



BALANCE OF PAYMENTS OF JAMAICA 2004



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Five year BOP Series Based on the Fifth Edition

PREFACE

This report summarises the economic transactions between Jamaican residents and the rest of the world during 2004. The report highlights the major macroeconomic developments in the global and domestic economy, which set the broad context for the performance of the BOP during the review period. The presentation of the BOP accounts for 2004 conforms to the guidelines of the Fifth Manual published by the International Monetary Fund.

We are grateful to the members of the private sector for their cooperation in supplying data, responding to questionnaires and granting interviews, without which compilation of the accounts would be weakened. The Bank of Jamaica remains committed to its mandate of serving the Jamaican economy by, inter alia, the timely provision of economic information. We trust that this publication will continue to inform and educate. Comments are welcome at www.boj.org.jm.

OVERVIEW

The Jamaican economy and the balance of payments were strongly influenced in 2004 by developments in the global economy and by environmental factors. Growth in world output increased by 1.1 percentage points to 5.1 per cent in 2004, influenced primarily by the rapid expansion of the emerging market economies, in particular, China. For the major industrialised countries, acceleration in the growth in consumer spending, particularly in the context of historically low interest rates, precipitated the higher growth rate among this group of countries. The rebound in consumer and business confidence engendered a sharp increase in manufacturing activity and prompted firms to hire more.

Consistent with the acceleration in output growth, world inflation accelerated during the review year. The growth in prices mainly reflected notable increases in energy and commodity prices, in particular metal and food prices. In the context of higher inflation, a tighter monetary policy posture was maintained among the major developed economies in 2004, relative to 2003.

In contrast to the accelerated rate of increase in the world economy, the pace of expansion of the Jamaican economy slowed to 0.9 per cent in 2004, relative to 2.3 per cent in 2003. Jamaica's economic performance was hampered by the passage of Hurricanes Charley and Ivan in the latter half of the year, which adversely affected the export of agricultural produce and reduced output in the mining sector. The tourism industry was also adversely affected by the very active 2004 hurricane season as a number of hotels had to be closed to effect repairs, while some cruise tours diverted to other destinations.

The maintenance of domestic price stability remained a major challenge in 2004. Higher international commodity prices, coupled with a surge in food prices arising from shortages of domestic produce in the aftermath of the hurricanes, resulted in inflation of 13.7 per cent for the year, 0.5 percentage points below the 7-year high recorded in 2003.

Short-term initiatives by Government to mitigate the fall-out from domestic supplies however helped to temper the increase in domestic prices after the hurricanes.

The current account deficit improved for the second consecutive year, contracting to US\$509.4 million (or 5.8 per cent of GDP), following the deficit of US\$772.6 million (or 9.5 per cent of GDP) in 2003. The external accounts benefited from the acceleration in world growth in 2004. This resulted in increased visitor arrivals and higher prices for primary commodities, which had a positive impact on the value of alumina exports. The improvement in the current account deficit also reflected significant increases in remittance and grant flows following the passage of the hurricanes.

A surplus of US\$502.6 million was recorded on the financial account, reflecting net official investment and private investment inflows of US\$479.2 million and US\$721.6 million, respectively. When combined with the capital account surplus of US\$2.2 million, these net inflows were more than sufficient to finance the deficit on the current account. Consequently, the net international reserves (NIR) of the Bank of Jamaica increased by US\$693.6 million in 2004.

PART I

INTERNATIONAL ECONOMIC DEVELOPMENTS

1.0 OVERVIEW

The global economy expanded at the robust pace of 5.1 per cent in 2004, relative to the 4.0 per cent increase in 2003. This growth rate was largely driven by rapid expansion in both the major industrialised economies and emerging economies. Among the industrialised economies, the USA recorded the strongest growth, buoyed by expansion in consumer and investment spending. The other industrialised countries in the Western Hemisphere, as well as those in Developing Asia, also experienced relatively strong growth. China, in particular, continued to experience rapid growth, despite policy measures to limit overheating of the economy.

Consistent with increased global demand, world inflation accelerated during the review year. There were also notable increases in commodity prices during 2004, driven by the higher world demand. The commodities that registered the largest increases were metal, energy and food. Some developing countries, however, experienced relatively lower inflation rates, helped mainly by favourable exchange rate movements.

Progress was made in international trade negotiations during 2004 as members of the World Trade Organisation (WTO) adopted a framework agreement that sought to advance the goals of the Doha Development Agenda (DDA). Negotiations between the African, Caribbean and Pacific (ACP) countries and the European Union (EU) also advanced during the review year. These negotiations were geared towards the realisation of the Economic Partnership Agreement (EPA), as well as the resolution of dispute over preferential access to the EU market.

1.1 OUTPUT, INFLATION & EMPLOYMENT

1.1.1 Advanced Economies

1.1.1.1 Output

Real output among the advanced economies expanded by 3.4 per cent in 2004, doubling the average annual growth rate over the period 2002 to 2003 (see **Table 1**). The strong performance in 2004 was mainly attributed to increased consumer spending in the USA and the UK, as well as increases in net external demand in Canada, Japan, and the Euro area.

TABLE 1

	ADVANCED ECONOMIES								
	Real GDP, Consumer Prices, Unemployment Rates								
	(% change)								
	REAL GDP			CONSUMER PRICES			UNEMPLOYMENT RATES*		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
ADVANCED ECONOMIES	1.6	2.0	3.4	1.5	1.8	2.0	6.4	6.6	6.3
United States	1.9	3.0	4.4	1.6	2.3	2.7	5.8	6.0	5.5
Japan	-0.3	1.4	2.6	-1.0	-0.2	0.0	5.4	5.3	4.7
Euro area	0.9	0.5	2.0	2.3	2.1	2.2	8.2	8.7	8.8
Germany	0.1	-0.1	1.7	1.3	1.0	1.8	8.7	9.6	9.2
France	1.1	0.5	2.3	1.9	2.2	2.3	8.9	9.5	9.7
Italy	0.4	0.3	1.2	2.6	2.8	2.3	9.0	8.7	8.3
UK	1.8	2.2	3.1	1.3	1.4	1.3	5.2	5.0	4.8
Canada	3.4	2.0	2.8	2.3	2.7	1.8	7.7	7.6	7.2

Source: *World Economic Outlook - April 2005*

* Per cent of Labour Force

The USA's economy expanded by 4.4 per cent in 2004, compared with growth of 3.0 per cent in 2003. Much of the strong performance in the USA economy was experienced in the first and third quarters of the year, driven by growth in consumption spending. With the price of crude oil increasing significantly during 2004, consumers in the USA expanded their real consumption by reducing savings. The reduction in savings was

facilitated primarily by low real interest rates which encouraged the use of mortgages to finance consumption. The impact of expansionary fiscal policy on domestic spending was also evident throughout the year. The fiscal deficit was maintained at 3.3 per cent of GDP in 2004 reflecting the impact of increased government expenditure and reduced taxes. Growth in business investments also contributed significantly to the expansion in the USA economy, encouraged in part by the scheduled expiration of the tax provision to encourage capital depreciation.

Economic growth in Canada accelerated by 0.8 percentage points to 2.8 per cent in 2004, relative to 2003 (see **Table 1**). The expansion in the Canadian economy was driven by growth in consumer spending and business investment. In addition, strong external demand and an improvement in the terms of trade had a positive impact on exports, despite the countervailing impact of an appreciating currency.

The economic recovery in Japan, which began in 2003, accelerated in 2004 with real output growth of 2.6 per cent, relative to 1.4 per cent in 2003. The economy's performance during the review period was the best in the past decade with exports, primarily to Asia, and business fixed investment being the key driving forces. There was also a pick-up in private consumption growth as consumer confidence improved along with a decline in unemployment.

Despite the strengthening of the Euro against the currencies of its major trading partners, growth in the Euro area gained momentum in 2004, rising to 2.0 per cent, relative to 0.5 per cent in 2003. The acceleration in growth was primarily attributed to strong external demand, reflected in a 5.8 per cent increase in exports, relative to 2003. In particular, strong growth in German exports was supported by a marked decline in unit labour costs and increased demand for information technology (IT) related goods from China and the USA. Domestic demand in Germany, however, remained subdued during the year, as consumer and investment spending was constrained by increases in oil prices, slow wage and employment growth and lagging confidence. In contrast, growth in France was

largely driven by an expansion in consumer and investment spending, as individuals and firms took advantage of favourable financing conditions.

For the UK, real GDP expanded by 3.1 per cent, 0.9 percentage points higher than the growth attained in the previous year. The expansion during the year was underpinned by relatively strong growth in consumer spending, as well as robust growth in investment spending during the second and third quarters.

1.1.1.2 Inflation

Inflation in the advanced economies in 2004 was 2.0 per cent, representing an acceleration, relative to 2003 (see **Table 1**). Due largely to increases in the cost of energy, all the advanced economies, with the exception of the UK and Canada, recorded higher inflation rates during 2004.

For the USA, inflation rose to 2.7 per cent in 2004, relative to 2.3 per cent in 2003. The higher inflation rate in the USA was primarily the result of a 10.9 per cent increase in energy prices during the year. Inflation in the Euro area increased by 0.1 percentage point to 2.2 percent in 2004, also reflecting an increase in energy costs, as well as increases in the prices of health services, alcoholic beverages and tobacco products. Consumer prices in Japan were unchanged in 2004, following an average decline of 0.6 per cent in prices between 2001 and 2003.

Inflation in the UK and Canada was more subdued during 2004, falling to 1.3 per cent and 1.8 per cent, respectively. In Canada, slower rates of increase in the cost of alcoholic beverages and tobacco products, as well as housing costs were the main factors contributing to the lower inflation rate. The lower inflation in the UK was attributed to a fall in the cost of clothing and footwear.

1.1.1.3 Unemployment

In the context of the acceleration in GDP growth in 2004, the average unemployment rates for the advanced economies declined to 6.3 per cent in 2004 from 6.6 per cent in

2003 (see **Table 1**). Increased confidence in the prospects for the global economy prompted firms in the advanced economies to hire more workers, particularly in the manufacturing and financial services sectors. However, in the Euro area, a relatively weak labour market reflected low business and investor confidence, despite improvements in the regions growth prospects.

1.1.1.4 Interest Rate and Exchange Rate Developments

Financial market conditions were dominated primarily by varying perceptions about the pace and timing of monetary tightening in the USA during the review period. In the end, there was an increase in short-term interest rates in the private markets of 0.4 percentage point to an average of 1.4 per cent in 2004. The tightening of monetary conditions also engendered an increase in long-term interest rates among the advanced economies to an average of 3.9 per cent in 2004 from 3.7 per cent in 2003 (see **Table 2**).

TABLE 2

	ADVANCED ECONOMIES					
	Interest Rates (%)					
	Short-Term 1/			Long-Term 2/		
	2002	2003	2004	2002	2003	2004
ADVANCED ECONOMIES	1.6	1.0	1.4	4.2	3.7	3.9
United States	1.6	1.0	1.4	4.6	4.0	4.3
Japan	0.0	0.0	0.0	1.3	1.0	1.5
Euro area	3.3	2.4	2.1	4.9	4.2	4.2
U.K.	4.0	3.7	4.6	4.8	4.5	4.8
Canada	2.6	2.9	2.2	5.3	4.8	4.6

Source: World Economic Outlook - April 2005

1. *Period averages. For the USA, three month Treasury Bill yield; for Japan, three-month bond yield on repurchase agreement; for the Euro Area, a weighted average of the national three month money market interest rates and three-month EURIBOR; for the UK, three-month London inter-bank offered rate; for Canada, three month Treasury Bill yield.*
2. *Period averages. For the USA, ten-year Bond yield; for Japan, ten-year bond yield; for Euro area, a weighted average of the national ten-year euro bond yield; for the UK, ten-year government bond yield; and for Canada, Government bond yields of ten years and above.*

Notwithstanding higher interest rates in the USA and buoyant growth in that economy during the year, the US dollar continued its depreciating trend against the other major currencies (see **Table 3**). The most significant declines were observed against the

Canadian dollar and the Euro, with the US dollar depreciating by 12.1 per cent and 9.9 per cent, respectively, relative to these two currencies. Concerns regarding the continued deterioration in the USA current account and fiscal deficits were the main factors influencing the depreciation in the US dollar.

TABLE 3

ADVANCED ECONOMIES				
Exchange Rates				
	US Dollar Nominal Exchange Rate		Real Effective Exchange Rate^{1/}	
	National Currency per unit of US\$		Annual per cent Change	
	2003	2004	2003	2004
Canadian Dollar	1.40	1.30	11.51	6.94
Japanese Yen	115.80	108.10	-2.98	0.51
Pound Sterling ^{2/}	1.63	1.83	-3.64	5.41
Euro ^{2/}	1.13	1.24	10.37	2.39

Source: *World Economic Outlook - April 2005*

1. Defined as a 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 US dollars per unit of national currency

1.1.2 Developing Countries

1.1.2.1 Output

GDP growth for the developing economies accelerated in 2004, relative to 2003, by 0.8 percentage points to 7.2 per cent (see **Table 4**). All the regional groups experienced robust growth in economic activity during the year, with the most significant acceleration in real output being evident among the economies of the Western Hemisphere. GDP among these economies expanded by 5.7 per cent in 2004, relative to 2.2 per cent in the preceding year.

TABLE 4

DEVELOPING COUNTRIES: REGIONAL GROUPS						
Real GDP, Consumer Prices						
(Annual per cent change)						
	REAL GDP			CONSUMER PRICES		
	2002	2003	2004	2002	2003	2004
DEVELOPING COUNTRIES	4.7	6.4	7.2	6.0	6.0	5.7
Africa	3.6	4.6	5.1	9.8	10.6	7.7
Asia	6.5	8.1	8.2	2.1	2.6	4.2
Middle East	4.1	5.8	5.5	6.5	7.1	8.3
Western Hemisphere	-0.1	2.2	5.7	8.9	10.6	6.5

Source: World Economic Outlook - April 2005

The economic expansion in the Western Hemisphere was led by Mexico and Venezuela. Growth in these economies was aided by higher crude oil production in the face of rising demand for the commodity (see **Table 5**). The economies of Brazil and Uruguay also recorded strong growth in 2004, with real GDP expanding by 5.2 per cent and 12.0 per cent, respectively. Much of this increase reflected robust export growth and an increase in domestic demand. Argentina continued to recover from a financial crisis with real output growing by 9.0 per cent in 2004.

With the exception of Grenada, the economies of the Caribbean Community (CARICOM) experienced favourable growth rates in 2004. Among these economies, Trinidad and Tobago recorded the highest growth rate, albeit lower than in 2003. Growth in that economy occurred against the backdrop of the continued expansion in the energy sector, which benefited from the increased demand for petroleum products and natural gas. The expansion in the other economies within the region was underpinned by growth in their respective tourism sectors, which benefited from the improvement in the global economy. Real output in Grenada declined in 2004, however, due primarily to significant damage to infrastructure caused by the passage of Hurricane Ivan.

TABLE 5

SELECTED COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN				
Real GDP, Consumer Prices (Annual per cent change)				
	REAL GDP		CONSUMER PRICES	
	2003	2004	2003	2004
Antigua and Barbuda	4.9	4.1	1.0	-1.3
Argentina	8.8	9.0	13.4	4.4
Barbados	2.2	3.0	1.5	1.5
Belize	9.4	3.0	2.5	2.7
Bolivia	2.5	3.8	3.3	4.4
Brazil	0.5	5.2	14.8	6.6
Dominica	n.a.	1.0	1.6	2.3
Dominican Republic	-1.6	2.0	27.4	51.5
Ecuador	2.7	6.6	7.9	2.7
El Salvador	1.8	1.5	2.5	4.5
Grenada	5.7	-3.2	2.2	2.3
Guyana	-0.7	1.6	6.0	4.7
Jamaica*	2.3	0.9	10.3	13.6
Mexico	1.6	4.4	4.5	4.7
Paraguay	2.6	2.1	14.2	5.2
Peru	3.8	5.1	2.3	3.7
St. Kitts & Nevis	2.1	5.1	2.3	2.4
St. Lucia	2.3	2.0	1.0	1.0
St. Vincent & the Grenadines	2.2	2.8	0.3	2.0
Suriname	5.3	4.6	23.1	9.0
Trinidad & Tobago	13.2	6.2	3.8	3.9
Uruguay	2.5	12	19.4	9.2
Venezuela	-7.7	17.3	31.1	21.7

Source: *World Economic Outlook - April 2005*

The Asian economies, particularly China, recorded relatively strong growth in 2004. The Chinese economy expanded by 9.5 per cent during the year (see **Table 6**), driven mainly by significant increases in investment spending and exports. Investment spending grew by 25.8 per cent in 2004, representing a slight deceleration of 1.9 percentage points, relative to the growth in 2003. Contributing to this growth was an increase of 13.3 per cent in foreign direct investment. The continued growth in investment spending was largely directed at the coal and power generation industries whose output rose during the year by 15.0 per cent and 14.9 per cent, respectively. In addition, investments in the production of iron and steel facilitated average growth in these industries of approximately 24.0 per cent. There was also some investment in the production of micro computers, mobile phones and air conditioners.

TABLE 6

CHINA		
Selected Economic Indicators		
(2003-2004)		
	2003	2004
Real GDP growth (%)	9.3	9.5
Fixed Investment	27.7	25.8
Value-added industrial output*	27.3	16.7
Retail Sales (in current prices)	9.1	13.3
Consumer Price Index (%)	1.2	3.9

Source: National Bureau of Statistics of China

** Of enterprises with sales of more than RMB 5 million.*

Spending on China's exports also grew significantly by 35.4 per cent in 2004. China's exports consist primarily of machinery and equipment, plastics, optical and medical equipment, iron and steel. Textiles exports to the Western Hemisphere have also become important in recent years. In the context of the growth in exports, China's trade surplus of US\$32.0 billion was US\$6.5 billion higher than the surplus in 2003.

In addition to the impact of investments and exports, consumption expenditure in China also rose significantly in 2004. Total retail sales rose, in real terms, by 10.2 per cent, relative to the previous year. This growth was evident in expansions in the sale of fuel,

communications equipment, automobiles, cultural items, furniture, cosmetics, and jewellery. At the sectoral level, activity in the wholesale and retail industry rose by 12.5 per cent.

During the year the Chinese government took steps aimed at preventing the economy from overheating. These initiatives included more stringent regulation of investment projects, restrictions on credit to certain sectors and increasing the reserve requirements for all financial institutions. The impact of these policies was reflected in the slight deceleration in the expansion in investment spending.

1.1.2.2 Inflation

On average, the inflation rate for the developing countries fell in 2004, relative to 2003 (see **Table 4**). In the Western Hemisphere, the moderation in inflation was largely reflected in Latin America, particularly in Argentina, Brazil, and Venezuela. This was indicative of the success of these economies in stabilizing their exchange rates, following a period of accelerated depreciation in 2003. Asia and the Middle East, on the other hand, recorded an acceleration in inflation, due in part to higher crude oil prices.

1.2 COMMODITY PRICES

The IMF index of primary commodity prices increased by 26.4 per cent in 2004, more than twice the rate of 2003. All the sub-groups within the index recorded increases, the most notable being the energy and metal price indices (see **Table 7**).

The energy index rose by 30.7 per cent in 2004, reflecting a similar increase in the price of petroleum. In particular, the West Texas Intermediate (WTI)¹ measure of oil prices increased by 33.1 per cent for the year, influenced by a greater than anticipated increase in demand, as well as concerns regarding supply. According to the International Energy Agency (IEA), crude oil demand increased by 3.2 per cent in 2004, the fastest annual increase since 1980. The robust growth in North America, China and other non-OECD countries was the main factor influencing the increase in demand. With regard to supply,

¹ The West Texas Intermediate is a type of crude oil used as a benchmark in oil pricing.

the Russian government's decision to take-over the operations of Yukos Oil Company, the second largest Russian oil company, fuelled concerns about possible disruptions in the output of the company. In addition, oil exports from Nigeria were negatively affected by a general strike by oil workers, while the continuous sabotage of oil wells throughout the year curtailed production and export from Iraq.

TABLE 7

WORLD COMMODITY PRICES		
(Annual per cent change)		
	2003	2004
Terms of Trade		
Advanced economies	1.3	-
Developing countries	0.9	4.0
Fuel exporters	2.8	19.0
Non-fuel exporters	0.6	1.7
All Primary Commodities	13.1	26.4
Non-fuel primary commodities ¹	7.0	18.5
Food	5.9	14.2
Beverages	4.9	3.0
Agricultural raw materials	3.7	5.5
Metals	11.8	36.4
Energy	16.7	30.9
Petroleum ²	15.8	30.7
Natural Gas	38.1	10.2
Coal	5.3	93.6
<i>Memorandum</i>		
Avg. oil spot price (in US\$/barrel) ²	28.9	37.8

1. *Weights based on 1995-97 average world export earnings*

2. *Average of U.K., Brent, Dubai and West Texas Intermediate crude oil spot prices*

Heightened demand and supply concerns during the year also fuelled a marked increase in speculative activity in the crude oil futures market (in particular the New York Mercantile Exchange (NYMEX)), which exacerbated price pressures. This was reflected in a 27.0 per cent increase in crude oil futures and option contracts, as well as an increase of 17.5 per cent in the ratio of non-commercial contracts² to total open contracts³, relative to 2003.

2 A trader's reported futures position in a commodity is classified as non-commercial if the trader uses futures contracts in that particular commodity for other purposes than hedging.

Metal prices increased by 36.4 per cent in 2004, primarily reflecting higher copper, tin and lead prices. Aluminium prices also recorded strong growth of 20.0 per cent in 2004, more than three times the growth recorded during 2003. Much of these increases were driven by robust demand as growth in the world economy gathered momentum.

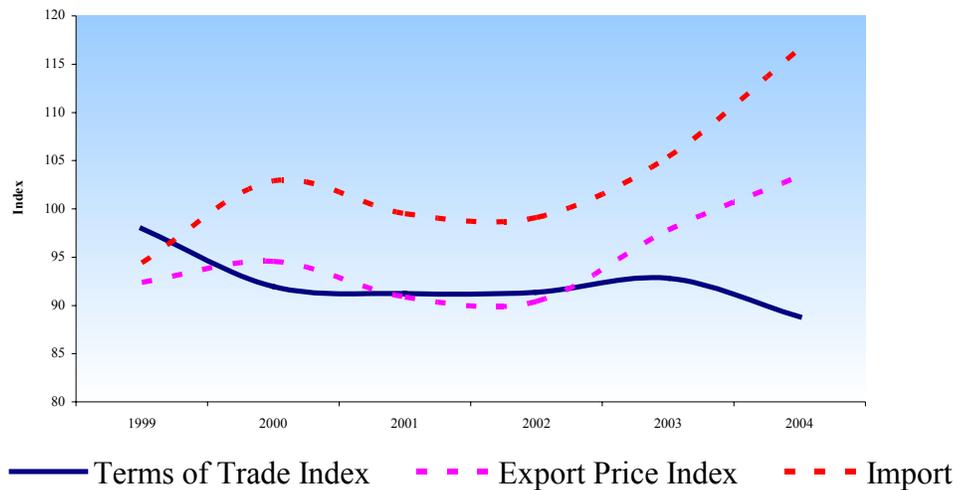
The food and beverages sub-indices also recorded respective increases of 14.2 per cent and 3.0 per cent during the review year. The increase in the food index largely reflected higher rice, soybean, maize and wheat prices. Increased demand, as well as adverse weather conditions, was the main factors influencing the increase in these prices. In terms of the beverages sub-index, there was a 25.0 per cent increase in the average price of coffee (Arabica), relative to 2003. Adverse weather conditions in Brazil affected coffee production, which contributed to an increase in prices.

Higher import prices in 2004 contributed to a deterioration of 4.6 per cent in Jamaica's terms of trade⁴ (see **Figure 1**). The fall in the index reflected a 10.7 per cent increase in the import price index (IPI), which outweighed a 5.4 per cent increase in the export price index (EPI). The increase in the IPI largely reflected the rise in crude oil and food prices. In terms of the EPI, the growth in the index reflected increases in alumina and sugar prices, as well as the tourism price index for Jamaica.

³ Open interest is the total number of futures contracts that have not expired or been fulfilled by delivery.

⁴ The Bank of Jamaica computes and monitors a measure of Jamaica's terms of trade, which is the ratio of an index of export prices to an index of import prices. An improvement (deterioration) in the terms of trade occurs if the price of exports rises (falls) faster than the price of imports.

**Figure 1:
Jamaica's Terms of Trade Index**



1.3 INTERNATIONAL TOURISM

World tourist travel recorded robust growth of 10.7 per cent in 2004, following three consecutive years of modest growth. Consequently, international tourist arrivals attained an all-time record of 762.5 million (see **Table 8**). This outturn reflected growth in arrivals to the Americas, as well as strong rebound in arrivals to Asia and the Pacific following setbacks associated with the SARS out-break in 2003. Also contributing to the positive outturn for 2004 were continued increases in arrivals to the Middle East, Africa and, to a lesser extent, Europe. The overall growth in travel to these regions was attributed to the acceleration in world growth.

The strong growth in visitor arrivals to the Americas in 2004 followed three years of decline, with the Central, South and North American sub-regions experiencing growth rates in excess of 10.0 per cent. The recovery in source markets, mainly Asia, as well as the growth in the world economy and reduced health and security concerns were among the factors that influenced the increase in arrivals to the Americas.

The growth in visitor arrivals to Europe was mostly confined to the Central & Eastern and Northern regions, with expansions of 15.8 per cent and 6.7 per cent, respectively.

According to the World Tourism Organisation (WTO), the Central & Eastern European region benefited from the exchange rate advantage, as well as positive externalities associated with accession to membership in the European Union (EU). Northern Europe, in particular England, benefited from a significant increase in long haul traffic from America and Asia, as well as arrivals from other European destinations. In the Southern and Western regions of Europe, growth moderated due in part to increased competition from long-haul destinations such as the Americas, Africa and the Caribbean.

TABLE 8

WORLD TOURIST ARRIVALS				
(Millions)				
	2003	2004	Change	% Change
World	688.8	762.5	73.7	10.7
Europe	395.9	415.2	19.3	4.9
Americas	113.1	125.7	12.6	11.1
Asia & Pacific	119.6	152.9	33.3	27.8
Africa	30.6	33.2	2.6	8.5
Middle East	29.6	35.6	6.0	20.3

Source: World Tourism Organization (WTO)

Buoyant economic activity in the Asia & Pacific region contributed to a strong rise in inbound business travellers.

The Caribbean Tourist Organisation (CTO) estimates that visitor arrivals to the Caribbean grew by 7.1 per cent during the review year, which was lower than the average growth rate of the other sub-regions of the Americas. Significant increases were, however, recorded in arrivals to Aruba, Cancun (Mexico), St. Maarten, Cuba and Puerto Rico (see **Table 9**). In comparison, stop over visitor arrivals to Jamaica grew at a more moderate pace of 4.8 per cent for the year. Increased tourist arrivals to the Caribbean during 2004 reflected growth in arrivals from the USA, Canada and Europe. This was attributed to both favourable exchange rate changes and a perception that the region was still a relatively safe destination for vacation travel.

TABLE 9

STOPOVER VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2003	2004	% Change
Dominican Republic	3266798	3443205	5.4
Cancun (Mexico)	2077278	2330706	12.2
Cuba	1703877	1850410	8.6
Bahamas	1428614	1450043	1.5
Jamaica	1349987	1414786	4.8
Puerto Rico	1322008	1411905	6.8
Aruba	642114	728157	13.4
US Virgin Islands	618439	658638	6.5
Barbados	531235	551953	3.9
St Maarten	427571	475031	11.1
TOTAL	13367920	14314834	7.1

Source: Caribbean Tourism Organization (CTO)

TABLE 10

Cruise Visitor Arrivals ('000s)			
Selected Caribbean Destinations			
Country	2003	2004	% Change
Bahamas	2970	3360	13.1
Mexico (Cozumel)	2709	2862	5.7
US Virgin Islands	1774	1965	10.8
Puerto Rico	1235	1381	11.9
Cayman Islands	1819	1353	-25.6
St. Maarten	1172	1349	15.1
Jamaica	1133	1100	-3.0
Belize	575	851	48.0
Barbados	559	738	31.9
Aruba	542	576	6.3
Total	14489	15534	7.2

Source: Caribbean Tourism Organization (CTO)

Notwithstanding an active hurricane season in 2004, cruise ship passenger arrivals to selected Caribbean destinations increased significantly by 7.2 per cent, relative to 2003 (see **Table 10**). This was reflected in significant growth in arrivals to the Bahamas, Barbados and Belize. The Bahamas recorded a 13.1 per cent increase in visitor arrivals due to aggressive marketing efforts. Growth of 31.9 per cent in arrivals to Barbados was attributed to the home porting of several liners in the first three months of the year.

Arrivals to Belize increased by 48.0 per cent in 2004, relative to 2003. In addition to being a relatively new cruise ship destination and because of its proximity to the Gulf, Belize was considered a good substitute to the less cost effective destinations in the Caribbean.

1.4 TRADE RELATIONS

Jamaica, along with other CARICOM countries, continued to take part in a number of external trade negotiations in 2004. These included discussions on the WTO's Doha Development Agenda and the Economic Partnership Agreement between CARIFORUM countries and the European Union. In addition, further discussions took place on the establishment of the CARICOM Single Market and Economy (CSME). The other trade related issues that affected Jamaica was the arbitration hearing of the WTO Disputes Settlement Understanding (DSU) panel, related to Brazil's challenge of the European Community's (EC) sugar regime.

1.4.1 World Trade Organisation

Trade negotiations in 2004 focused on restarting discussions on the DDA following the failure of member states to arrive at a consensus on the 'Singapore issues'⁵ and agriculture at the ministerial conference held in September 2003. The General Council of the WTO, on 31 July 2004, reached a consensus on framework agreements for pursuing the multilateral trade talks. The agreement on agriculture stipulated the elimination of export subsidies, the reduction of trade distorting domestic support policies and substantial tariff reductions. Developing countries would, however, continue to benefit from special and differential treatment. With regard to the four Singapore issues, negotiations were launched on trade facilitation, with the remaining three issues being removed from the formal agenda.

1.4.2 Africa, Caribbean and Pacific/European Union (ACP/EU) Trade Relations

Negotiations for the establishment of the EPA progressed in 2004 with the Caribbean being the first within the ACP grouping to hold detailed discussions with the EU on the

⁵ The Singapore issues first emerged in 1996 at the WTO Ministerial Conference in Singapore. These issues examine the relationship between trade and investment, trade and competition policy, transparency in government procurement and trade facilitation.

scope and priorities of the Agreement. It was agreed that special and differential treatment should form the core element of the Agreement and should not necessarily be limited to the existing provisions under the WTO. Discussions were also held on the provision of assistance for the development of new industries, as well as older ones, such as sugar and bananas. These discussions formed a precursor to the launch of the second phase of the CARIFORUM/EU EPA negotiations in September 2004. The second phase of negotiations are aimed at establishing a common understanding of the priorities for the EU's support of the Caribbean regional integration efforts, the identification of sources of assistance, which are required for CARIFORUM capacity building, and the targets to be attained at the time of the agreement's implementation on 1 January 2008. Progress was made with negotiations for the second phase with agreements being reached on the above issues at a meeting held in November 2004.

1.4.3 CARICOM Single Market and Economy

In 2004, Jamaica, Trinidad & Tobago and Barbados “fast-tracked” their efforts toward the establishment of the CSME by early 2005. Member states sought to remove the legal and administrative restrictions on the Right of Establishment, the Provision of Services and the Movement of Capital. For Jamaica, this was realized with the passing of CARICOM 2004 Act, which established the legality of the CARICOM Court of Justice (CCJ)⁶ and the supremacy of the requirements of the Treaty of Chaguaramas over Jamaica's laws (excepting the Constitution of Jamaica) and the Caribbean Community (Movement of Factors) Bill, which allows the free movement of people, services and capital within the region. It is anticipated that all members of CARICOM will participate in the CSME by 2006.

1.4.4 Brazil/EC Sugar Dispute

During the year, Jamaica, along with other members of the ACP states, played an active lobbying role in the sugar dispute, which was initiated against the EC by Brazil. In the dispute before the WTO dispute settlement panel, Brazil alleged that the EC's export

⁶ The CARICOM Act was subsequently rendered null and void by a ruling of the British Privy Council in February 2005 as to the constitutionality of the CCJ as a final court of appeal.

subsidies on sugar exceeded its WTO agreed limit and claimed that EC's common market organisation stifled competition and distorted prices for sugar on the international market. The WTO dispute resolution panel issued a preliminary ruling in September 2004 in favour of Brazil. Concerns about the potential impact of the erosion of preferences was heightened during the year with the EC's announcement on 14 July 2004 of its proposal to reform its common market organization for sugar. The reform proposal sought to maintain preferential access for ACP sugar producing countries, while reducing the price ACP exporters receive by more than one third.

1.5 CONCLUSION

Developments in the global economy had mixed implications for Jamaica. Robust growth in a number of Jamaica's trading partners augured well for the economy and was reflected in an improvement in the balance of payments accounts. Acceleration in global output fuelled by stronger demand contributed to an increase in earnings for alumina exports, as well as increased tourist arrivals. In addition, the depreciation of the Euro against the US dollar contributed to increased earnings for the country's sugar export. Jamaica's balance of payments account, however, was negatively affected by the deterioration in the terms of trade. This was largely due to higher oil prices, which also resulted in a rise in inflation.

PART II

DOMESTIC MACROECONOMIC DEVELOPMENTS

2.0 OVERVIEW

Underpinned by the restoration of investor confidence and the associated stability in the foreign exchange market, the Jamaican economy performed fairly well in 2004. The impact of these factors was reinforced by the Government's stated commitment to attaining its fiscal targets. In this context, the economy recorded another year of economic expansion, though weaker than in the previous year because of the passage of Hurricane Ivan. Inflation, however, remained elevated at 13.7 per cent for the year, compared to 14.1 per cent in 2003. The inflation outturn reflected the impact of Hurricane Ivan on food prices as well as increases in international oil prices.

2.1 OUTPUT & EMPLOYMENT

Gross Domestic Product

Jamaica's real Gross Domestic Product (GDP) grew by 0.9 per cent during 2004 (see **Table 11**), representing the sixth consecutive year of economic growth. The impetus for growth emanated mainly from services, particularly *Distributive Trade* and *Miscellaneous Services*, which accounted for 87.9 per cent of the increase in real GDP. Increased activity in the distribution of food and relief supplies in the aftermath of Hurricane Ivan influenced a 1.3 per cent growth in *Distributive Trade*. The performance of the tourism industry was a strong influence on the estimated 4.3 per cent expansion in *Miscellaneous Services*. Visitor arrivals and expenditure increased by 1.2 per cent and 6.8 per cent, respectively. The positive performance of the sector occurred in the context of strong economic growth in the United States of America (USA), the main source market, despite some damage to the tourism infrastructure by the hurricane.

Within the goods sector, *Agriculture, Forestry & Fishing* declined by 8.9 per cent for the year, reflecting the impact of adverse weather conditions on production. In addition, increases in the cost of inputs such as labour, fertilizers, pesticide and some planting

materials, adversely affected the sector. The continued incidence of praedial larceny also hampered production. The significant decline in agriculture was primarily reflected in lower production of domestic crop, which influenced increases in food imports.

TABLE 11

GROSS DOMESTIC PRODUCT (1996 Prices) Growth Rate by Sector (%)		
	<u>2003</u>	<u>2004</u>
GOODS	1.7	1.3
Agriculture, Forestry & Fishing	4.8	-8.9
Mining & Quarrying	4.9	2.6
Manufacturing	-0.9	3.0
Construction & Installation	1.5	5.0
SERVICES	2.5	1.2
Basic Services	3.9	0.7
Electricity & Water	4.7	-0.1
Transport Storage & Communication	3.6	0.9
Other Services	2	1.3
Distributive Trade	1	1.3
Financing & Insurance Services	4.3	-0.7
Real Estate & Business Services	1.8	2.1
Producers of Government Services	0.2	0.2
Miscellaneous Services	5.1	4.3
Household & Private Non-Profit	0.4	0.3
IMPUTED SERVICE CHARGES	1.6	5.1
TOTAL GDP	2.3	0.9

Mining & Quarrying expanded by 2.6 per cent in 2004, slower than the average growth of 3.6 per cent recorded between 2001 and 2003. The slower rate of growth reflected the impact of Hurricane Ivan on bauxite production in the second half of the year. Crude bauxite production declined by 13.4 per cent for the year, while alumina production grew by 4.6 per cent. The growth in alumina production was driven by an expansion in the refining capacity of the industry. Both alumina and crude bauxite production however reflected a reduction in capacity utilization attributed, in part, to the passage of Hurricane Ivan.

Manufacturing recorded its first increase since 2001. The sector grew by 5.9 per cent for the first half of the year, partly reflecting the normalization of production in the sugar, molasses & rum and the petroleum refining industries, following reduced output levels over the same period in 2003. The positive performance in manufacturing was also aided by an expansion in the production of alcoholic beverages and cement. The estimated growth of 2.0 per cent in alcoholic beverages was influenced by increased production by a major producer to compliment its initiative to expand its export market. An increase in cement production of 31.5 per cent was the major influence on a 24.5 per cent increase in the sub-group *non-metallic production*. This expansion was encouraged by a reduction in the importation of the product due to a significant rise in the import duty.

Construction & Installation expanded by 5.0 per cent in 2004, relative to a growth of 1.5 per cent in 2003. This performance was influenced by an expansion in road and hotel construction, as well as post hurricane reconstruction activity. The significant expansion in construction activities was an important factor in the expansion of imports in the trade account.

Unemployment

The unemployment rate as at October 2004 was 11.4 per cent, an increase of 0.5 of a percentage point when compared to October 2003. Similarly, the job-seeking rate, which is the percentage of the labour force actively seeking work, was 6.2 per cent as at October 2004, a 1.1 percentage point increase compared to October 2003.

Consistent with the decline in output from the sector, employment in the agriculture subgroup fell by 9.0 per cent. There were also reductions of 2.2 per cent, 7.1 per cent and 17.9 per cent, in employment in the finance, insurance, real estate & business service, manufacturing, electricity, gas & water and subgroups, respectively. However, in the context of the above-noted growth in value added, manufacturing and electricity, gas & water reflected respective increases of 5.2 per cent and 7.6 per cent in productivity in 2004, relative to 2003⁷.

⁷ A crude measure of productivity is real output in a sector divided by employment in the sector.

2.2 RELATIVE PRICES AND COMPETITIVENESS

There was a worsening in Jamaica's competitiveness as measured by the Real Effective Exchange Rate (REER) Index. The REER index at end December 2004 was 5.3 per cent lower than the index at end December 2003. This fall was largely related to domestic inflation of 13.7 per cent, which outweighed the combined impact of inflation among Jamaica's major trading partners of 3.1 per cent, as well as the movements of the Jamaica Dollar and the currencies of Jamaica's major trading partners, relative to the US dollar. The average selling rate depreciated by 2.0 per cent for the year, while there was an average appreciation of 2.7 per cent in the currencies of Jamaica's main trading partners vis-à-vis the US dollar (see **International Economic Development** for more details on the external inflation and currency movements).

Inflation in 2004 was influenced by exceptional domestic and international factors. The primary domestic factors included administered price adjustments and shortages in agricultural supply. Administered price adjustments included increases in postage and utility rates, the latter emanating from higher telephones rental rates and the electricity tariff. Agricultural production experienced the usual seasonal decline in the summer months, which had the expected adverse effect on prices for these commodities. The decline in agricultural production was exacerbated in the December quarter by the passage of Hurricane Ivan. Despite significant reductions in import duties on vegetables, there were instances of significant price increases for some commodities in light of the shortages in domestic supplies.

With respect to international factors, increases in crude oil prices had a significant impact on domestic prices in 2004, in particular on domestic household and automotive fuels, as well as utility rates. For the year, electricity rates rose by approximately 26.0 per cent, of which the fuel charge component increased by approximately 72.0 per cent. Additionally, the prices of other oil related products such as kerosene and cooking gas experienced average increases of 27.1 per cent and 21.2 per cent, respectively, in 2004.

Core inflation for 2004 was 5.2 per cent, down from 8.1 per cent in 2003. The monthly core inflation rate remained fairly stable in the first three quarters of the year. However, there was a temporary increase in core inflation in October, reflecting a significant increase in consumer demand, which coincided with supply shocks in the agricultural sector. Given the pervasiveness of the shock to the CPI, some of these impulses could not be eliminated from the trimmed mean measurement of core inflation.

The foreign exchange market was characterized by relative stability in 2004. This was manifested in the lower rate of depreciation in the value of the Jamaica Dollar against its three major counterparts – the United States dollar, the Canadian dollar, and the Great Britain Pound – relative to previous years. At 31 December 2004, the weighted average selling rate for the Jamaica Dollar vis-à-vis the United States dollar was US\$1.00 = J\$61.63, a depreciation of 1.6 per cent when compared to US\$1.00 = J\$60.62 at end December 2003. This rate of depreciation was the lowest since 1998 when the Jamaica Dollar depreciated by 1.5 per cent. In the money market, interest rates on the Bank's 180-day instrument were reduced to 14.94 per cent at the end of the year, compared to 22.05 recorded at end 2003. The monetary base increased by 11.2 per cent, relative to 13.3 per cent in 2003, the major source of the growth being an increase of US\$693.6 million in the NIR.

The overall stability in the money and foreign exchange markets for the year was supported by improved confidence in macroeconomic management, with a critical element being the Government's attainment of a better-than-budgeted fiscal performance. Market confidence was sustained throughout the year, as in each successive quarter the Government continued to meet its fiscal targets.

2.3 SUMMARY & OUTLOOK

The initial trajectory for inflation in 2004 implied a return to single digit inflation. However, this trajectory was disrupted by unanticipated shocks, namely Hurricanes Charley and Ivan and high international oil prices, which led to inflation of 13.7 per cent. These shocks also had a considerable effect on growth in the second half of the year

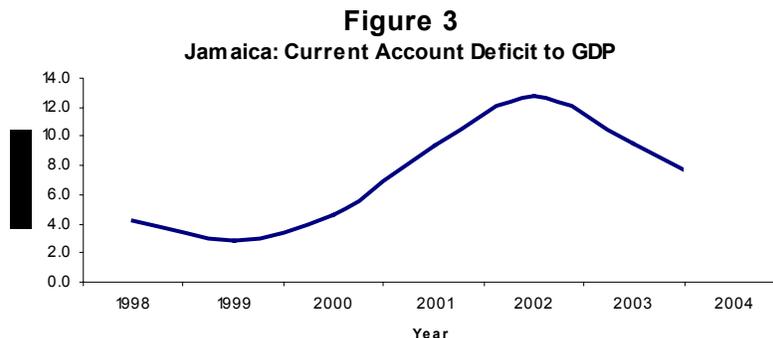
which resulted in a lower than expected economic expansion of 0.9 per cent for 2004. Foreign exchange market stability, favourable fiscal performance and prudent demand management by the Central Bank, however, resulted in a containment of core inflation below the level of the previous year.

The Jamaican economy is projected to grow within the range of 1.5 per cent to 2.5 per cent in 2005. This is predicated on positive expectations for the goods producing sectors, as well as services. The main challenge for the year will be the reduction of headline inflation to single digit in the context of rising international oil prices. Additionally, the attainment of a balanced budget in the fiscal year will be very important in maintaining overall confidence and macroeconomic stability. Continued stability in the financial markets will also depend on conditions in the international market.

PART III THE BALANCE OF PAYMENTS

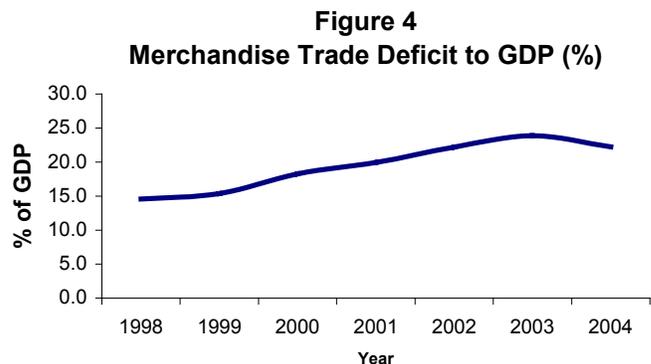
3.0 SUMMARY

Jamaica's current account deficit narrowed to US\$509.4 million (or 5.8 per cent of GDP) in 2004, representing the second consecutive year of improvement (see **Figure 3 and Table 12**). The lower current account deficit reflected higher surpluses on the current transfers and services accounts, partly offset by an expansion in net payments on the income account, as well as a marginal increase in the merchandise trade deficit. Net current transfers benefited from increased inflows arising from the passage of two hurricanes in the latter half of the year. The current account deficit was more than sufficiently financed by the receipt of substantial private investment flows and net official capital inflows. Within this context, the net international reserves (NIR) of the Bank of Jamaica increased by US\$693.6 million in 2004.



3.1 MERCHANDISE TRADE

Jamaica's total merchandise trade (i.e. exports plus imports (f.o.b.)) increased by US\$433.9 million to a record US\$5 147.7 million (58.3 per cent of GDP) in 2004 (see **Table IV, Appendix**). This represented the second year of expansion



following a decline of US\$38.3 million in 2002. Accordingly, the *goods account* recorded a deficit of US\$1 944.5 million (22.3 per cent of GDP), representing a marginal increase relative to the comparable period of 2003 (see **Figure 4**). The higher trade deficit in 2004 resulted from an increase of US\$217.9 million in imports (f.o.b.), which was partly offset by an expansion of US\$216.0 million in exports.

TABLE 12

BALANCE OF PAYMENTS SUMMARY			
(US\$MN)			
	2003 ^{1/}	2004 ^{2/}	Change
1. CURRENT ACCOUNT	-772.6	-509.4	263.2
A. GOODS and SERVICES	-1390.3	-1372.8	17.5
a. GOODS BALANCE	-1942.6	-1944.5	-1.9
Exports (f.o.b.)	1385.6	1601.6	216.0
Imports (f.o.b.)	3328.2	3546.1	217.9
b. SERVICES BALANCE	552.3	571.7	19.4
Transportation	-143.6	-150.3	-6.7
Travel	1102.7	1151.5	48.8
Other Services	-406.7	-429.5	-22.8
B. INCOME	-571.4	-582.7	-11.3
Compensation to employee	70.7	84.5	13.8
Investment income	-642.1	-667.2	-25.1
C. CURRENT TRANSFERS	1189.1	1446.1	257.0
Official	105.2	159.9	54.7
Private	1083.9	1286.2	202.3
2. CAPITAL & FINANCIAL ACCOUNT	772.6	509.4	-263.2
A. CAPITAL ACCOUNT	0.1	2.2	2.1
a. Capital transfers	-0.3	2.2	2.5
Official	0.1	13.8	13.7
Private	-0.4	-11.6	-11.2
b. Acq./disposal of non-prod. non-fin'l assets	0.4	0.0	-0.4
B. FINANCIAL ACCOUNT	772.5	507.2	-265.3
Other official investments	-362.5	479.2	841.7
Other private investments 3/	702.9	721.6	18.7
Reserves	432.1	-693.6	-1125.7

1/ Revised

2/ Provisional

3/ Includes errors & omissions

Source: Bank of Jamaica

3.1.1 Exports

Total earnings from goods export in 2004 were estimated at US\$1 601.6 million (or 18.4 per cent of GDP) in 2004 (see **Table 13**). *General merchandise exports*, valued at US\$1 404.5 million, continued to account for the largest share of goods export (87.7 per cent) in 2004, principally reflecting earnings from crude materials, food and chemicals. *Free zone exports* and *goods procured in ports* by foreign carriers totalled US\$126.8 million and US\$70.3 million, with respective shares of 7.9 per cent and 4.4 per cent.

TABLE 13

SITC SECTIONS	VALUE OF EXPORTS (US\$MN)			
	<u>2003</u>	<u>2004</u>	<u>Change</u>	<u>% Change</u>
0. Food	219.6	247.7	28.1	12.8
Bananas	18.9	12.8	-6.1	-32.3
Citrus & citrus products	3.3	2.2	-1.1	-33.3
Sugar & sugar preparations	66.3	98.1	31.8	48.0
Other	131.1	134.6	3.5	2.7
1. Beverages & tobacco	53.9	61.7	7.8	14.5
Rum	27.4	28.5	1.1	4.0
Tobacco & tobacco products	12.3	12.1	-0.2	-1.6
Other	14.2	21.1	6.9	48.6
2. Crude materials	785.6	924.2	138.6	17.6
Bauxite	90.1	80.4	-9.7	-10.8
Alumina	688.5	814.6	126.1	18.3
Other	7.0	29.2	22.2	317.1
3. Mineral fuels	29.0	33.6	4.6	15.9
4. Animal & vegetable oils & fats	0.0	0.1	0.1	-
5. Chemicals	57.7	77.2	19.5	33.8
6. Manufactured goods	9.9	13.9	4.0	40.4
7. Machinery & transport equipment	18.0	24.3	6.3	35.0
8. Misc. manufactured goods	22.3	21.8	-0.5	-2.2
9. Misc. commodities	0.0	0.0	0.0	-
A. TOTAL GENERAL EXPORTS	<u>1196.0</u>	<u>1404.5</u>	<u>208.5</u>	<u>17.4</u>
B. FREE ZONE EXPORTS	141.7	126.8	-14.9	-10.5
C. GOODS PROCURED IN PORTS	48.0	70.3	22.3	46.5
TOTAL EXPORTS (F.O.B.)	1385.6	1601.6	216.0	15.6

Source: Statistical Institute of Jamaica

The overall increase in exports was mainly reflected in expansions of US\$138.6 million, US\$28.1 million, US\$19.5 million and US\$7.8 million in crude material, food, chemical and beverages & tobacco exports, respectively. With respect to crude materials, increased alumina exports in 2004 reflected strong demand for aluminium on the world market and the resultant increase in the price associated with robust growth in the global economy, in particular China. Earnings from food exports grew by 12.8 per cent in 2004, stemming primarily from a 48.0 per cent increase in the value of sugar exports. The rate of expansion in food export was, however, negatively affected by the impact of Hurricane Ivan on the banana, citrus and other food exports (ackee, fish and yams) in the latter half of the review period. Growth in chemical exports broadly reflected an expansion of US\$20.5 million in ethanol exports.

Earnings from goods procured in Jamaican ports by foreign carriers continued to increase in 2004, due mainly to higher valued fuel imports. The growth in volume reflected increased activity at the Island's two international airports, as well as an increase in the number of ships using Jamaican ports for the transshipment of goods. Free zone exports continued to decline, principally reflecting further contraction in the garment industry. For 2004, earnings from free-zone exports declined by 10.5 per cent to US\$126.8 million, which was broadly in line with the annual average decline of 10.7 per cent since 1998.

3.1.1.1 *Major Traditional Exports*

Earnings from major traditional exports expanded by US\$142.2 million to US\$1 005.9 million in 2004, mainly reflecting increases of US\$126.2 million and US\$31.8 million in receipts from alumina and sugar exports, respectively (see **Table 14**). Proceeds from bauxite and banana exports, however, fell by US\$9.7 million and US\$6.1 million, respectively. The share of general merchandise exports attributed to major traditional exports remained relatively unchanged at 71.6 per cent in 2004.

TABLE 14

Performance of The Major Export Commodities 2003-2004				
	2003	2004	CHANGE	% CHANGE
BAUXITE				
Value (US\$m)	90.1	80.4	-9.7	-10.8
Volume (000 tonnes)	3805.8	3338.1	-467.7	-12.3
Unit price (US\$/tonne)	23.7	24.1	0.4	1.7
ALUMINA				
Value (US\$m)	688.4	814.6	126.2	18.3
Volume (000 tonnes)	3834.9	4021.1	186.2	4.9
Unit price (US\$/tonne)	179.5	202.7	23.2	12.9
SUGAR				
Value (US\$m)	66.3	98.1	31.8	48.0
Volume (000 tonnes)	109.7	157.2	47.5	43.3
Unit price (US\$/tonne)	604.5	624.2	19.8	3.3
BANANAS				
Value (US\$m)	18.9	12.8	-6.1	-32.3
Volume (000 tonnes)	39.9	27.6	-12.3	-30.8
Unit price (US\$/tonne)	472.3	463.6	-8.7	-1.8
TOTAL	863.7	1005.9	142.2	16.5

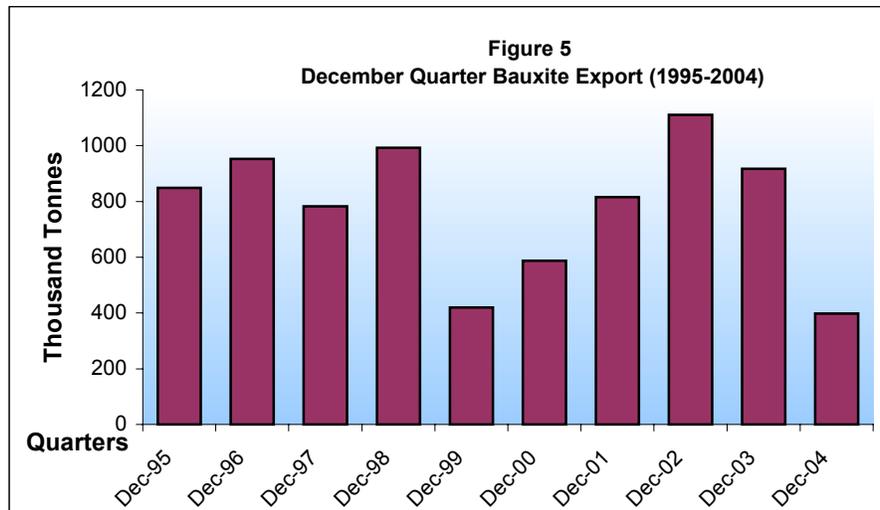
Source: Statistical Institute of Jamaica

Bauxite & Alumina

The higher earnings from the export of alumina during 2004 were attributed to respective increases of 12.9 per cent and 4.9 per cent in the average price and volume exported. The jump in alumina prices in 2004 was largely influenced by robust demand for aluminium, stemming from the acceleration in world economic growth, especially in China (see **International Economic Developments**). The growth in the volume of alumina export was facilitated by a 400 000 tonne expansion in the capacity of the sector during the review year.

Lower earnings from bauxite exports in 2004, relative to 2003, largely reflected a 12.3 per cent decline in export volumes, most of which was attributed to a fall of 56.5 per cent in the sector's output in the December 2004 quarter. Bauxite exports during this quarter

was affected by hurricane damage to the loading facility at the St. Ann Bauxite Company and other technical problems which resulted in significant delays in scheduled shipments. The volumes exported in the December 2004 quarter represented the lowest level of exports for more than a decade (see **Figure 5**).



Sugar

The 48.0 per cent increase in the value of sugar exports reflected respective increase of 43.3 per cent and 3.3 per cent in export volumes and average realized price (ARP) per tonne of sugar. The surge in export volumes was associated with an improvement in the quality of sugar cane milled, evidenced by a decline in the tonnes cane to tonnes sugar (TC/TS) ratio to 10.9 in 2004 from 11.6 in the previous year. Production and export for the year were not affected by the passage of Hurricane Ivan in September, given that the 2004 crop-year ended in July. The increase in the ARP partly reflected the appreciation in the value of the Euro vis-à-vis the US dollar during 2004 (see **International Economic Developments**).

Given the resurgence in sugar exports, Jamaica's export quota of 134 000 tonnes under the ACP/EU sugar protocol was met. Additionally, Jamaica exported 12 300 tonnes of

sugar to the EU under the Special Preferential Sugar (SPS) and 11 000 tonnes to the United States under the Tariff Rate Quota (TRQ) system⁸.

Banana

Earnings from banana exports contracted by 32.3 per cent in 2004, relative to 2003. For the period January to August, there was a 5.1 per cent decline in earnings from banana exports, despite an increase of 0.1 per cent in the volume of the fruit exported. There was no export of the banana in the December 2004 quarter, due to the passage of Hurricane Ivan. As a result, there was a decline of 30.8 per cent in export volumes for 2004.

TABLE 15

OTHER DOMESTIC EXPORTS BY S.I.T.C.				
(US\$MN)				
	2003	2004	CHANGE	% CHANGE
0. Food	130.1	134.3	4.2	3.2
Citrus & citrus products	3.3	2.2	-1.1	-33.3
Other	126.8	132.1	5.3	4.2
1. Beverages & Tobacco	53.8	61.5	7.7	14.3
Rum	27.4	28.5	1.1	4.0
Tobacco & tobacco products	12.3	12.1	-0.2	-1.6
Other	14.1	20.9	6.8	48.2
2. Crude Materials	7.0	29.2	22.2	317.1
3. Mineral Fuels	27.4	33.0	5.6	20.4
4. Animal & Veg. Oils & Fats	0.0	0.1	0.1	-
5. Chemicals	56.0	75.3	19.3	34.5
6. Manufactured Goods	4.3	3.9	-0.4	-9.3
7. Machinery & Transp. Equip.	1.5	2.0	0.5	33.3
8. Misc. Manuf. Goods	19.8	18.3	-1.5	-7.6
9. Misc. Commodities	0.0	0.0	0.0	-
TOTAL	299.9	357.6	57.7	19.2

3.1.1.2 Other Domestic Exports

Total earnings from *other domestic* exports expanded by 19.2 per cent in 2004 (see **Table 15**). This increase was in sharp contrast to consistent declines since 2001. Contributing

⁸ The TRQ system limits the amount of sugar that can be imported into the United States, and administers country specific quotas on sugar imported at a zero or minimal duty rates. Jamaica's certificate of eligibility currently guarantees it an export quota to the United States market of 11.6 thousand tonnes per annum.

to the increase were higher earnings from crude materials, chemicals, beverages & tobacco, mineral fuels and food. These increases were partially offset by lower earnings from manufactured goods and miscellaneous manufactured goods exports.

Higher earnings from exports in the beverages and tobacco category reflected improved demand for Jamaican rum and other beverages from external markets. The growth in crude materials was mainly due to increased export of scrap metal to countries such as China and Colombia. For chemical exports, the 34.5 per cent growth recorded in 2004, relative to 2003, emanated primarily from increased earnings from ethanol exports.

3.1.2 Imports

Total imports (c.i.f.) in 2004 amounted to US\$4 093.1 million (46.9 per cent of GDP), which was US\$259.4 million higher than in 2003. General merchandise imports were valued at US\$3 927.2 million and accounted for 95.9 per cent of total imports. Goods procured in ports and freezone imports amounted to US\$112.3 million and US\$53.6 million, respectively, reflecting respective shares of the total imports of 2.8 per cent and 1.3 per cent. The share of general merchandise imports remained constant relative to 2003, while that of freezone imports declined and the share of goods procured in ports rose (see **Table 16**).

The expansion in total imports was due primarily to an increase of US\$248.3 million in general merchandise imports, supported by an expansion of US\$36.1 million in goods procured in ports. A decline in freezone imports, which coincided with the decline in export by the sector, partly offset the increase in the other categories.

TABLE 16

SITC SECTIONS	VALUE OF IMPORTS BY SITC (US\$MN)			
	2003	2004	CHANGE	% CHANGE
0. Food	487.4	527.3	39.9	8.2
1. Beverages & tobacco	33.5	46.2	12.7	37.9
2. Crude materials	52.0	68.0	16.0	30.8
3. Mineral fuels	830.1	910.5	80.4	9.7
4. Animal & vegetable oils & fats	24.0	32.4	8.4	35.0
5. Chemicals	444.1	403.2	-40.9	-9.2
6. Manufactured goods	486.4	563.1	76.7	15.8
7. Machinery & transport equip.	878.9	880.7	1.8	0.2
8. Misc. manufactured goods	384.0	426.4	42.4	11.0
9. Misc. commodities	58.5	69.4	10.9	18.6
A. TOTAL GENERAL IMPORTS	3678.9	3927.2	248.3	6.7
B. FREE ZONE IMPORTS	78.6	53.6	-25.0	-31.8
C. GOODS PROCURED IN PORTS	76.2	112.3	36.1	47.4
TOTAL IMPORTS (C.I.F.)	3833.7	4093.1	259.4	6.8

Source: Statistical Institute of Jamaica

Growth in general merchandise imports principally reflected increases of US\$80.4 million, US\$76.7 million, US\$42.4 million and US\$39.9 million in mineral fuels, manufactured goods, miscellaneous manufactured goods and food, respectively. A decline of US\$40.9 million in chemical imports partly offset the impact of these increases.

Higher imports of mineral fuel was associated with a 33.4 per cent increase in the average price per barrel of oil on the international market, as measured by the price of West Texas Intermediate crude. The expansion in the fuel bill was also influenced by the closure of the PETROJAM refinery in October 2004 due to an explosion at the plant, which necessitated increased importation of refined oil products⁹.

The increase in food imports during 2004 occurred in the context of the fall-out in the domestic agricultural sector due to the impact of drought conditions in the first half of the year and Hurricane Ivan in the second half. In an effort to restrict price movement in the aftermath of Hurricane Ivan, the Government lowered import duties on agricultural items

⁹ Refined products are more expensive than crude oil.

with a view to augment domestic supplies. Higher international grain prices also contributed to the growth in payments for food imports.

3.2 SERVICES

Net earnings from services amounted to US\$571.7 million in 2004 or 6.6 per cent of GDP, relative to US\$552.3 million or 6.8 per cent of GDP in 2003 (see **Table 17**). This improvement reflected an expansion of US\$48.8 million in net earnings from *travel*, partly offset by respective increases of US\$22.8 million and US\$6.7 million in net payments for *other services* and *transportation*.

TABLE 17

	SERVICES (US\$MN)			
	2003	2004	Change	% Change
Services (Net)	552.3	571.7	19.4	3.5
Inflows	2138.3	2297.2	167.5	7.8
Outflows	1586.0	1725.5	139.5	8.8
1. Transportation	-143.6	-150.3	-6.7	4.7
Inflows	474.3	497.3	23.0	4.8
Outflows	617.9	647.6	29.7	4.8
2. Travel	1102.7	1151.5	48.8	4.4
Inflows	1355.1	1438.0	82.9	6.1
Outflows	252.4	286.5	34.1	13.5
3. Other Services	-406.7	-429.5	-22.8	-5.6
Inflows	308.9	361.9	61.6	19.9
Outflows	715.6	791.4	75.8	10.6

Source: Bank of Jamaica

3.2.1 Transportation

Higher transportation payments reflected respective increases of 82.1 per cent and 8.4 per cent in payments for passenger and freight services. The increase in passenger payments was partly attributed to the rise in oil prices on the international market. A decline of US\$23.7 million in the 'other' sub-category largely reflected lower expenditure on auxiliary and support services (see **Table 18**). Higher gross inflows were primarily attributed to a rise in passenger fares by the domestic carrier, as well as increased visitor arrivals during the year.

TABLE 18

TRANSPORTATION				
(US\$MN)				
	2003	2004	Change	% Change
TRANSPORTATION (NET)	-143.6	-150.3	-6.7	4.7
TOTAL RECEIPTS	474.3	497.3	23.0	4.8
Passenger fares	266.2	295.2	29.0	10.9
Freight	3.6	7.6	4.0	110.7
Other	204.5	194.5	-10.0	-4.9
TOTAL PAYMENTS	617.9	647.6	29.7	4.8
Passenger fares	17.4	31.7	14.3	82.1
Freight	467.1	506.2	39.1	8.4
Other	133.4	109.7	-23.7	-17.8

Source: Bank of Jamaica

3.2.2 Travel

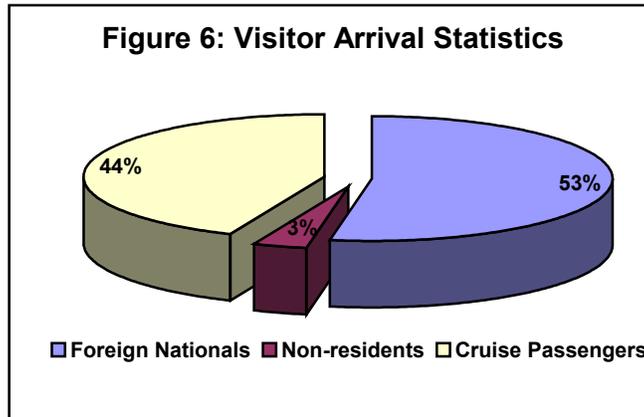
Preliminary estimates of net foreign exchange earnings from the tourism industry amounted to US\$1 151.5 million or 13.2 per cent of GDP in 2004, representing an increase of 4.4 per cent, relative to 2003. The impact of an increase of US\$82.9 million in gross travel earnings was partially offset by an expansion of US\$34.1 million in gross payments in 2004 (see **Table 17**).

The expansion in gross travel earnings stemmed largely from a 4.8 per cent increase in stop-over visitor arrivals, partly offset by a decline of 3.0 per cent in cruise passenger arrivals (see **Table 19**). Within the stopover category, long-stay foreign national visitors increased by 5.7 per cent and accounted for 53.0 per cent of total visitor arrivals during the year (see **Figure 6**).

TABLE 19

VISITOR ARRIVAL STATISTICS				
	2003	2004	Change	% Change
Total Stop-Overs	1350284	1414786	64502	4.8
Foreign Nationals	1262108	1326918	64810	5.1
Long-Stay	1186780	1253917	67137	5.7
Short-Stay	75328	73001	-2327	-3.1
Non-resident Jamaican	88176	87868	-308	-0.3
Cruise Passengers & Armed Forces	1133411	1099773	-33638	-3.0
TOTAL VISITORS	2483695	2514559	30864	1.2

Source: Jamaica Tourist Board



Source: Jamaica Tourist Board

The moderate growth in visitor arrivals in 2004 occurred against the background of Hurricane Ivan in September, which caused significant damage to some hotels within the industry. In addition, the closure of the Jamaica Grande, Jamaica's largest hotel, in September 2004 for refurbishing, had a negative impact on the industry. For the first eight months of the year, stopover arrivals grew at an average monthly rate of 8.7 per cent. In contrast, there was an average monthly decline of 5.0 per cent for the September to December 2004 period, with the largest fall-off occurring in September.

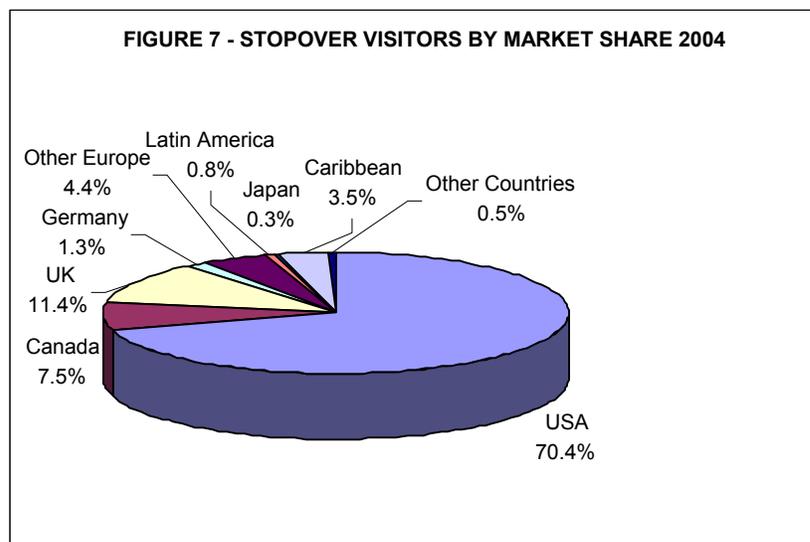
Source Markets

Visitor arrivals from the USA grew by 2.7 per cent for the year, relative to 4.8 per cent in 2003. In this context, the USA remained the main source market for stopover tourists in 2004, accounting for 70.4 per cent of total stopover arrivals (see **Figure 7**). Other major source markets that recorded notable increases in the number of stopover visitors were the United Kingdom, Canada, Europe and the Caribbean (see **Table 20**).

TABLE 20

STOPOVER ARRIVALS BY COUNTRY OF ORIGIN												
	Foreign Nationals				Non-Res Jamaicans				Total Stopovers			
	2003	Change	%	2003	2004	Change	%	2004	Change	%		
USA	904666	932784	28118	3.1	65029	63347	-1682	-2.6	969695	996131	26436	2.7
UK	142506	153242	10736	7.5	7208	8364	1156	16	149714	161606	11892	7.9
Canada	87908	98972	11064	12.6	7357	6651	-706	-9.6	95265	105623	10358	10.9
Other Europe	52307	62060	9753	18.6	189	169	-20	-10.6	52496	62229	9733	18.5
Caribbean	35780	40442	4662	13.0	8053	9001	948	11.8	43833	49443	5610	12.8
Germany	16198	18017	1819	11.2	92	73	-19	-20.7	16290	18090	1800	11
Latin America	10744	10491	-253	-2.4	141	149	8	5.7	10885	10640	-245	-2.3
Other Countries	7844	6505	-1339	-17.1	80	89	9	11.3	7924	6594	-1330	-16.8
Japan	4155	4405	250	6.0	27	25	-2	-7.4	4182	4430	248	5.9
TOTAL	1262108	1326918	64810	5.1	88176	87868	-308	-0.3	1350284	1414786	64502	4.8

Source: Jamaica Tourist Board



Source: Jamaica Tourist Board

Growth in stopover visitor arrivals from the USA reflected respective increases of 6.2 per cent and 3.6 per cent in arrivals from the Northeast and Western regions of the country. In contrast, arrivals from the South declined marginally by 0.7 per cent in 2004, primarily reflecting the impact of hurricanes in this area. The overall growth in visitor arrivals from the USA coincided with a stronger economy, as well as reduced security concerns about foreign travel.

Total stopover arrivals from the UK, Jamaica's second largest tourist market, increased by 7.9 percent in 2004, relative to 2003. Arrivals from this market were boosted by an increase in the number of flights between Manchester (England) and Jamaica by Air Jamaica, as well as additional charter flights. Additionally, growth in visitor arrivals was fostered by the continued perception of the region as a relatively safe destination. The weakening of the US dollar against the Pound Sterling also made the Island a less expensive destination to UK visitors.

With the exception of September, October and November, which recorded declines due to the active hurricane season, double-digit increases in the arrival from the Canada were recorded for the other months of 2004. Overall, arrivals from this source market expanded significantly by 10.9 per cent for the year. Visitor arrivals from Ontario and Quebec, the two largest provinces, grew for the year by 9.6 per cent and 14.8 per cent, respectively. The growth in visitor arrivals from Canada reflected enhanced marketing of Brand Jamaica, with the demand being facilitated by increased airlift capacity. In particular, there was an increase in weekly service by Air Transat Vacations from Montreal and Toronto. There was also an increase in charter services by Sunquest Vacations with at least one flight per week from Toronto, Montreal, Vancouver, Ottawa and Calgary.

Stopover arrivals from other European countries, excluding the U.K. and Germany, expanded by 18.5 per cent in 2004 and accounted for 4.4 per cent of total stopover arrivals for that year. An increase of 46.8 per cent was recorded in arrivals from Spain,

largely attributed to the activities of RIU, a Spanish hotel chain, which opened a 420-room hotel in Negril in May. The depreciation of the US dollar vis-à-vis the Euro would have also added an incentive for European travellers. Additional airlift through chartered flights, as well as connecting flights by Continental Airlines facilitated the arrival of visitors from Europe.

Total stopover arrivals from the Caribbean continued its upward trend with an increase of 12.8 per cent during 2004. The Cayman Islands was the major provider of visitors from the region, recording an increase of 30.4 per cent, which may have been associated with non-resident Jamaicans and other nationals being temporarily displaced following Hurricane Ivan. Growth in arrivals from Trinidad and Tobago (14.6 per cent), Barbados (11.6 per cent) and the Bahamas (6.5 per cent), also contributed appreciably to the overall expansion from the region.

Seasonal Distribution

Respective increases of 9.5 per cent and 2.4 per cent were recorded in stopover arrivals for the winter (January to April) and summer (May to December) periods (see **Table 21**). Arrivals expanded in all four months of the winter season. In particular, April registered the highest increase of 17.0 per cent, principally associated with the Easter holidays falling in that month. The growth in arrivals during the winter season, which compares favourably with the 7.9 per cent increase recorded in 2003, was attributed to the aggressive advertising campaign of the Jamaica Tourist Board. For the summer period, arrivals were affected by the very active hurricane season, which resulted in the cancellation of bookings. The closure of some properties for repairs during the summer also had a negative effect on visitor arrivals.

TABLE 21

	SEASONAL DISTRIBUTION OF STOPOVER VISITOR ARRIVALS					
	No. of visitors				% of total	
	2003	2004	Change	% Change	2004	2005
Winter	454223	497186	42963	9.5	33.6	35.1
Summer	896061	917600	21539	2.4	66.4	64.9
Total	1350284	1414786	64502	4.8	100.0	100.0

Source: Jamaica Tourist Board

Visitor Accommodation & Length of Stay

The number of available rooms went up by 322 to 24 947 in 2004, representing an increase of 1.3 per cent, while the number of beds rose by 1.0 per cent to 51 614 (see **Table 22**). The growth in available rooms and beds was due to expansions in the Negril area, as all the other resort areas recorded declines. Increased accommodation in Negril largely reflected the opening of a 480-room all-inclusive property by the RIU Chain. Visitor accommodation in Ocho Rios was affected by the closure of the Jamaica Grande and the Sandals-Ciboney for refurbishing, while hotels on the South Coast were affected by the passage of Hurricane Ivan.

TABLE 22

VISITOR ACCOMMODATION STATISTICS				
BY RESORT AREA				
	2003	2004	Change	% Change
No. of Rooms	24625	24947	322	1.3
Kingston	2141	2077	-64	-3.0
Montego Bay	8019	7944	-75	-0.9
Ocho Rios	6777	6712	-65	-1.0
Negril	5851	6414	563	9.6
Port Antonio	991	986	-5	-0.5
South Coast	846	814	-32	-3.8
No. of Beds	51083	51614	531	1.0
Kingston	4303	4142	-161	-3.7
Montego Bay	16538	16396	-142	-0.9
Ocho Rios	14705	14539	-166	-1.1
Negril	11863	12981	1118	9.4
Port Antonio	1984	1946	-38	-1.9
South Coast	1690	1610	-80	-4.7

Source: Jamaica Tourist Board

The average length of stay for foreign national visitors declined to 9.9 days from 10.2 days in 2003 (see **Table 23A**). This may be attributed to visitors from the major source markets, in particular the USA, opting to take more than one, but shorter, vacations. Notwithstanding this overall decline, there was a 1.6 per cent increase in the number of foreign national visitors that stayed in hotel accommodations relative to 2003. As a consequence, the average rate of hotel room occupancy increased by 3.5 percentage

points to 61.4 per cent in 2004. This level of occupancy was the highest since 1995. All three major resort areas, Montego Bay, Ocho Rios and Negril recorded higher levels in the rate of hotel occupancy in 2004, relative to the previous year.

TABLE 23A

AVERAGE LENGTH OF STAY (DAYS)		
By Country of residence		
	2003	2004
USA	8.4	8.3
Canada	14.1	12.9
UK	18.7	17.2
Europe	11.5	11.2
Latin America	9.4	8.2
Caribbean	10.9	10.2
Other Countries	11.5	11.7
Overall Average	10.2	9.9

Source: Jamaica Tourist Board

TABLE 23B

AVERAGE LENGTH OF STAY				
By Type of Accommodation				
(Nights)				
	2003		2004	
	Foreign Nationals	Non Resident Jamaicans	Foreign Nationals	Non Resident Jamaicans
Hotel	6.4	18.8	6.5	13.4
Non-Hotel	9.5	12.9	9.3	18
Private Homes	21.4	41.4	20	28.3
Other	13.9	27.8	13.3	26.3
Overall Average	10.2	40.5	9.9	27.7

Source: Jamaica Tourist Board

3.2.2.1 Cruise Passengers

For the second consecutive year, cruise passenger arrivals to Jamaica surpassed the one million mark with 1 099 773 visitors in 2004 (see **Table 19**). This was, however, a decline of 3.0 per cent compared with 2003, and reflected a fall-off in the number of ship calls to the Island. In 2004, 79 ships made 482 calls to the Island, relative to 120 ships making 510 calls in 2003. The Ocho Rios and Montego Bay ports welcomed 768 263 and 328 006 cruise passengers, respectively, representing a decline of 5.2 per cent in the former case, and an increase 2.7 per cent in the latter, relative to 2003. Of the major cruise lines that visited Jamaica in 2004, the Royal Caribbean transported 97 105 or 21.6 per cent fewer passengers, relative to 2003, while the 4 892 that were transported by the Princess Cruise Lines was lower by 12.0 per cent.

The slowdown in cruise activity during the review period was due to the passage of Hurricanes Charlie and Ivan, which caused delays and cancellations of several scheduled cruise vessels during the third quarter of the year. The Ocho Rios port was closed twice

during the period and this resulted in the diversion of 20 vessels, some of which called at the Montego Bay ports.

In addition to the effect of the very active hurricane season, the falloff in the number of calls to Jamaican ports reflected increased competition from neighbouring markets, implied by the adjustments to the travel itinerary of a number of cruise lines. Due to the high demand of repeat clientele for new experiences and cultures, destinations such as Costa Maya (Mexico), Costa Rica and Guatemala were added to the itinerary of some cruise liners.

3.2.2.2 *Tourist Expenditure*

Gross earnings from tourism increased by 6.1 per cent in 2004, principally reflecting increased spending of 6.8 per cent and 2.8 per cent by foreign nationals and non-resident Jamaicans, respectively (see **Table 24**). Consistent with the falloff in cruise visitor arrivals, expenditure by cruise passengers declined in 2004, relative to 2003.

TABLE 24

TOURIST EXPENDITURE (US\$MN)				
	2003	2004	Change	% Change
Total Foreign Nat. Stop-over Expenditure	1222.4	1305.0	82.6	6.8
Winter Expenditure	395.0	466.5	71.5	18.1
Summer Expenditure	827.4	838.5	11.1	1.3
Non-resident Jamaican Expenditure	40.6	41.7	1.1	2.8
Cruise Passengers & Armed Forces	92.1	91.2	-0.9	-1.0
Total Expenditure	1355.1	1437.9	82.8	6.1
Less Jamaican Expenditure Overseas	213.9	241.1	27.2	12.7
Less Exp. of Resident Workers Overseas	38.5	45.3	6.8	17.7
Net Expenditure	1102.7	1151.5	48.8	4.4
<i>Memo</i>				
Stopover visitor average daily expenditure	95.3	102.0	6.7	7.0
Cruise Passenger average daily expenditure	80.9	84.0	3.1	3.8

Source: Jamaica Tourist Board

On average, each foreign national tourist spent US\$102.00 daily, which represented an increase of 7.0 per cent, relative to 2003. This increase may be attributed to the relatively strong growth in arrivals from Europe, given that these visitors tend to stay longer and spend more. The average daily spending by cruise passengers grew by 3.8 per cent during the review period.

With respect to payments, the expenditures of Jamaicans while overseas and spending by Jamaican seasonal workers overseas went up by US\$27.2 million and US\$6.8 million, respectively.

3.2.3 Other Services

The deficit on the *other services* account expanded by US\$22.8 million to US\$429.5 million in 2004. This out-turn resulted from an increase of US\$75.8 million in gross payments, which was partially offset by growth of US\$53.0 million in gross inflows (see **Table 25**).

The increase in gross payments resulted mainly from higher outflows for computer & information services and insurance & financial services. These increases were, however, partly countered by a reduction in payments for other business services. The growth in payments for computer and information services reflected higher expenditure on software development for the telecommunication sector, while the increase in payments for insurance & financial services stemmed mainly from a rise in reinsurance rates and higher fees paid to foreign investment banks for underwriting Government of Jamaica Eurobond issues.

With respect to receipts from the provision of other services to foreigners, higher inflows largely resulted from the provision of communication services to non-residents. Growth in receipts from communication services was attributed to increased international call settlements, in the context of the increased presence of a major provider in that year.

TABLE 25

OTHER SERVICES				
(US\$MN)				
	2003	2004	Change	% Change
OTHER SERVICES (NET)	-406.7	-429.5	-22.8	5.6
RECEIPTS	308.9	361.9	53.0	17.2
Construction	0.0	0.0	0.0	0.0
Communication	144.6	192.8	48.2	33.4
Insurance	8.4	9.1	0.7	7.9
Financial	26.3	27.7	1.4	5.4
Computer & Information	36.0	33.1	-2.9	-8.1
Royalties & License Fees	12.0	9.7	2.3	19.2
Other Business	26.4	26.4	0.0	-0.1
Personal, Cultural & Recreational	20.4	28.4	8.0	39.4
Government	34.8	34.6	-0.2	-0.5
PAYMENTS	715.6	791.4	75.8	10.6
Construction	4.8	4.8	0.0	0.0
Communication	45.9	48.4	2.5	5.4
Insurance	97.1	124.4	27.2	28.0
Financial	16.3	32.0	15.7	96.4
Computer & Information	20.4	75.1	54.7	268.2
Royalties & License Fees	10.8	9.1	-1.7	-15.9
Other Business	469.5	446.9	-22.6	-4.8
Personal, Cultural & Recreational	2.4	2.5	0.1	5.0
Government Services	48.4	48.2	-0.2	-0.4

Source: Bank of Jamaica

3.3 INCOME

The income account recorded a deficit of US\$582.7 million in 2004, an increase of US\$11.3 million, relative to the previous year. This outcome reflected an expansion of US\$25.1 million in net investment income outflows, partly offset by a rise of US\$13.8 million in net inflows arising from compensation to employees (see **Table 26**).

TABLE 26

	INCOME (US\$MN)			
	2003	2004	Change	% Change
INCOME ACCOUNT (NET)	-571.4	-582.7	-11.3	2.0
INFLOWS	217.6	269.6	52.0	23.9
OUTFLOWS	789.0	852.3	63.3	8.0
1. Compensation to employees	70.7	84.5	13.8	19.5
Inflows	110.1	135.5	25.4	23.1
Outflows	39.4	51.0	11.6	29.4
2. Investment income (net)	-642.1	-667.2	-25.1	3.9
 Inflows	107.5	134.1	26.6	24.7
Direct Investment	8.4	24.9	16.5	196.4
Portfolio investment	14.8	35.9	21.1	142.6
Other investment	84.3	73.3	-11.0	-13.0
Central government	1.2	0.0	-1.2	-100.0
Bank of Jamaica	37.5	42.9	5.4	14.4
Other	45.6	30.4	-15.2	-33.3
 Outflows	749.6	801.3	51.7	6.9
Direct Investment	326.3	361.6	35.3	10.8
Portfolio investment	25.2	18.6	-6.6	-26.2
Other investment	398.1	421.1	23.0	5.8
Central government	308.5	299.5	-9.0	-2.9
Bank of Jamaica	1.1	0.4	-0.7	-63.6
Government guaranteed	2.1	1.8	-0.3	-14.3
Other	86.4	119.4	33.0	38.2

Source: Bank of Jamaica

Higher net investment income outflows emanated from an increase of US\$51.7 million in gross investment income payments, as gross investment income inflows rose by US\$26.6 million. Significant profit remittances by the foreign direct investment companies, as well as higher outflows related to interest payments by private entities were the main factors driving the increase in gross outflows. These were slightly offset by lower interest payments on both Government of Jamaica (GOJ) external debt and portfolio investments by non-residents.

The expansion in gross investment income inflows arose from respective increases of US\$21.1 million and US\$16.5 million in profit remittances from portfolio and direct investments in foreign countries by Jamaicans. Interest income on the Bank of Jamaica's foreign assets also increased during the year, due both to the higher level of reserves held by the Bank and higher external interest rates.

Earnings by Jamaicans living abroad rose by US\$25.4 million in 2004, due partly to increased income receipts by farm workers, as well as employees of other industries. Payments to non-resident employees by local firms expanded by US\$11.6 million during the year, in the context of a marginal increase of 0.5 per cent in the number of work permits issued to non-residents.

3.4 CURRENT TRANSFERS

The balance on the current transfers account improved by US\$257.6 million during 2004, relative to the previous year (see **Table 27**). Gross current transfer inflows increased by US\$369.0 million in 2004, while gross outflows rose by US\$111.4 million, partly due to payments by local insurance companies to policyholders in other Caribbean Islands affected by hurricanes. The improvement in net current transfers reflected expansions of US\$202.6 million and US\$55.0 million in net transfers by the private sector and Government, respectively.

Private remittances in 2004 amounted to US\$1728.6 million, representing 19.8 per cent of GDP. Gross private inflows expanded by US\$315.1 million, partly offset by an increase of US\$112.6 million in gross outflows. The expansion in inflows during 2004 occurred in the context of significant relief assistance, donations and reinsurance inflows associated with the passage of Hurricane Ivan. As a result, the *other*¹⁰ category accounted for 37.7 per cent of the increase in total inflows, while financial institutions and remittance companies accounted for respective shares of 34.9 per cent and 27.4 per cent of the expansion.

¹⁰ Mainly composed of gifts and non-life insurance payments.

Remittances sent through financial institutions expanded by US\$109.8 million, relative to an increase of US\$86.4 million in monies transmitted through the remittance companies. However, in the context of the jump in inflows related to the hurricane, both the financial institutions and the remittance companies' share of total inflows fell in 2004 to 40.6 per cent and 44.2 per cent, respectively, relative to 41.8 per cent and 48.0 per cent in 2003.

TABLE 27

CURRENT TRANSFERS				
(US\$MN)				
	2003	2004	Change	% Change
NET CURRENT TRANSFERS	1188.5	1446.1	257.6	21.7
TOTAL RECEIPTS	1523.1	1892.1	369.0	24.2
GENERAL GOVERNMENT	109.6	163.5	53.9	49.2
OTHER SECTOR	1413.5	1728.6	315.1	22.3
Remittances thru' the Postal System	1.2	1.2	0.0	0.8
Remittances thru' the Financial System	591.3	701.2	109.8	18.6
Remittance Companies	677.0	763.4	86.4	12.8
Other	144.0	262.8	118.8	82.5
TOTAL PAYMENTS	334.6	446.0	111.4	33.3
GENERAL GOVERNMENT	4.8	3.6	-1.2	-25.0
OTHER SECTOR	329.8	442.4	112.6	34.2
Remittances thru' the financial system	283.0	339.9	57.0	20.1
Other	46.8	102.4	55.6	118.9

Source: Bank of Jamaica

Strong economic growth in the major source countries, principally the USA and the UK, would have partly facilitated the expansion in private transfers during the year. The service sectors of these economies, the main sector in which Jamaican migrants tend to be employed, recorded notable expansions during the year.

Gross official inflows rose by US\$53.9 million, mainly reflecting increases of US\$29.0 million and US\$24.0 million in the receipt of grants and gifts, respectively. Donations were received from institutions and governments including Food for the Poor, the

Canadian International Development Agency (CIDA), the Pan American Health Organisation (PAHO), the USA and Trinidad & Tobago, among others. Total official outflows declined by US\$1.2 million to US\$3.6 million, relative to the previous year.

3.5 CAPITAL AND FINANCIAL ACCOUNTS

3.5.1 Overview

The capital account recorded a surplus of US\$2.2 million, representing an improvement of US\$2.1 million, relative to 2003 (see **Table 28**). The financial account registered a surplus of US\$507.2 million, a decline of US\$265.3 million when compared with the previous year. Net private investment inflows of US\$721.6 million and net official investment inflows of US\$479.2 million, along with the surplus on the capital account, were more than sufficient to finance the deficit on the current account. As a result, there was a build up of US\$693.6 million in the net international reserves of the country.

TABLE 28

Capital And Financial Account			
(In Millions of U.S. Dollars)			
	2003	2004	Change
CAPITAL & FINANCIAL ACCOUNT (NET)	772.6	509.4	-263.2
A. CAPITAL ACCOUNT	0.1	2.2	2.1
Capital transfers	-0.3	2.2	2.5
General government	0.1	13.8	13.7
Other capital transfers	-0.4	-11.6	-11.2
Acq./disposal of non-prod. non-fin'l assets	0.4	0	-0.4
B. FINANCIAL ACCOUNT	772.5	507.2	-265.3
Other official investment	-362.5	479.2	841.7
Other private investments 1/	702.9	721.6	18.7
Change in reserves (increase = minus)	432.1	-693.6	-1125.7

1/ Include errors & omissions

Source: Bank of Jamaica

3.5.2 Capital Account

The capital account recorded a surplus of US\$2.2 million in 2004, relative to a surplus of US\$0.1 million in 2003. This performance mainly reflected an increase of US\$13.7 million in net general government inward transfers, which was partly offset by net private sector outflows amounting to US\$11.6 million. The higher private sector net outflows reflected increased emigration by Jamaican residents, while larger inflows to the central government partly reflected increased receipt of international assistance in the form of capital goods.

3.5.3 Financial Account

Within the financial account, net official investment inflows of US\$479.2 million in 2004 compares favourably with net amortization of US\$362.5 million for the previous year. In this context, gross official investment inflows rose to US\$961.7 million from US\$117.4 million in the previous year. Three Eurobonds and a regional bond amounting to US\$730.0 million were issued during the year. In addition, an existing Eurobond was reopened in April and raised US\$125.0 million. Project loan receipts increased by US\$40.5 million to US\$103.9 million. Gross official amortization of US\$482.5 million, which included a maturing Eurobond of US\$210.8 million, exceeded the level of amortization recorded for 2003 (see **Table 29**).

TABLE 29

OTHER OFFICIAL INVESTMENT FLOWS (US\$MN)				
	2003	2004	Change	% Change
NET OFFICIAL INVESTMENTS	-362.5	479.2	841.7	-232.2
GROSS OFFICIAL INFLOWS	117.4	961.7	844.3	719.4
Donor countries	0.0	0.0	0.0	
Multilateral institutions	0.0	0.0	0.0	
Other assistance	54.0	857.8	803.8	1488.2
Refinancing	0.0	0.0	0.0	
Project loans	63.4	103.9	40.5	64.0
GROSS OFFICIAL OUTFLOWS	479.9	482.5	2.6	0.5
Government direct	478.9	481.4	2.5	0.5
Bank of Jamaica	1.0	1.1	0.1	10.0

Source: Bank of Jamaica

The government's debt raising efforts was facilitated by favourable international market conditions for emerging markets debt, relatively low interest rates in advanced economies and improved investor confidence in the medium-term prospects for the Jamaican economy. This confidence was underpinned by the relative stability in the foreign exchange market for the year, supported by the Government's fiscal performance.

Net private investment inflows, composed primarily of foreign direct investments and portfolio investment flows, expanded by 2.7 per cent to US\$721.6 million, relative to 2003. Gross FDI flows, however, declined by US\$119.2 million to US\$601.6 million in 2004, following record inflows in 2003 (see **Table 30**). This decline primarily reflected contractions in investments in minerals & chemicals, mining and the tourism sectors. Lower investment in the minerals & chemicals sector reflected the non-repetition of investments in cement production in 2003, as well as the fact that the flows for the expansion of Jamalco's refinery in 2003 were not repeated in 2004. Some large construction projects in the hospitality industry were also completed in 2003.

TABLE 30

FOREIGN DIRECT INVESTMENTS INFLOWS BY SECTOR				
US\$MN				
Sector	2003	2004	% Share	Change
Agricultural/manufacturing/Distribution	88.2	43.5	7.2	-44.7
Information Techechnology/Communication	105.7	17.9	3.0	-87.8
Insurance	10.7	10.2	1.7	-0.5
Minerals & Chemicals	30.9	9.8	1.6	-21.1
Mining	149.7	57.3	9.5	-92.4
Tourism	114.3	114.6	19.1	0.3
Other	63.0	170.2	28.3	107.1
Sub-total	562.6	423.6	70.4	-139.1
Retained Earnings	158.1	178.0	29.6	19.9
Divestment	0.0	0.0	0.0	0.0
TOTAL	720.7	601.6	100.0	-119.2

Source: Bank of Jamaica

Investments in tourism, along with retained earnings, accounted for the largest shares of gross FDI flows in 2004. In comparison, the main categories were retained earnings, mining and tourism in 2003.

Net private investment inflows, combined with net official investment inflows, were more than sufficient to finance the deficit on the *current account*. As a consequence, the net international reserves (NIR) of the Central Bank expanded by US\$693.6 million to US\$1 858.6 million at the end of 2004. The build up in the NIR reflected an increase of US\$685.6 million in the Bank's gross assets, which was complemented by a fall of US\$8.0 million in its liabilities (see **Table 31**). The level of the Bank's gross reserves at the end of December 2004 stood at US\$1 882.0 million, representing an estimated 27.7 weeks of goods imports, or 18.6 weeks of imported goods and services.

TABLE 31

BANK OF JAMAICA: GROSS AND NET FOREIGN EXCHANGE RESERVES (AS AT DECEMBER 31) (US\$MN)			
	2003	2004	Change
NET FOREIGN RESERVES	1165	1858.6	693.6
GROSS FOREIGN EXCHANGE RESERVES	1196.4	1882.0	685.6
Holdings of SDR's	0.1	0.1	0.0
Supplementary Fund	86.7	91.7	5.0
Other Bank of Jamaica	1109.6	1790.2	680.6
GROSS FOREIGN LIABILITIES	31.4	23.4	-8.0
IMF liabilities	8.9	0.9	-8.0
Iraq	22.5	22.5	0.0

Source: Bank of Jamaica

3.6 BALANCE OF PAYMENTS OUTLOOK

The prospects for Jamaica's current account balance in 2005 are largely conditioned by the expected path of oil prices and on significant FDI inflows expected for the year. Continued buoyancy in the world economy also augurs well for expansion in Jamaica's export sectors, particularly tourism.

The deficit on the goods balance should widen in 2005. Imports will be influenced by, among other things, planned expansions in tourism, mining and manufacturing. The volatility in the international oil market should continue in 2005 and is expected to be

reflected in an overall growth in Jamaica's oil bill. The impact of higher oil price is, however, expected to retard world growth and consequently affect the market for alumina and bauxite. Banana export is expected to resume towards the middle of 2005, while output from the sugar industry should decline to reflect the impact of the hurricane on the crop.

The long-term prospects for the sugar and banana industries are expected to be affected by proposed reforms to the current preferential agreements with the EU. With regard to sugar, a proposal put forward by the EC contemplates a reduction in the preferential tariff granted to ACP countries, the extent and phasing of which are currently the subject of discussions. For banana, the WTO has proposed the introduction of a tariff-only system in place of the Cotonou agreement, which is to be implemented in January 2006.

An expansion in the surplus on the services account is envisaged for 2005, driven primarily by increased visitor arrivals. The expected introduction of the Spirit Airlines, which is among the cheapest carriers, to the Jamaican market should augur well for improving the cost competitiveness of the tourism industry. Cruise visitor arrivals are expected to reflect recovery from the fallout in the latter half of 2004, due to the effects of Hurricane Ivan. It is also expected that both the number of ships, as well as the number of calls to the Island should increase in 2005, particularly with the addition of Jamaica to the travel itinerary of the Holiday Dream in late 2004.

Given the surge in foreign direct investments since 2000, particularly in the tourism, communication, banking and insurance industries, profit remittances may rise. While interest payments by the Government are expected to increase, the impact of this should be offset by higher interest earning from the investment of the NIR. For private remittances, continued expansions are projected in the context of the expected continued growth in the world economy, particularly the USA.

APPENDIX

STATISTICAL TABLES

FIVE-YEAR BOP SERIES BASED ON THE FIFTH EDITION

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	IX.	Capital and Financial Account (2000 - 2004)

TABLE I

	BOP SUMMARY (US\$MN)				
	2000	2001	2002	2003 ^{1/}	2004 ^{2/}
CURRENT ACCOUNT	-367.4	-757.3	-1074.4	-772.6	-509.4
GOODS BALANCE	-1441.5	-1618.2	-1870.5	-1942.6	-1944.5
EXPORTS (f.o.b.)	1562.8	1454.4	1309.1	1385.6	1601.6
IMPORTS (f.o.b.)	3004.3	3072.6	3179.6	3328.2	3546.1
SERVICES BALANCE	603.2	383.1	314.7	552.3	571.7
TRANSPORTATION	-256.6	-256.2	-245.6	-143.6	-150.3
TRAVEL	1123.9	1026.2	950.3	1102.7	1151.5
OTHER SERVICES	-264.1	-386.9	-390.0	-406.7	-429.5
INCOME	-349.9	-437.8	-605.5	-571.4	-582.7
COMPENSATION OF EMPLOYEE	67.4	74.6	82.1	70.7	84.5
INVESTMENT INCOME	-417.3	-512.4	-687.6	-642.1	-667.2
CURRENT TRANSFERS	820.8	915.6	1086.9	1189.1	1446.1
OFFICIAL	147.9	119.7	107.6	105.2	159.9
PRIVATE	672.9	795.9	979.3	1083.9	1286.2
CAPITAL & FINANCIAL A/C	367.4	757.3	1074.4	772.6	509.4
CAPITAL ACCOUNT	2.2	-23.6	-16.9	0.1	2.2
CAPITAL TRANSFERS					
OFFICIAL	15.6	2.2	0.2	0.1	13.8
PRIVATE	-13.4	-25.8	-17.1	-0.4	-11.6
ACQ/DISP OF NON-PRO NON FIN ASSETS	0.0	0.0	0.0	0.4	0.0
FINANCIAL ACCOUNT	365.2	780.9	1091.3	772.5	507.2
OTHER OFFICIAL INVESTMENT	383.7	653.4	80.6	-362.5	479.2
OTHER PRIVATE INVESTMENTS ^{1/}	500.8	998.8	767.0	702.9	721.6
RESERVES	-519.3	-871.3	243.7	432.1	-693.6

Source: Bank of Jamaica

TABLE II										
BALANCE OF PAYMENTS STANDARD PRESENTATION (US\$MN)										
	2000		2001		2002		2003 ^{1/}		2004 ^{2/}	
	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr
		-367.4		-757.3		-1074.4		-772.6		-509.4
1. CURRENT ACCOUNT	4751.1	5118.5	4661.8	5419.1	4780.0	5854.4	5265.0	6037.6	6060.4	6569.8
A. Goods & Services	3588.6	4426.9	3351.4	4586.5	3221.3	4777.1	3523.9	4914.2	3898.7	5271.5
1. Goods	1562.9	3004.4	1454.4	3072.6	1309.1	3179.6	1385.6	3328.2	1601.6	3546.1
1.1 General Merchandise	1301.0	2849.0	1223.1	2922.9	1117.3	3065.3	1195.9	3176.7	1404.5	3387.9
1.2 Goods procured in ports by carriers	37.9	35.9	35.4	36.2	29.1	35.7	48.0	72.3	70.3	101.9
1.3 Freezone Trade	224.0	119.5	195.9	113.6	162.7	78.6	141.7	79.2	126.8	56.0
2. Services										
2.1 Transportation	328.6	585.2	350.5	606.7	368.7	614.3	474.3	617.9	497.3	647.6
2.1.1 Passenger	243.7	28.5	261.6	20.9	272.8	15.8	266.2	17.4	295.2	31.7
2.1.2 Freight	6.5	431.4	6.9	457.3	6.9	473.7	3.6	467.1	7.6	506.2
2.1.3 Other	78.4	125.3	82.0	128.5	89.0	124.8	204.5	133.4	194.5	109.7
2.2 Travel	1332.6	208.7	1232.2	206.0	1208.7	258.4	1355.1	252.4	1438.0	286.5
2.3 Other Services										
2.3.1 Insurance Services	12.1	87.2	11.9	94.1	15.4	118.4	8.4	97.1	9.1	124.4
2.3.2 Communication Services	209.4	31.8	164.7	50.1	171.1	52.9	144.6	45.9	192.8	48.4
2.3.3 Financial Services	12.6	18.4	15.8	29.7	22.4	17.7	26.3	16.3	27.7	32.0
2.3.4 Computer & Information Services	40.4	7.1	36.6	13.8	34.1	11.6	36.0	20.4	33.1	75.1
2.3.5 Royalties & License Fees	6.4	41.0	5.9	38.3	6.1	32.1	12.0	10.8	9.7	9.1
2.3.6 Other Business Services	36.4	396.8	40.7	427.2	45.2	436.4	26.4	469.5	26.4	446.9
2.3.7 Personal, Cultural & Recreational Services	9.6	4.1	9.0	4.0	9.2	4.0	20.4	2.4	28.4	2.5
2.3.8 Government Services	37.6	32.0	29.7	34.0	31.3	45.8	34.8	48.4	34.6	48.2
2.3.9 Construction Services	0.0	10.2	0.0	10.0	0.0	5.9	0.0	4.8	0.0	4.8
B Income	193.1	543.0	218.2	656.0	220.8	826.3	217.6	789.0	269.6	852.3
3. Compensation of employees	88.2	20.8	106.7	32.1	111.0	28.9	110.1	39.4	135.5	51.0
4. Investment Income	104.9	522.2	111.5	623.9	109.8	797.4	107.5	749.6	134.1	801.3
C. Current Transfers	969.4	148.6	1092.2	176.6	1337.9	251.0	1523.5	334.4	1892.1	446.0
5. Official	155.1	7.2	126.3	6.6	115.1	7.5	110.0	4.8	163.5	3.6
6. Private	814.3	141.4	965.9	170.0	1222.8	243.5	1413.5	329.6	1728.6	442.4
2. CAPITAL & FINANCIAL ACCOUNT	2462.4	2141.6	3693.8	2922.3	3400.4	2266.0	3562.0	2816.5	3983.9	3460.5
D. Capital Account	29.6	27.4	13.9	37.5	18.9	35.8	19.3	19.2	35.8	33.6
7. Government capital transfers	15.6	0.0	2.2	0.0	0.2	0.0	0.5	0.0	13.8	0.0
8. Other sectors transfers	14.0	27.4	11.7	37.5	18.7	35.8	18.8	19.2	22.0	33.6
E. Financial Account	2432.8	2114.2	3679.9	2884.8	3381.5	2230.2	3542.7	2797.3	3948.1	3426.9
9. Direct Investment	455.8	74.0	613.9	89.0	478.8	73.9	720.7	116.3	601.6	60.0
10. Other Investment	1976.4	1515.9	3066.0	1930.2	2642.5	2139.8	2375.2	2666.3	3346.5	2673.3
10.1 Trade credits	415.6	405.5	379.8	422.7	392.5	384.4	108.0	97.5	99.3	119.1
10.2 Loans	873.9	407.9	1437.1	688.4	958.2	855.1	654.2	714.3	1556.6	811.6
10.2.1 Government	668.4	284.0	950.3	296.7	563.8	483.2	117.4	479.9	961.7	482.5
10.2.2 Other sectors	205.5	123.9	486.8	391.7	394.4	371.9	536.8	234.4	594.9	329.1
10.3 Currency & Deposits	593.1	631.5	1089.8	778.4	1071.2	547.9	735.8	748.1	408.4	608.1
10.4 Other Assets	93.8	71.0	159.3	40.7	220.6	352.4	877.2	1106.4	1282.2	1134.5
11. Reserves	0.6	524.3	0.0	865.6	260.2	16.5	446.8	14.7	0.0	693.6
11.1 Liabilities	0.0	23.1	0.0	20.2	0.0	16.5	0.0	14.7	0.0	8.0
11.2 Assets	0.6	501.2	0.0	845.4	260.2	0.0	446.8	0.0	0.0	685.6
11.2.2 Special drawing rights	0.6	0.0	0.0	1.4	0.8	0.0	0.6	0.0	0.0	0.0
11.2.4 Bank of Jamaica	0.0	501.2	0.0	844.0	259.4	0.0	446.2	0.0	0.0	685.6
F. Net errors & omissions	46.6	0.0	0.0	14.2	0.0	60.0	27.1	0.0	0.0	14.0

1/ Revised

2/ Provisional

TABLE III

BALANCE OF PAYMENTS ANALYTIC SUMMARY					
((US\$MN))					
	2000	2001	2002	2003	2004
Balance of Trade	-1441.5	-1618.2	-1870.5	-1942.6	-1944.5
Services	603.2	383.1	314.7	552.3	571.7
Net Goods & Services	-838.3	-1235.1	-1555.8	-1390.3	-1372.8
Income	-349.9	-437.8	-605.5	-571.4	-582.7
Private Current Transfers (net)	672.9	795.9	979.3	1083.9	1286.2
Official Current Transfers (net)	147.9	119.7	107.6	105.2	159.9
Capital Transfers	2.2	-23.6	-16.9	0.1	2.2
Financial Account	365.2	780.9	1091.3	772.5	507.2
Net Errors & Omissions	42.9	-8.3	-60.0	27.1	-14.0

Source: Bank of Jamaica

TABLE IV

SELECTED BALANCE OF PAYMENTS INDICATORS					
	2001	2002	2003	2004	
Current Account/GDP	-10.0	-13.6	-10.2	-6.3	
NIR	1840.8	1597.1	1165.0	1858.6	
Gross Reserves	1903.3	1643.1	1196.3	1882.0	
Gross Foreign Liabilities	62.6	46.1	31.4	23.4	
Gross Reserves in Wks of Imports of					
Goods & Services	21.6	17.9	12.7	18.7	
Goods Imports/GDP	40.4	40.2	43.8	44.1	
Goods & Services Imports/GDP	56.6	56.6	60.1	60.6	
Goods Exports/GDP	19.1	16.5	18.2	19.9	
Goods & Services Exports/GDP	41.3	38.2	43.2	44.9	
Merchandise Trade/GDP	54.5	52.9	57.5	58.3	
FDI/GDP	8.1	6.1	9.5	7.5	
Debt Service/Exports	43.6	60.9	58.7	49.7	
Private					
Remittances/GDP	12.7	15.5	18.6	21.5	

Source: Bank of Jamaica

TABLE V

	SERVICES ACCOUNT (US\$MN)					
	<u>1994</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Services (Net)	524.9	603.2	383.1	314.7	552.3	571.7
Inflows	1480.2	2025.7	1897.0	1912.2	2138.3	2297.2
Outflows	955.3	1422.5	1513.9	1597.5	1586.0	1725.5
1. Transportation	-196.2	-256.6	-256.2	-245.6	-143.6	-150.3
Inflows	215.8	328.6	350.5	368.7	474.3	497.3
Outflows	412.0	585.2	606.7	614.3	617.9	647.6
2. Travel	889.5	1123.9	1026.2	950.3	1102.7	1151.5
Inflows	970.4	1332.6	1232.2	1208.7	1355.1	1438.0
Outflows	80.9	208.7	206.0	258.4	252.4	286.5
3. Other Services	-168.4	-264.1	-386.9	-390.0	-406.7	-429.5
Inflows	294.0	364.5	314.3	334.8	308.9	361.9
Outflows	462.4	628.6	701.2	724.8	715.6	791.4

Source: Bank of Jamaica

TABLE VI

	OTHER SERVICES (US\$MN)				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Inflows	364.5	314.3	334.8	308.9	361.9
Construction Services	0.0	0.0	0.0	0.0	0.0
Communication Services	209.4	164.7	171.1	144.6	192.8
Insurance Services	12.1	11.9	15.4	8.4	9.1
Financial Services	12.6	15.8	22.4	26.3	27.7
Computer & Information Services	40.4	36.6	34.1	36.0	33.1
Royalties & license fees	6.4	5.9	6.1	12.0	9.7
Other Business Services	36.4	40.7	45.2	26.4	26.4
Personal, cultural & recreational services	9.6	9.0	9.2	20.4	28.4
Government Services	37.6	29.7	31.3	34.8	34.6
Outflows	628.6	701.2	724.8	715.6	791.4
Construction Services	10.2	10.0	5.9	4.8	4.8
Communication Services	31.8	50.1	52.9	45.9	48.4
Insurance Services	87.2	94.1	118.4	97.1	124.4
Financial Services	18.4	29.7	17.7	16.3	32.0
Computer & Information Services	7.1	13.8	11.6	20.4	75.1
Royalties & license fees	41.0	38.3	32.1	10.8	9.1
Other Business Services	396.8	427.2	436.4	469.5	446.9
Personal, cultural & recreational services	4.1	4.0	4.0	2.4	2.5
Government Services	32.0	34.0	45.8	48.4	48.2
Net services	-264.1	-386.9	-390.0	-406.7	-429.5

Source: Bank of Jamaica

TABLE VII

INCOME ACCOUNT					
((US\$MN))					
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
A. Compensation of Employees	67.4	74.6	82.1	70.7	84.5
Inflows	88.2	106.7	111.0	110.1	135.5
Outflows	20.8	32.1	28.9	39.4	51.0
B. Investment Income	-417.3	-512.4	-687.6	-642.1	-667.2
Inflows	104.9	111.5	109.8	107.5	134.1
Direct Investment	8.5	5.7	17.2	8.4	24.9
Portfolio Investment	2.7	5.3	12.4	14.8	35.9
Other Investment	93.7	100.5	80.2	84.3	73.3
- Central Government	0.0	0.0	0.0	1.2	0.0
- Bank of Jamaica	47.8	63.0	58.6	37.5	42.9
- Other	45.9	37.5	21.6	45.6	30.4
Outflows	522.2	623.9	797.4	749.6	801.3
Direct Investment	289.9	300.8	434.3	326.3	361.6
Portfolio Investment	7.6	6.7	9.0	25.2	18.6
Other Investment	224.7	316.4	354.1	398.1	421.1
- Central Government	153.0	266.3	286.3	308.5	299.5
- Bank of Jamaica	6.5	5.2	2.7	1.1	0.4
- Government Guaranteed	9.5	4.0	2.2	2.1	1.8
- Other	55.7	40.9	62.9	86.4	119.4

Source: Bank of Jamaica

TABLE VIII

CURRENT TRANSFERS (US\$MN)					
	2000	2001	2002	2003	2004
Total Receipts	969.4	1092.2	1337.9	1523.1	1892.1
A. General Government	155.1	126.3	115.1	109.6	163.5
B. Other Sectors	814.3	965.9	1222.8	1413.5	1728.6
Remittance thru' Postal System	1.2	1.2	0.7	1.2	1.2
Remittance thru' Financial System	334.6	372.5	508.6	591.3	701.2
Remittance Companies	453.7	566.4	621.3	677.0	763.4
Other	24.8	25.8	92.2	144.0	262.8
Total Payments	148.6	176.6	251.0	334.6	446.0
A. General Government	7.2	6.6	9.8	4.8	3.6
B. Other Sectors	141.4	170.0	241.2	329.8	442.4
Remittance thru' Financial System	131.2	147.3	213.4	283.0	339.9
Other	10.2	22.7	27.8	46.8	102.4
Net Current Transfers	820.8	915.6	1086.9	1188.5	1446.1

Source: Bank of Jamaica

TABLE IX

	CAPITAL ACCOUNT (US\$MN)				
	2000	2001	2002	2003	2004
Capita Account	2.2	-23.6	-16.9	0.1	2.2
Capital Transfers	2.2	-23.6	-16.9	-0.3	2.2
General Government	15.6	2.2	0.2	0.1	13.7
Inflows	15.6	2.2	0.2	0.1	13.7
Outflows	0.0	0.0	0.0	0.0	0.0
Other Sectors	-13.4	-25.8	-17.1	-0.4	-11.6
Inflows	14.0	11.7	18.7	18.8	22.0
Outflows	27.4	37.5	35.8	19.2	33.6
Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.4	0.0
Inflows	0.0	0.0	0.0	0.4	0.0
Outflows	0.0	0.0	0.0	0.0	0.0