



News Release  
13 October 2006

### Jamaica Balance of Payments (May 2006)<sup>1</sup>

- *Provisional data indicate that there was a significant improvement in the current account deficit in May 2006, largely related to increased net inflows from private transfers and travel. The deficits on the merchandise trade and income accounts also narrowed in the month.*
- *In the capital and financial account, net inflows from official transactions were more than sufficient to offset net outflows on private investments, as well as the deficit on the current account. In this context, the net international reserves (NIR) increased for the month.*
- *Influenced by improvements in the surpluses on the services and current transfers accounts, as well as a reduction in the deficit on the income account, there was a contraction in the current account deficit for the period January to May 2006.*
- *Net official and private investment inflows were more than sufficient to cover the deficits on the current and capital accounts, resulting in a build-up in the NIR over the period.*

#### May 2006

Provisional data indicate that the current account deficit improved significantly by US\$98.2 million to US\$14.4 million in May 2006 (see **Table**). **This improvement was attributed to declines in the deficits on the merchandise trade and income accounts, as well as increases in the surpluses on the current transfers and services accounts.** Within the trade account, an increase of US\$59.4 million in receipts from exports largely reflected higher earnings from alumina and bauxite. There was also an improvement in receipts from mineral fuel exports. The rise in earnings from alumina exports reflected respective increases of 28.0 per cent and 11.1 per cent in export volume and price, while bauxite exports benefited from a 44.4 per cent expansion in export volume. The lower deficit on the income account was associated with a reduction in the imputed profit remittance of direct investment companies. An increase of US\$26.2 million in net inflows to the private sector was responsible for the rise in the surplus in current transfers. The travel sub-account benefited from respective increases of 20.8 per cent and 11.8 per cent in stopover and cruise passenger arrivals.

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<sup>1</sup> See Balance of Payments Monthly Statistical Update for more details at:  
[http://www.boj.org.jm/publications\\_home.php](http://www.boj.org.jm/publications_home.php)

Within the capital and financial accounts, net official investment inflows were more than sufficient to finance net private investment outflows, as well as the deficit on the current account. As a result, the NIR of the Bank of Jamaica increased by US\$11.0 million for the month.

### **January – May 2006**

**For the period January – May 2006, the current account deficit was estimated at US\$242.9 million, representing an improvement of US\$110.5 million, relative to the deficit in the same period in 2005.** This noteworthy improvement largely reflected significant increases in the surpluses on the services and current transfers account, complemented by a reduction in the deficit on the income account. This was, however, partly countered by an increase in the merchandise trade deficit.

The higher surplus on the services account was attributed to growth of 16.6 per cent and 9.2 per cent in stopover and cruise passenger arrivals over the period, relative to the same period in 2005, while the current transfers sub-account benefited from an increase of 4.6 per cent in gross private remittance inflows. The deterioration on the trade account was influenced by an expansion in payments for fuel imports. In addition, the purchase of a power barge in February contributed significantly to growth in imports of machinery and transportation equipment.

Within the capital and financial accounts, net official and private investment inflows were more than sufficient to finance the deficits on the current and capital accounts. In this context, there was a build-up of US\$75.5 million in the NIR over the period. At end May 2006, the gross reserves stood at US\$2 375.8 million, representing 18.0 weeks of projected imports of goods and services.

**BALANCE OF PAYMENTS SUMMARY**

US\$MN

	1/			1/		
	May	May	Change	Jan-May	Jan-May	Change
	2005	2006		2005	2006	
<b>1. CURRENT ACCOUNT</b>	-112.6	-14.4	98.2	-353.4	-242.9	110.5
<b>A. GOODS and SERVICES</b>	-167.1	-103.2	63.9	-728.5	-670.8	57.7
<b>a. GOODS BALANCE</b>	-201.0	-150.3	50.7	-1010.8	-1054.7	-43.9
Exports (f.o.b.)	145.4	204.8	59.4	696.0	880.8	184.8
Imports (f.o.b.)	346.4	355.1	8.7	1706.8	1935.5	228.7
<b>b. SERVICES BALANCE</b>	33.9	47.1	13.2	282.3	383.9	101.6
Transportation	-22.7	-22.3	0.4	-96.9	-98.4	-1.5
Travel	87.1	102.7	15.6	548.0	678.3	130.3
Other Services	-30.5	-33.3	-2.8	-168.8	-196.0	-27.2
<b>B. INCOME</b>	-69.6	-59.9	9.7	-280.4	-259.2	21.2
Compensation of employees	3.0	3.9	0.9	14.6	14.2	-0.4
Investment Income	-72.6	-63.8	8.8	-295.0	-273.4	21.6
<b>C. CURRENT TRANSFERS</b>	124.1	148.7	24.6	655.5	687.1	31.6
Official	11.8	10.2	-1.6	64.7	57.5	-7.2
Private	112.3	138.5	26.2	590.8	629.6	38.8
<b>2. CAPITAL &amp; FINANCIAL ACCOUNT</b>	112.6	14.4	-98.2	353.4	242.9	-110.5
<b>A. CAPITAL ACCOUNT</b>	0.0	0.2	0.2	-1.3	-2.4	-1.1
<b>a. Capital Transfers</b>	0.0	0.2	0.2	-1.3	-2.4	-1.1
Official	0.1	0.1	0.0	0.2	0.1	-0.1
Private	-0.1	0.1	0.2	-1.5	-2.5	-1.0
<b>b. Acq./disposal of non-prod. non-fin'l assets</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>B. FINANCIAL ACCOUNT</b>	112.6	14.2	-98.4	354.7	245.3	-109.4
Other official investment	5.7	100.1	94.4	-3.6	171.3	174.9
Other private investment 2/	171.0	-74.9	-245.9	574.3	149.5	-424.8
Reserves	-64.1	-11.0		-216.0	-75.5	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA