Balance of Payments Update

June 2021

Provisional data for the June 2021 quarter indicates that the current account of Jamaica's Balance of Payments recorded a surplus, an improvement when compared with the deficit for the June 2020 quarter. This outturn largely reflected improvements in the Services and Secondary income sub accounts, partly offset by declines in the Goods and Primary income sub-accounts. The NIR of the Bank of Jamaica increased to US$3388.7 million at end-June 2021.

- The current account of the balance of payments for the June 2021 quarter reflected a surplus of US$267.2 million (1.8 per cent of GDP), an improvement of US$354.0 million when compared with the deficit for the June 2020 quarter. This improvement was primarily reflected in the Services and Secondary Income sub accounts, partly offset by deterioration in the Goods and Primary Income sub-accounts (see Table 1).

- The Services balance improved by US$227.8 million, reflecting a US$ 492.8 million increase in tourist expenditure in the context of a steady recovery in travel expenditure following declines which occurred due to the COVID-19 pandemic. This increase in expenditure was partly offset by a 66.6 per cent increase in freight charges for the period in comparison to the similar quarter of 2020.

- There was also an increase of US$221.8 million in the Secondary Income balance reflecting an increase of US$202.8 million in net personal transfers while net general government inflows increased by US$19.1 million compared to the corresponding period in 2020.

- The Goods balance deteriorated by US$72.8 million due to an increase of US$242.2 million in imports, partly offset by an increase of US$169.4 million in exports.

- The increase in imports, primarily emanated from an increase in Mineral Fuel (US$138.1 million), largely due to higher fuel prices. There were also notable increases in the importation of Food (US$62.4 million) and Manufactured Goods (US$69.9 million).

- With regard to exports, the increase mainly reflected increases in Mineral Fuels (US$94.6 million) and Crude materials ($22.9 million). There were also increases in the export of food (US$13.2 million) and Beverages and Tobacco (US$12.1 million).

- The Primary income balance reflected a deterioration of US$22.8 million relative to the similar period of calendar year 2020. This decline emanated from an increase in net investment income outflows of US$23.6 million.

- The Financial Account reflected a net lending balance of US$117.8 million for the June 2021 quarter, which represented an increase of US$385.2 million,

relative to the June 2020 quarter. There were capital outflows from private sources. In addition, there was a build-up of US$42.4 million in reserve assets.

- Within the financial account, Net Direct Investment inflows of US$36.7 million for the quarter were lower than the net inflows of US$89.9 million during the similar period in the previous year. This change was due predominantly to lower levels of investment as a result of the greater levels of uncertainty in the global economy. Portfolio Investments reflected a net inflow of US$49.8 million. This outturn mainly reflected a reduction in debt securities held abroad by Deposit Taking Institutions.

- Net Other Investment outflows amounted to US$162.0 million for the review quarter, an increase of US$478.0 million relative to June 2020 quarter. The net outflows for the review quarter was largely driven by an increase in the holdings of currency and deposits held abroad by deposit taking institutions.

Background

The Balance of Payments (BOP) is compiled using the 6th edition of the BOP manual. It comprises of the Current Account, Capital Account and Financial Account. The current account includes net trade in goods and services, net earnings on cross border investments (Primary Income) as well as net transfer payments (Secondary Income). The Financial Account records changes in Jamaica's external assets and liabilities. These assets and liabilities include foreign direct investments, Portfolio Investments such as stocks and bonds, Financial Derivatives, Other Investments, and Reserve assets. Net changes in assets or liabilities arise when gross increases in assets or liabilities differ from gross reductions in assets or liabilities and vice versa.

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

ACCOUNT	APR-JUN		
	2020	2021	Change
CURRENT ACCOUNT BALANCE	-86.8	267.2	354.0
CAB/GDP (%)	-0.64	1.80	2.44
CREDITS	1,282.3	2,180.3	898.0
DEBITS	1,369.1	1,913.1	544.0
GOODS & SERVICES	-695.8	-540.8	155.0
CREDITS	478.0	1,146.2	668.1
DEBITS	1,173.8	1,686.9	513.1
GOODS	-618.4	-691.2	-72.8
EXPORTS	260.6	429.9	169.4
IMPORTS	878.9	1,121.1	242.2
SERVICES	-77.4	150.4	227.8
CREDITS	217.5	716.2	498.7
DEBITS	294.9	565.8	270.9
PRIMARY INCOME	-82.0	-104.9	-22.8
CREDITS	57.4	64.8	7.3
DEBITS	139.5	169.7	30.2
SECONDARY INCOME	691.0	912.9	221.8
CREDITS	746.8	969.4	222.5
DEBITS	55.8	56.5	0.7
CAPITAL ACCOUNT	-9.2	-9.0	0.1
CREDITS	3.2	3.3	0.1
DEBITS	12.3	12.3	0.0
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM CURRENT AND CAPITAL ACCOUNT)	-96.0	258.2	354.2
FINANCIAL ACCOUNT			
NET LENDING (+) / NET BORROWING (-) (BALANCE FROM FINANCIAL ACCOUNT)	-267.4	117.8	385.2
DIRECT INVESTMENT	-89.9	-36.7	53.2
NET ACQUISITION OF FINANCIAL ASSETS	0.0	22.8	22.8
NET INCURRENCE OF LIABILITIES	89.9	59.4	-30.5
PORTFOLIO INVESTMENTS	-85.7	-49.8	35.9
NET ACQUISITION OF FINANCIAL ASSETS	113.5	-149.9	-263.3
NET INCURRENCE OF LIABILITIES	199.2	-100.0	-299.2
FINANCIAL DERIVATIVES	7.6	-0.1	-7.7
NET ACQUISITION OF FINANCIAL ASSETS	-2.9	-37.5	-34.6
NET INCURRENCE OF LIABILITIES	-10.5	-37.4	-26.9
OTHER INVESTMENTS	-315.9	162.0	478.0
NET ACQUISITION OF FINANCIAL ASSETS	62.1	269.7	207.6
NET INCURRENCE OF LIABILITIES	378.1	107.7	-270.4
RESERVES ASSETS	216.6	42.4	-174.2
NET ERRORS AND OMISSIONS	-171.4	-140.5	31.0

BALANCE OF PAYMENTS

June 2021 Quarter

KEY

↑ Improved by | ↓ Deteriorated by