

013910
Presented
24/12/69

61

Jamaica's Balance of Payments Position

The attached Tables present Jamaica's balance of payments data for the period 1960-66.

2. The preliminary estimates of the balance of payments for 1966 show a deficit of £15 million on current account transactions, compared with £10.9 million in 1965 and £15.6 million in 1964. Capital inflows through both the Government and private sectors were, however, sufficient to cover the current deficit and increase Jamaica's net external reserves by £9 million to £33.1 million (i.e., gross reserves of £45.1 million less commercial bank external liabilities of £12.0 million).

3. During 1966, Jamaica's imports of goods (c.i.f.) exceeded the value of her exports of goods (f.o.b.) by £32.9 million; the comparable deficits in 1965 and 1964 were respectively £25.3 million and £24.6 million. Imports increased during 1966 by £11.4 million or 11% over the 1965 level.

Capital goods imports which constituted 29% of total imports, accounted for £6½ million or 57% of the £11.4 million increase in imports. This was associated with the requirements for capital goods to expand the bauxite and alumina industry and public utilities, and to set up new factories such as those for the manufacture of motor tyres, fertilizers and bagasse board.

Raw materials were 27% of the 1966 import bill, and accounted for £3 million or 26% of the increase in imports. Increases in the imports of raw materials are directly related to the growth of the manufacturing sector which may be measured by the contribution of the manufacturing sector to Jamaica's gross domestic product. In 1966, the contribution of the manufacturing sector to gross domestic product increased by £3.3 million or 7.5%, and over the last five years it increased by £14.6 million or 45%. These developments help to keep down the growth of the imports of consumer goods and also make possible some export growth (e.g., petroleum products).

Consumer goods were 44% of total imports in 1966, and accounted for £2.0 million or 18% of the increase in imports in that year. The imports of food (excluding animal feeds which are here treated as raw materials) rose by £1.6 million to £21.1 million. The animal protein foods group of meat and meat preparations, dairy products, fish and fish preparations rose by 16% to £10.8 million in 1966;

/this....

this group had decreased by 3% in 1965. Durable consumer imports rose by only £0.3 million to £18.5 million.

4. Jamaica's exports of goods increased by 5% in 1966 after having fallen by 1% in 1965. Bauxite and alumina accounted for £2.4 million of the £4.1 million increased in domestic exports. Price and other market problems continued to retard the growth in receipts from sugar, bananas and other agricultural exports, and although exports of manufactured goods are increasing, they are not yet large enough to compensate for the sluggishness of major agricultural exports.

5. The net balance on the service accounts (excluding freight and insurance on imports of goods), showed a surplus of £12.9 million in 1966 compared with £8.3 million in 1965 and £2.5 million in 1964. This strong improvement in service transactions is due mainly to the rapid expansion of the tourist industry for which preliminary estimates indicate gross foreign exchange earnings of £28 million in 1966 compared with £23.1 million in 1965.

Investment income payments of profits, interest and dividends rose in 1966 by £1.1 million to £19.4 million, while the corresponding receipts remained stable. Only a part of the investment income payments is actually transferred, since foreigners re-invest some of their earnings in Jamaica. Re-invested profits appear as part of the capital inflows, but it is not possible to isolate these in the overall net capital inflows. The decline in earnings of Jamaican farm workers in the U.S.A. also offset some of the gains made on tourism during 1966.

The net surplus on transfer payments (gifts) declined by £1.1 million in 1966 to £5.0 million due mainly to the continuation of the declining trend for remittances from Jamaican migrants to the United Kingdom. This trend is determined by the fact that fewer people emigrate to the U.K. since her 1962 restrictions on Commonwealth immigrants, and that the family ties of older migrants with their Jamaican relatives get weaker with time.

6. Full information on the amount of private capital inflows for 1966 is not yet available, but the indications are that these inflows were the largest on record - amounting to £19.5 million (including the net unidentified flows common to balance of payments accounts of all countries). Much of the private capital inflows were self-financed investments by foreigners. The Government also had a record net foreign borrowing of £4.5 million in 1966. These

/capital...

capital inflows were sufficient to cover the current account deficit and to add £9 million to net external reserves which had fallen in 1964 and 1965. The foreign assets of the Government, the Bank of Jamaica and other government institutions taken together increased by £3.2 million and those of the commercial banks increased by £1.6 million. The commercial banks also reduced their external liabilities by £4.2 million, thus improving their net external position by £5.8 million.

7. A rough assessment based on a few known facts indicate that the current account deficit for 1967 may be about the level for 1966. The increase in exports of goods will depend primarily on the growth of bauxite and alumina. This is, however, unlikely to be strong enough to offset fully the effects of depressed prices of sugar and bananas and provide a large overall increase in exports. On the other hand, the increase in imports of goods should tend to be relatively larger than exports due to the influence of investment demand and rising incomes.

8. The balance on services during 1967 will depend largely on the performance of tourism, which is not expected to grow as fast as it did over the last two years. Increased hotel room capacity and better use of existing rooms should, however, ensure a reasonable increase from tourism. Investment income payments should continue to rise because of the recent capital inflows. The receipts from the earnings of farm workers in the U.S.A. and Canada, and the remittances from Jamaican migrants to the United Kingdom, should not be expected to grow during 1967.

9. Capital inflows, largely for self-financed imports of capital goods for private sector projects along with Government foreign borrowing, should assure the financing of the current deficit in 1967. The external position of the commercial banks may improve a bit further during this year, but overall reserves should be expected to be more stable than they were in 1966.

EDWARD SEAGA
Minister of Finance
26th May, 1967.

TABLE 1

J A M A I C A

Balance of Payments - Current Account, 1960 - 1966

I T E M	£J million						
	1960	1961	1962	1963	1964	1965	1966
1. Imports (f.o.b.) (a)	67.1	68.2	68.9	71.0	91.0	91.0	100.9
2. Exports (f.o.b.) (a)	58.8	63.6	65.7	74.4	78.1	77.4	81.0
3. <u>Balance on Goods</u>	- 8.3	- 4.6	- 3.2	+ 3.4	-12.9	-13.6	-19.9
<u>Services (Net)</u>							
4. Transportation (including freight)	- 8.3	- 5.6	- 6.2	- 5.8	- 8.3	- 7.4	- 8.0
5. Merchandise Insurance	- 0.7	- 0.7	- 0.7	- 0.8	- 1.0	- 1.0	- 1.1
6. Foreign Travel	+12.1	+12.0	+10.1	+10.2	+11.4	+18.9	+23.8
7. Investment Income	-10.9	-12.5	-12.6	-13.2	-14.4	-15.3	-16.5
8. Government Transactions	+ 2.6	+ 3.2	+ 2.8	+ 2.5	+ 2.3	+ 2.5	+ 3.1
<u>Other Services</u>							
9. Non-Merchandise Insurance	- 4.3	- 4.1	- 4.4	- 4.7	- 4.7	- 5.1	- 5.2
10. Other	+ 3.5	+ 3.9	+ 4.5	+ 4.7	+ 5.5	+ 4.0	+ 3.8
11. <u>Balance on Services</u>	- 6.0	- 4.0	- 6.5	- 7.1	- 9.2	- 3.4	- 0.1
12. <u>Balance on Goods and Services</u>	-14.3	- 8.6	- 9.7	- 3.7	-22.1	-17.0	-20.0
<u>Transfer Payments</u>							
13. Private	+ 6.1	+ 6.5	+ 7.3	+ 8.1	+ 7.5	+ 7.1	+ 6.2
14. Government *	- 0.1	- 1.7	- 0.6	- 0.9	- 1.0	- 1.0	- 1.2
<u>Balance on Transfer Payments</u>	+ 6.0	+ 4.8	+ 6.7	+ 7.2	+ 6.5	+ 6.1	+ 5.0
<u>Balance on Current Account</u>	- 8.3	- 3.8	- 3.0	+ 3.5	-15.6	-10.9	-15.0

Note: (a) Adjusted to Balance of Payments basis

+ = Net surplus

- = Net deficit

* The deficit in this item is due mainly to the grants paid to the U.W.I. which is treated as an international institution. Expenditures in Jamaica by the University are entered as receipts in item 10.

TABLE 2

J A M A I C A

Balance of Payments - Current Account (£Jmn)

I T E M	1960	1961	1962	1963	1964	1965	1966
1. Merchandise (adjusted)							
Imports (c.i.f.)	76.9	74.7	77.9	80.1	102.7	102.7	113.9
Exports (f.o.b.)	56.8	63.6	65.7	74.4	78.1	77.4	81.0
2. Net Balance on Goods	-18.1	-11.1	-12.2	- 5.7	-24.6	-25.3	-32.9
3. Non-Monetary Gold	-	-	-	-	-	-	-
Services (Net)							
4. Transportation (excluding freight)	+ 0.8	-	+ 2.1	+ 2.5	+ 2.3	+ 3.3	+ 3.9
5. Travel	+12.1	+12.0	+10.1	+10.2	+11.4	+18.9	+23.8
6. Investment Income	-10.9	-12.5	-12.6	-13.2	-14.4	-15.3	-16.5
7. Government Transactions	+ 2.6	+ 3.2	+ 2.8	+ 2.5	+ 2.3	+ 2.5	+ 3.1
8. <u>Other Services</u>							
(a) Non-Merchandise Insurance	- 4.3	- 4.1	- 4.4	- 4.7	- 4.7	- 5.1	- 5.2
(b) Other	+ 3.5	+ 3.9	+ 4.5	+ 4.7	+ 5.5	+ 4.0	+ 3.8
9. Net Balance on Services	+ 3.8	+ 2.5	+ 2.5	+ 2.0	+ 2.5	+ 8.3	+12.9
10. Net Balance on Goods and Services	-14.3	- 8.6	- 9.7	- 3.7	-22.1	-17.0	-20.0
11. Transfer Payment							
Private	+ 6.1	+ 6.5	+ 7.3	+ 8.1	+ 7.5	+ 7.1	+ 6.2
Government *	- 0.1	- 1.7	- 0.6	- 0.9	- 1.0	- 1.0	- 1.2
12. Net Transfer Payments	+ 6.0	+ 4.8	+ 6.7	+ 7.2	+ 6.5	+ 6.1	+ 5.0
CURRENT ACCOUNT BALANCE	- 8.3	- 3.8	- 3.0	+ 3.5	-15.6	-10.9	-15.0

+ = Net surplus

- = Net deficit

* The deficit on this item is due mainly to the grants paid to the U.W.I. which is treated as an international institution. Expenditures in Jamaica by the University are entered as receipts in item 8 (b).

FINANCING THE CURRENT BALANCE

	£J million						
	1960	1961	1962	1963	1964	1965	1966 Prov.
Commercial Banks External Liabilities (net)	+ 2.9	+ 7.3	- 5.2	- 4.6	+ 6.5	+ 3.5	- 4.2
Government External Liabilities (net)	+ 3.0	- 1.6	+ 0.8	+ 2.2	+ 4.1	+ 3.0	+ 4.5*
Identified non-banking Private Capital (net)	+ 4.7	+ 4.1	+ 5.7	+ 9.5	+ 1.6	+ 5.1	} +19.5
Unidentified flows (net)	- 2.1	- 4.1	+ 2.3	- 1.4	+ 2.7	- 2.1	
CAPITAL MOVEMENT (net)	+ 8.5	+ 5.1	+ 3.6	+ 5.7	+14.9	+ 9.5	+19.8
EXTERNAL RESERVE ASSETS CHANGES	- 0.2	- 1.3	- 0.6	- 9.2	+ 0.7	+ 1.4	- 4.8
TOTAL FINANCING (net)	+ 8.3	+ 3.8	+ 3.0	- 3.5	+15.6	+10.9	+15.0

Note: (-) = Net outflow
(+) = Net inflow

EXTERNAL RESERVE ASSETS as at DEC. 31

	£J million						
	1960	1961	1962	1963	1964	1965	1966 Prov.
Currency) Bank of (a) Board) Jamaica	-	7.0	7.8	9.8	9.9	10.9	13.4
Commercial Banks	6.7	5.7	5.9	8.3	10.2	9.3	14.5
Government Savings Bank	4.8	3.6	4.8	8.0	5.1	4.0	5.6
Government	1.9	1.9	1.8	2.0	2.2	2.0	1.7
Other Quasi Government Institutions	14.9	11.4	10.3	12.2	12.6	12.3	8.2
TOTAL RESERVE ASSETS (b)	3.1	3.0	2.5	2.2	1.7	1.8	1.7
CHANGES IN YEARS (b)	31.3	32.6	33.2	42.4	41.7	40.3	45.1
	+ 0.2	+ 1.3	+ 0.6	+ 9.2	- 0.7	- 1.4	+ 4.8

(a) Including the IMF gold tranche;

(b) Errors of rounding occur for some totals and changes in reserves.

EXTERNAL LIABILITIES OF COMMERCIAL BANKS
AND GOVERNMENT as at DEC. 31

	£J million						
	1960	1961	1962	1963	1964	1965	1966
Commercial Banks	8.7	16.0	10.8	6.2	12.7	16.2	12.0
Government	21.4	19.8	20.6	22.8	26.9	29.9	34.4*

* There was an additional £1.4 million instalment of a £3.0 million stock floated in London in October, 1966 not payable before March, 1967. Other Public Debt statements may thus show £35.8 million outstanding.

TABLE 6

CHANGES IN IMPORTS
1964, 1965 and 1966

(&J Million)

CHANGES IN IMPORTS	1964	1965	1966	Increase or Decrease (-)	
				1964-65	1965-66
TOTAL IMPORTS (unadjusted)	103.3	103.2	114.6	-0.1	11.4
FOOD (including animal feeds)	20.8	20.4	22.3	-0.4	1.9
Meat and Meat Preparations	3.1	3.2	3.7	0.1	0.5
Dairy Products	3.5	3.4	3.5	-0.1	0.1
Fish and Fish Preparations	3.0	2.9	3.6	-0.1	0.7
Cereals and cereal Preparations	7.3	7.7	8.0	0.4	0.3
Rice	2.1	2.5	2.0	0.4	-0.5
Corn (unmilled)	0.7	0.6	1.3	-0.1	0.7
Baking Flour	2.3	2.2	2.2	-0.1	-
Counter Flour	1.1	1.2	1.3	0.1	0.1
Fruit and Vegetables	1.8	1.4	1.6	-0.4	0.2
Animal Feeds	1.0	0.9	1.3	-0.1	0.4
<u>CRUDE MATERIALS INEDIBLE (EXCEPT FUELS)</u>	3.4	3.4	3.1	-	-0.3
Lumber	1.7	2.1	1.7	0.4	-0.4
<u>MINERAL FUELS AND LUBRICANTS</u>	11.6	9.0	9.6	-2.4	0.6
Crude Petroleum	5.3	7.1	7.1	1.8	-
Fuel Oils	3.7	0.5	0.8	-3.2	0.3
Gasolene (Motor Spirit)	0.7	0.1	-	-0.6	-0.1
Kerosene Oil	0.6	-	0.1	-0.6	0.1
Blending Agents	0.6	0.8	0.7	0.2	-0.1
<u>CHEMICALS</u>	9.1	8.9	9.6	-0.2	0.7
Fertilizers (manufactured)	2.0	1.6	1.7	-0.4	0.1
Chemical elements and compounds	1.8	1.9	2.2	0.1	0.3
<u>MANUFACTURED GOODS CLASSIFIED MAINLY BY TYPE OF MATERIALS</u>	26.2	27.8	31.3	1.6	3.5
Base metals	5.6	6.2	7.1	0.6	0.9
Other metal manufactures	3.7	3.6	5.1	-0.1	1.5
Paper, paperboard and manufactures	3.7	4.1	4.7	0.4	0.6
Textile yarn, fabrics, made-up textile articles, etc.	7.4	7.5	7.5	0.1	-
Silver, platinum and jewellery	0.3	0.4	0.4	0.1	-

CHANGES IN IMPORTS	1964	1965	1966	(£J million)	
				Increase or Decrease (
				1964-65	1965-66
<u>MACHINERY AND TRANSPORT EQUIPMENT</u>	21.6	22.8	27.6	1.2	4.8
Non-electrical machinery	10.0	10.2	13.9	0.2	3.7
Tractors (other than steam)	2.0	1.6	1.2	-0.4	-0.4
Conveying, hoisting and excavating machinery	1.5	1.5	3.0	-	1.5
Industrial and Commercial machinery excluding sugar and distillery machinery	2.4	2.3	4.5	-0.1	2.2
Electric machinery and apparatus	3.7	4.2	5.4	0.5	1.2
Transport equipment	7.8	8.5	8.3	0.7	-0.2
Motor cars	3.2	4.0	3.6	0.8	-0.4
Buses, trucks, lorries including chassis with engine mounted	2.2	2.7	2.6	0.5	-0.1
<u>MISCELLANEOUS MANUFACTURED ARTICLES</u>	8.3	8.4	8.4	0.1	-

TABLE 7

MAJOR ITEMS OF EXPORTS (£J MILLION)

	Calendar Year			Increase or Decrease (-)	
	1964	1965	1966	1964-65	1965-66
Total Domestic Exports +	75.9	75.2	79.0	-0.7	3.8
Bananas	6.0	6.1	6.3	0.1	0.2
Sugar (including Pref. Cert.)	19.9	16.0	16.4	-3.9	0.4
Rum	1.4	1.6	1.3	0.2	-0.3
Molasses	0.8	0.5	0.8	-0.3	0.3
Bauxite	15.7	17.8	18.4	2.1	0.6
Alumina	18.2	17.5	19.3	-0.7	1.8
Petroleum Products	1.0	2.7	3.1	1.7	0.4
Citrus and citrus products	2.5	3.2	2.8	0.7	-0.4
Coffee, cocoa, pimento) ginger and their products)	2.3	1.9	2.5	-0.4	0.6
Clothing	2.4	2.4	2.4	-	-
Sub-total	70.5	70.0	73.3	-0.5	3.3
All other items	5.4	5.2	5.7	-0.2	0.5

+ Including Sugar Preference Certificates.

FINANCING THE CURRENT BALANCE

	£J million						
	1960	1961	1962	1963	1964	1965	1966 Prov.
Commercial Banks External Liabilities (net)	+ 2.9	+ 7.3	- 5.2	- 4.6	+ 6.5	+ 3.5	- 4.2
Government External Liabilities (net)	+ 3.0	- 1.6	+ 0.8	+ 2.2	+ 4.1	+ 3.0	+ 4.5*
Identified non-banking Private Capital (net)	+ 4.7	+ 4.1	+ 5.7	+ 9.5	+ 1.6	+ 5.1	+19.5
Unidentified flows (net)	- 2.1	- 4.1	+ 2.3	- 1.4	+ 2.7	- 2.1	
CAPITAL MOVEMENT (net)	+ 3.5	+ 5.1	+ 3.6	+ 5.7	+14.9	+ 9.5	+19.8
EXTERNAL RESERVE ASSETS CHANGES	- 0.2	- 1.3	- 0.6	- 9.2	+ 0.7	+ 1.4	- 4.8
TOTAL FINANCING (net)	+ 8.3	+ 3.8	+ 3.0	- 3.5	+15.6	+10.9	+15.0

Note: (-) = Net outflow
(+) = Net inflow

EXTERNAL RESERVE ASSETS as at DEC. 31

	£J million						
	1960	1961	1962	1963	1964	1965	1966 Prov.
Currency) Bank of (a) Board) Jamaica	-	7.0	7.8	9.8	9.9	10.9	13.4
Commercial Banks	6.7	5.7	5.9	3.3	10.2	9.3	14.5
Government Savings Bank	4.8	3.6	4.8	3.0	5.1	4.0	5.6
Government	1.9	1.9	1.8	2.0	2.2	2.0	1.7
Other Quasi Government Institutions	14.9	11.4	10.3	12.2	12.6	12.3	8.2
TOTAL RESERVE ASSETS (b)	3.1	3.0	2.5	2.2	1.7	1.3	1.7
CHANGES IN YEARS (b)	31.3	32.6	33.2	42.4	41.7	40.3	45.1
	+ 0.2	+ 1.3	+ 0.6	+ 9.2	- 0.7	- 1.4	+ 4.3

(a) Including the IMF gold tranche;

(b) Errors of rounding occur for some totals and changes in reserves.

EXTERNAL LIABILITIES OF COMMERCIAL BANKS
AND GOVERNMENT as at DEC. 31

	£J million						
	1960	1961	1962	1963	1964	1965	1966
Commercial Banks	8.7	16.0	10.8	6.2	12.7	16.2	12.0
Government	21.4	19.8	20.6	22.8	26.9	29.9	34.4*

* There was an additional £1.4 million instalment of a £3.0 million stock floated in London in October, 1966 not payable before March, 1967. Other Public Debt statements may thus show £35.8 million outstanding.