits.

2.4 Reserve Assets

Of significance is the incorporation of the reserve account in the capital and financial account. Reserve assets consist of those external assets that are readily available to the monetary authorities for, among other things, the financing of payment imbalances in the balance of payments and for indirectly regulating the size of those imbalances through intervention in the exchange market to affect the exchange rate of the domestic currency.

MAIN SOURCES OF DATA

As with the fourth edition of the BOP Manual, the main sources of data for compiling the balance of payments of Jamaica based on the fifth Manual continues to be:

- Surveys
- Foreign Exchange Records
- Administrative and other documentary sources



APPENDIX I

STATISTICAL TABLES

FIVE-YEAR BOP SERIES BASED ON THE FIFTH EDITION

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TABLE I

BALANCE OF PAYMENTS SUMMARY 1996-2000 ^{1/}					
(US\$M)					
	1996	1997	1998	1999	2000
CURRENT ACCOUNT	-142.6	-332.2	-327.8	-273.5	-337.9
GOODS BALANCE	-994.2	-1 132.3	-1 130.5	-1 133.7	-1 353.5
Exports (f.o.b.)	1 721.0	1 700.3	1 613.4	1 500.7	1 554.6
Imports (f.o.b.)	2 715.2	2 832.6	2 743.9	2 634.4	2 908.1
SERVICES BALANCE	452.6	467.2	476.9	540.5	538.6
Transportation	-270.3	273.4	-278.3	-229.5	-247.2
Travel	935.2	949.5	998.9	1 052.4	1 123.9
Other Services	-212.3	-208.9	-243.7	-282.4	-338.1
INCOME	-224.6	-291.9	-308.1	-332.5	-336.0
Compensation of Employee	47.3	57.7	66.1	70.3	67.4
Investment Income	-271.9	-349.6	-374.2	-402.8	-403.4
CURRENT TRANSFERS	623.6	624.8	633.9	652.2	813.0
Official	49.7	39.8	43.2	45.8	147.9
Private	573.9	585.0	590.7	606.4	665.1
CAPITAL & FINANCIAL ACCOUNT	142.6	332.2	327.8	273.5	337.9
CAPITAL ACCOUNT	16.6	-11.6	-8.7	-10.9	2.2
CAPITAL TRANSFERS					
Official	18.7	7.0	4.2	4.1	15.6
Private	-2.1	-18.6	-12.9	-15.0	-13.4
ACQ/DISPOF NON-PRODUCED NON-FIN ASSETS	0.0	0.0	0.0	0.0	0.0
FINANCIAL ACCOUNT ^{2/}	126.0	343.8	336.5	284.4	335.7
Other Official Investment	-144.7	43.1	-41.3	-331.4	395.8
Other Private Investments ^{1/}	549.3	139.4	417.1	482.2	462.9
Reserves	-278.6	161.3	-39.3	133.6	-523.0

^{1/} provisional

^{2/} includes errors & omissions

Source: Bank of Jamaica



TABLE I

		BALANCE OF PAYMENTS STANDARD PRESENTATION (US\$M)											
		1996		1997		1998		1999		2000			
		Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
1. CURRENT ACCOUNT													
A. Goods & Services													
1. Goods													
1.1 General Merchandise													
1.2 Goods procured in ports by													
1.3 Frezone Trade													
2. Transportation													
2.1 Passenger													
2.2 Freight													
2.3 Other													
3. Trade													
4. Insurance Services													
5. Communication Services													
6. Financial Services													
7. Computer & Information Services													
8. Royalties & License Fees													
9. Other Business Services													
10. Personal, Cultural & Recreational Services													
11. Government Services													
12. Construction Services													
B. Income													
13. Compensation of Employees													
14. Investment Income													
C. Current Transfers													
15. Official													
16. Private													
2. CAPITAL & FINANCIAL ACCOUNT													
D. Capital Account													
17. Government Capital Transfers													
18. Other Sectors Transfers													
E. Financial Account													
19. Direct Investment													
20. Other Investment													
20.1 Trade Credits													
20.2 Loans													
20.2.1 Government													
20.2.2 Other Sectors													
20.3 Currency & Deposits													
20.4 Other Assets													
21. Reserves													
21.1 Liabilities													
21.2 Assets													
21.2.2 Special Drawing Rights													
21.2.4 Bank of Jamaica													
21.2.5 Government Assets													
F. Net Errors & Omissions													

Source: Bank of Jamaica



TABLE II

BALANCE OF PAYMENTS ANALYTICS SUMMARY (US\$M)					
	1996	1997	1998	1999	2000
Balance of Trade	-994.2	-1 132.3	-1 130.5	-1 133.7	-1 353.5
Services	452.6	467.2	476.9	540.5	538.6
Net Goods & Services	-541.6	-665.1	-653.6	-593.2	-814.9
Income	-224.6	-291.9	-308.1	-332.5	-336.0
Private current transfers (net)	573.9	585.0	590.7	606.4	665.1
Official Current transfers (net)	49.7	39.8	43.2	45.8	147.9
Capital transfers	16.6	-11.6	-8.7	-10.9	2.2
Financial Account	110.0	324.8	298.0	306.2	385.9
Net Errors & Omissions	16.0	19.0	38.5	-21.8	-50.2

Source: Bank of Jamaica

TABLE IV

SERVICES ACCOUNT (US\$M)					
	1996	1997	1998	1999	2000
Services (Net)	452.6	467.2	476.9	540.5	538.6
Inflows	1 601.8	1 698.9	1 770.4	1 848.7	1 949.5
Outflows	1 149.2	1 231.7	1 293.5	1 308.2	1 410.9
1. Transportation	-270.3	-273.4	-278.3	-229.5	-247.2
Inflows	223.2	254.1	276.0	300.3	328.7
Outflows	493.5	527.5	554.3	529.8	575.9
2. Travel	935.2	949.5	998.9	1 052.4	1 123.9
Inflow	1 092.3	1 130.8	1 196.9	1 279.6	1 332.6
Outflows	157.1	181.3	198.0	227.2	208.7
3. Other Services	-212.3	-208.9	-243.7	-282.4	-338.1
Inflows	286.3	314.0	297.5	268.8	288.2
Outflows	498.6	522.9	541.2	551.2	626.3

Source: Bank of Jamaica



TABLE V

OTHER SERVICES (US\$M)					
	1996	1997	1998	1999	2000
Inflows	2863	314.0	297.5	2688	288.2
Construction Services	0.0	0.0	1.0	0.0	0.0
Communication Services	190.4	212.3	184.5	145.3	133.2
Insurance Services	6.4	6.0	5.9	6.4	12.0
Financial Services	6.5	8.6	9.2	11.3	12.6
Computer & Information Services	32.0	33.0	37.0	40.0	40.4
Royalties & License Fees	4.3	7.0	6.6	6.2	6.4
Other Business Services	11.4	11.4	16.2	20.7	36.4
Personal, Cultural & Recreational Services	7.6	8.6	9.6	9.7	9.6
Government Services	27.7	27.1	27.5	29.2	37.6
Outflows	4986	522.9	541.2	551.2	626.3
Construction Services	0.0	5.0	6.0	7.5	10.2
Communication Services	41.8	42.5	40.0	32.3	31.0
Insurance Services	85.0	76.5	71.7	55.6	86.2
Financial Services	2.0	2.9	3.2	3.5	18.4
Computer & Information Services	1.4	4.0	5.0	5.9	7.1
Royalties & License Fees	27.9	27.6	30.0	40.5	41.0
Other Business Services	306.0	325.8	346.3	365.6	396.3
Personal, Cultural & Recreational Services	3.4	3.0	3.6	3.7	4.1
Government Services	31.1	35.6	35.4	36.6	32.0
Net Services	-212.3	-208.9	-243.7	-282.4	-338.1

Source: Bank of Jamaica

TABLE VI

INCOME ACCOUNT (US\$M)					
	1996	1997	1998	1999	2000
A. Compensation of Employees	47.3	57.7	66.1	70.3	67.4
Inflows	54.8	72.8	86.8	94.0	88.2
Outflows	7.5	15.1	20.7	23.7	20.8
B. Investment Income	-271.9	-349.6	-374.2	-402.8	-403.4
Inflows	87.0	74.5	69.5	71.8	104.5
Direct Investment	7.9	5.4	7.0	8.1	8.5
Portfolio Investment	0.6	0.7	3.2	2.6	2.3
Other Investment	78.5	68.4	59.3	61.1	93.7
- Central Government	1.0	1.0	1.0	1.0	1.0
- Bank of Jamaica	40.4	45.0	42.4	33.1	47.8
- Other	37.1	22.4	15.9	27.0	44.9
Outflows	358.9	424.1	443.7	474.6	507.9
Direct Investment	107.4	178.8	184.2	228.0	275.6
Portfolio Investment	10.2	8.2	8.9	8.4	7.6
Other Investment	241.3	237.1	250.6	238.2	224.7
- Central Government	148.3	151.8	161.4	169.6	153.0
- Bank of Jamaica	16.3	14.5	11.6	7.3	6.5
- Government Guaranteed	22.5	11.4	24.2	8.5	9.5
- Other	54.2	59.4	53.4	52.8	55.7

Source: Bank of Jamaica



TABLE V

CURRENT TRANSFERS (US\$M)					
	1996	1997	1998	1999	2000
Total Receipts	709.3	705.7	733.5	762.8	961.6
A. General Government	57.1	44.5	50.5	53.5	155.1
B. Other Sectors	652.2	661.2	683.0	709.3	806.5
Remittance Thru Postal System	1.3	1.2	1.2	1.2	1.2
Remittance Thru Financial System	408.0	387.3	370.2	326.2	334.5
Remittance Companies	228.1	253.8	289.2	358.5	446.0
Other	14.8	18.9	22.4	23.4	24.8
Total Payments	85.7	80.9	99.6	110.6	148.6
A. General Government	7.4	4.7	7.3	7.7	7.2
B. Other Sectors	78.3	76.2	92.3	102.9	141.4
Remittance Thru Financial System	62.6	68.5	84.4	95.8	131.2
Other	15.7	7.7	7.9	7.1	10.2
Net Current Transfers	623.6	624.8	633.9	652.2	813.0

Source: Bank of Jamaica

TABLE VI

CAPITAL AND FINANCIAL ACCOUNTS (US\$M)					
	1996	1997	1998	1999	2000
Capital Account	16.6	-11.6	-8.7	-10.9	2.2
Capital Transfers	16.6	-11.6	-8.7	-10.9	2.2
General Government	18.7	7.0	4.2	4.1	15.6
Other Sectors	-2.1	-18.6	-12.9	-15.0	-13.4
Acq./Disp. of Non-Prod. Non-Fin. Assets	0.0	0.0	0.0	0.0	0.0
Financial Account	10.0	324.8	298.0	306.2	335.7
Other Official Investment	-144.7	43.1	-41.3	-331.4	395.8
Other Private Investment ^{1/}	342.9	-26.3	91.5	482.2	462.9
Reserves	-278.6	161.3	-39.3	133.6	-523.0

^{1/} includes errors & omissions

Source: Bank of Jamaica