

AN ANALYSIS OF JAMAICA'S BALANCE OF PAYMENTS

Jamaica's Current Account deficit improved by approximately US\$17.5 million or 4% in the last quarter of 2013 when compared to the same period in 2012. This improvement in the Current Account was due mainly to a US\$90 million (17.32%) improvement in the country's Current Transfer account in 2013 relative to the same period in 2012.

The improvement in the Current Transfers Account was due mainly to a US\$52.6 million (115.6%) increase in the Official Transfer account; a gift from the European Union and also to a US\$37.7 million increase (7.93%) in the Private Transfers account. The Bank of Jamaica reports that a 3% increase in private inflows (remittances) and a 16% reduction in private transfer outflows are responsible for this positive development.

In spite of this positive development in the Current Transfers account the overall current account had a deficit of US\$ 420.3 million. At the same time last year the deficit was US\$437.9 million. The most significant factor contributing to this deficit is the large imbalance (US\$1,061.8 million) between Jamaica's exports and its imports. To make matters worse the country was better off in the corresponding period of 2013 by importing US\$64.9 million less.

In the last quarter of 2012, Jamaica exported US\$90.8 million more than it did in 2013, while at the same time imports have fallen by US\$25.9 million (1.79%). The fall in exports in 2013 was due mainly to reductions in foods (sugar), mineral fuels, chemicals (ethanol), beverages and tobacco. On the other hand, the observed fall in imports was due mainly to reductions in purchase of capital goods such as machinery & equipment and construction materials. Notably, the decline in exports was mainly reflected in the traditional export sectors including Agriculture, Manufacture and Mining & Quarrying.

Given the reduction in exports and imports for December 2013 relative December 2012, it is imperative that an analysis be conducted to understand the underlying causes. The fall in the total dollar value of exports was primarily due to the reduction in the value added of these export commodities and to a lesser extent to a decline in export volume. Over the period January 2013 to December 2013, six industries recorded declines in in real value added. These industries include, Agriculture, Forestry & Fishing (-3%), Mining & Quarrying (10%), Manufacture (2%), Electricity & Water Supply (2%), Construction (3%) and Wholesale & retail Trade (1%).

Decline in real value added is primarily a function of the differential between input and sale prices. When input prices rise faster relative to sale price, the real value added of commodities fall. For Jamaica, changes in the price of oil as well as exchange rate depreciation cause the prices of imported inputs to rise and hence results in a decline in the value added of domestically produced goods and services. Capital cost had no significant impact on production cost in 2013

since capital cost actually declined during this period. One should also bear in mind that in 2013 the Jamaica dollar lost approximately 11% of its value against the United States Dollar and that inflation for the year was over 8%.

Figure #1: This table gives real value added for each industry for FY2006/07 to FY2012/13

Value Added by Industry at 2007 Constant Prices in JSM							
	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Agriculture Forestry & Fishing	45,211	38,634	39,324	44,614	45,423	49,344	47,982
Mining & Quarrying	33,399	32,023	29,321	13,130	16,217	17,607	15,887
Manufacture	67,031	67,955	66,248	64,051	61,835	63,003	61,989
Electricity & Water Supply	24,618	24,418	24,630	25,178	24,306	24,112	23,525
Construction	61,644	64,227	57,492	53,484	53,229	52,735	51,341
Wholesale and Retail Trade: Repairs Installation of Machinery & Equipment	140,936	142,295	140,250	134,742	131,033	131,141	129,368
Hotels & Restaurants	35,787	36,962	36,789	38,267	39,300	39,713	40,065
Transport Storage & Communications	89,811	89,549	85,012	84,630	81,356	79,975	80,517
Finance & Insurance Services	75,419	80,248	82,168	83,487	80,827	81,223	81,851
Real Estate, Renting & Business Activities	77,375	80,354	80,704	79,817	79,073	78,832	78,685
Producers of Government Services	95,100	95,927	96,410	96,172	96,443	96,845	96,723
Other services	49,366	50,252	50,224	50,182	49,653	49,909	50,401
Less FISIM	(35,521)	(35,633)	(35,443)	(35,661)	(31,343)	(30,404)	(29,582)
Total Value Added	760,176	767,211	753,129	732,093	727,352	734,035	728,752

Figure # 2: The table below gives the percentage change in fiscal year real value added

	Fiscal Year Value % Change						
	2006/2013	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Agriculture Forestry & Fishing	6%	-15%	2%	13%	2%	9%	-3%
Mining & Quarrying	-52%	-4%	-8%	-55%	24%	9%	-10%
Manufacture	-8%	1%	-3%	-3%	-3%	2%	-2%
Electricity & Water Supply	-4%	-1%	1%	2%	-3%	-1%	-2%
Construction	-17%	4%	-10%	-7%	0%	-1%	-3%
Wholesale & Retail Trade: Repairs Installation of Machinery & Equipment	-8%	1%	-1%	-4%	-3%	0%	-1%
Hotels & Restaurants	12%	3%	0%	4%	3%	1%	1%
Transport Storage & Communications	-10%	0%	-5%	0%	-4%	-2%	1%
Finance & Insurance Services	9%	6%	2%	2%	-3%	0%	1%
Real Estate, Renting & Business Activities	2%	4%	0%	-1%	-1%	0%	0%
Producers of Government Services	2%	1%	1%	0%	0%	0%	0%
Other services	2%	2%	0%	0%	-1%	1%	1%
Less FISIM	-17%	0%	-1%	1%	-12%	-3%	-3%
Total Value Added	-4%	1%	-2%	-3%	-1%	1%	-1%

Figure #3: The table gives the quarterly percentage change in real value added

	Rates of Growth of Real Value Added (constant Prices and Seasonally Adj.)				
	2012 :Q4	2013: Q1	2013: Q2	2013: Q3	2013: Q4
Agriculture Forestry & Fishing	-7.70	-11.30	-6.30	5.90	13.10
Mining & Quarrying	-10.00	-8.80	6.60	6.40	12.10
Manufacture	-2.20	-1.80	0.00	-0.70	-0.80
Electricity & Water Supply	-3.80	-3.00	-2.00	-3.50	1.00
Construction	-3.30	0.60	2.10	2.10	2.60
Wholesale & Retail Trade: Repairs Installation of Machinery & Equipment	-2.10	0.00	-0.20	-0.10	0.00
Hotels & Restaurants	-1.40	-2.20	0.60	0.70	5.50
Transport Storage & Communications	2.20	0.60	-0.90	0.20	1.10
Finance & Insurance Services	0.80	0.70	0.70	0.30	0.40

Real Estate, Renting & Business Activities	0.40	0.40	0.20	0.30	0.30
Producers of Government Services	0.20	-0.10	-0.20	-0.20	-0.20
Other services	0.40	-0.20	-0.10	-0.50	1.10
Less FISIM	-3.50	-1.60	0.10	0.00	0.20
Total Value Added	-1.20	-1.20	-0.30	0.50	1.80

Figure #4: The graph depicts the movement in traditional exports

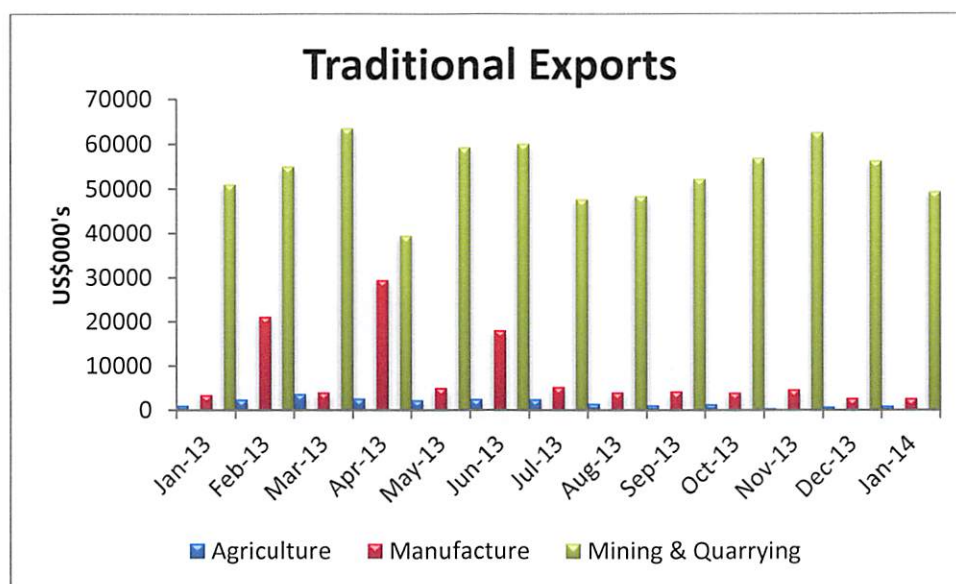


Figure #4.5: The graph depicts the movement in non-traditional exports over the period January 2013 to December 2013

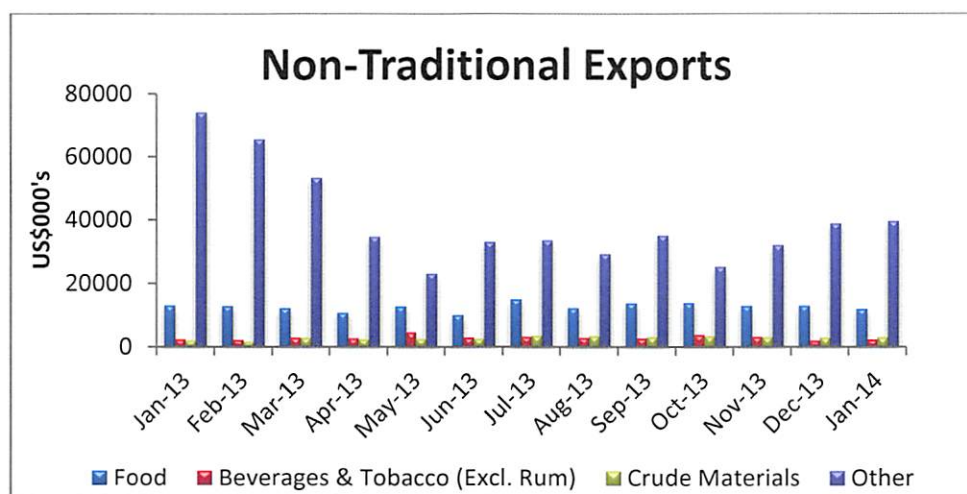
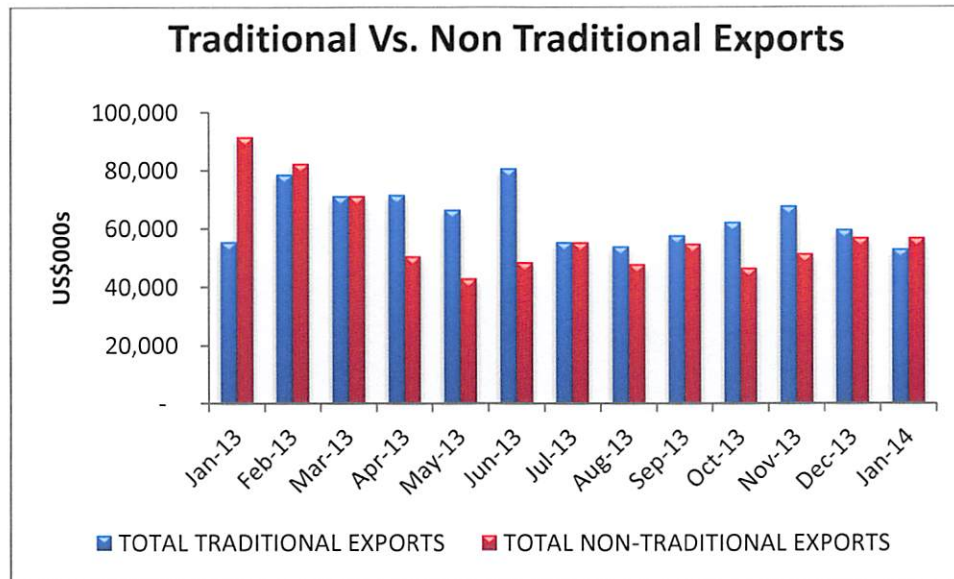


Figure #5 the graph below depicts the movement in both total traditional and total non-traditional exports



Industries that Increased in value added for fiscal year 2006/07 to 2012/13
(J\$Millions)

Figure # 6:

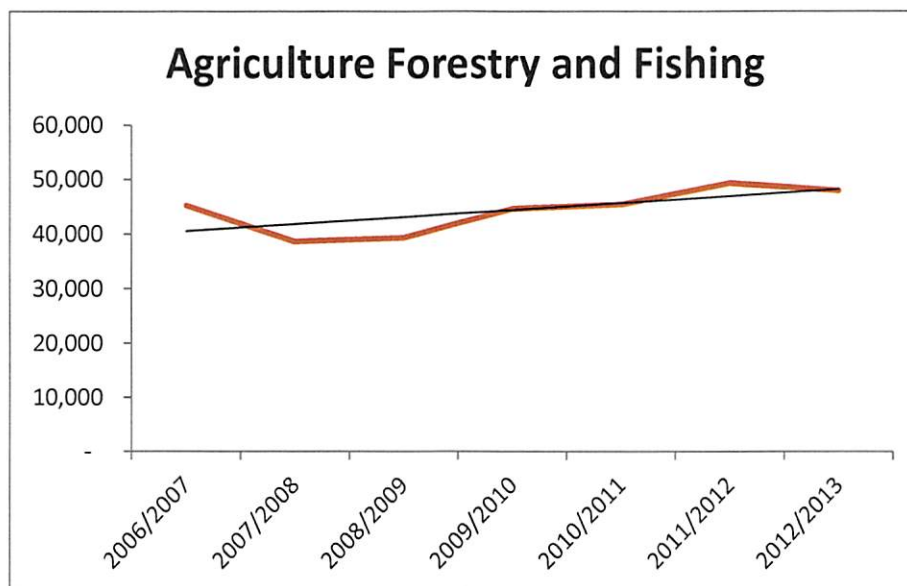


Figure # 7

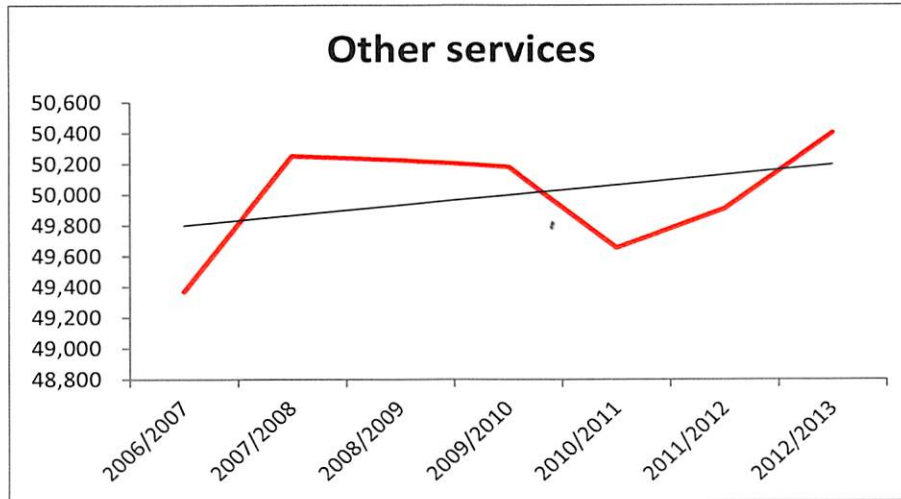


Figure # 8



Industries that declined in value added for fiscal year 2006/07 to 2012/13
(J\$Millions)

Figure #9

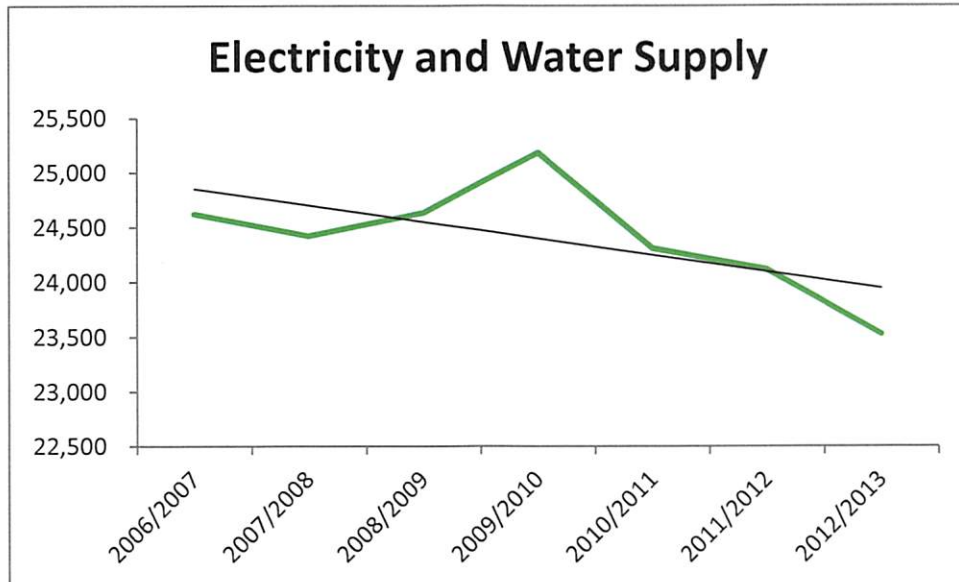


Figure #10

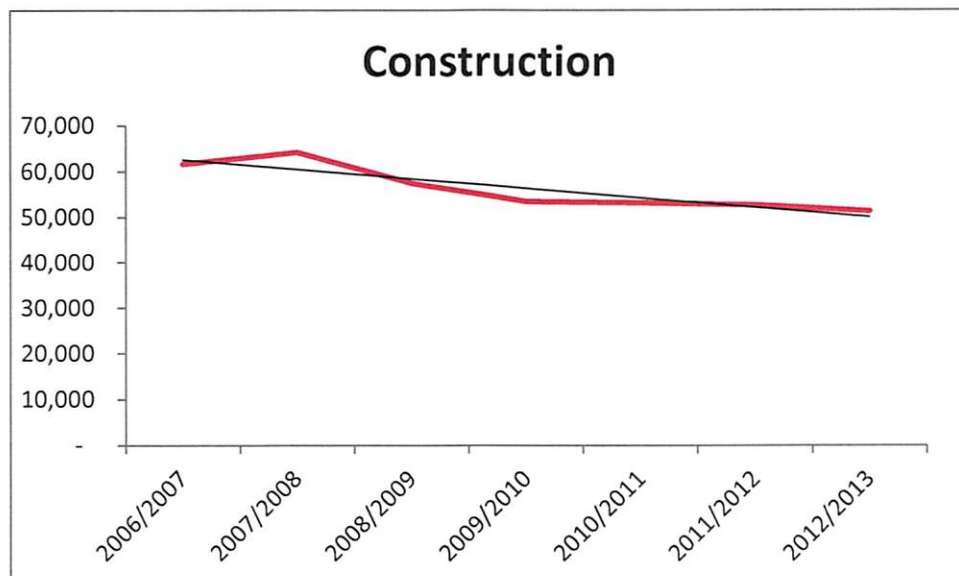


Figure # 11

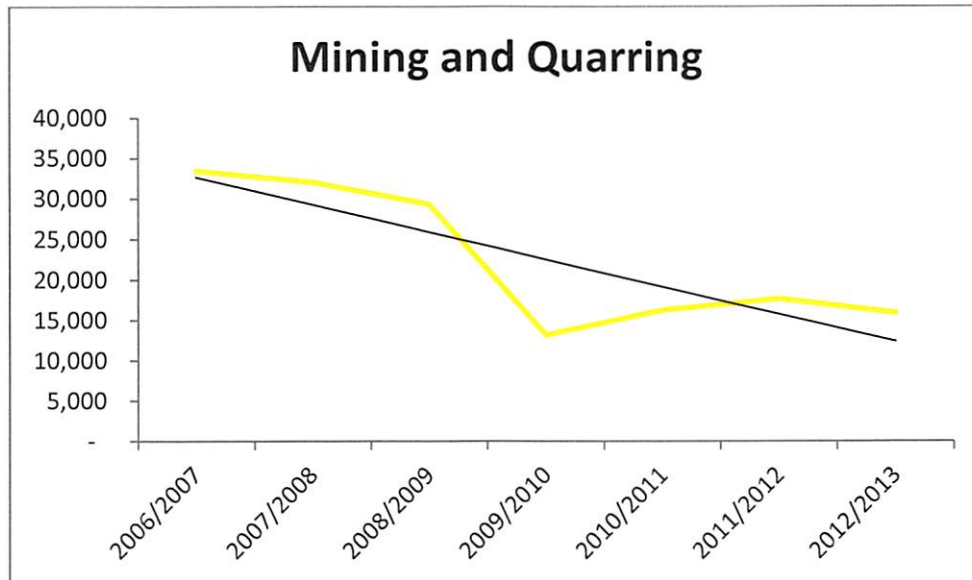


Figure # 12

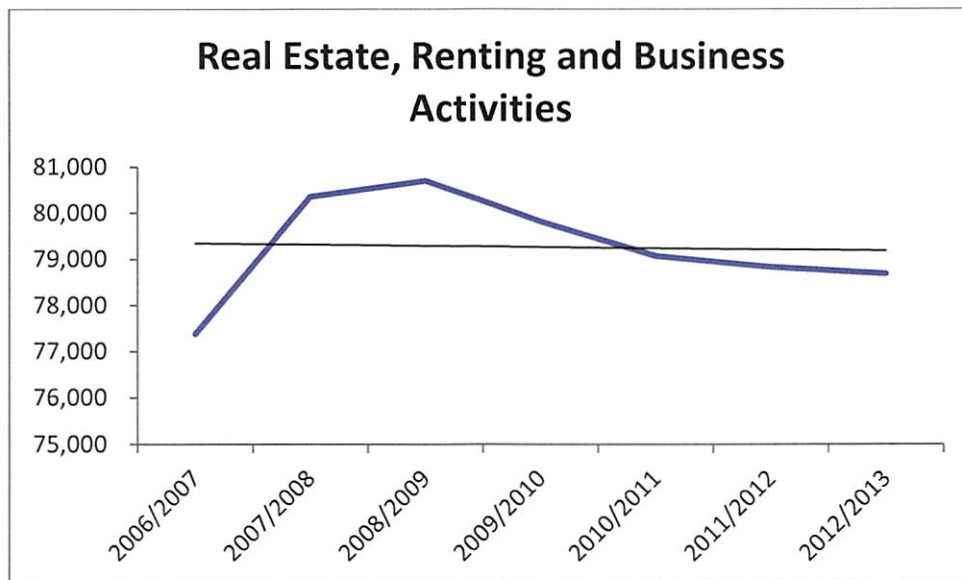


Figure # 13

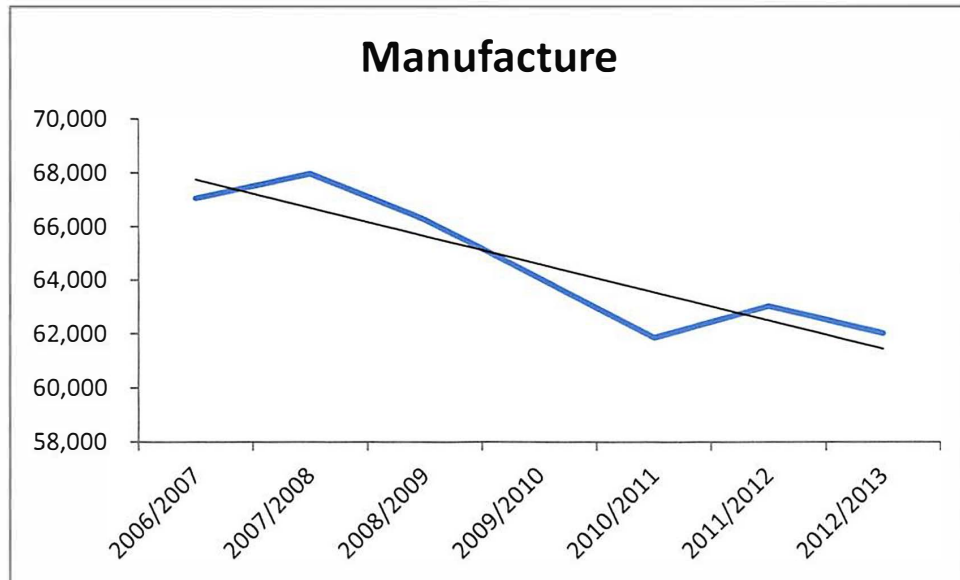


Figure # 14

