

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

- *Provisional data for July 2006 show a deterioration in the current account, due to an expansion in the deficit on the merchandise trade account.*
- *In the capital and financial account, net inflows from official and private transactions were insufficient to offset the deficit on the current account. In this context, the net international reserves (NIR) declined for the month.*
- *Influenced by an expansion in the merchandise trade deficit, the current account deficit for the period January to July 2006 recorded an increase relative to the similar period of 2005. All the other accounts, however, recorded improvements.*
- *Net official and private investment inflows were sufficient to finance the deficits on the current and capital accounts, and facilitated a marginal build-up in the NIR over the period.*

### July 2006

Provisional data indicate that the current account deficit expanded by US\$60.5 million to US\$133.1 million in July 2006 (see **Table**). **This deterioration was driven mainly by respective increases of US\$60.0 million (50.2 per cent) and US\$32.6 million (47.9 per cent) in payments for fuel and machinery and transport equipment imports.** The growth in expenditure on fuel imports was partly influenced by a 26.7 per cent rise in the price of oil on the international market, as well as to facilitate expansions in the re-export of refined fuel. In this context, the impact of the growth in imports was partly offset by respective expansions of US\$26.1 million and US\$11.2 million in earnings from exports of mineral fuel and crude materials.

There were also increases in net inflows from the travel sector and current transfers. The travel sector benefited from respective increases of 19.0 per cent and 43.5 per cent in stopover and cruise visitor arrivals, while the surplus in the current transfers account was attributed to an increase of US\$13.5 million in net inflows to the private sector.

Within the capital and financial accounts, net official and private investment inflows were insufficient to finance the deficit on the current account. As a result, the NIR of the Bank of Jamaica declined by US\$22.2 million for the month.

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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)

## **January – July 2006**

**For the period January – July 2006, the current account deficit was estimated at US\$599.7 million, which was US\$64.2 million higher than the deficit for the comparable period in 2005.** The deterioration was influenced by an expansion in the deficit on the goods account, the impact of which was partly offset by increased surpluses on the services and current transfers accounts, as well as a decline in the deficit on the income account.

The deterioration on the goods account stemmed primarily from respective expansions of US\$348.0 million and US\$123.5 million in payments for fuel and machinery and transport equipment, the effect of which were partially offset by higher earnings from refined fuel and crude material exports. The higher surplus on the services account reflected respective increases of 17.3 per cent and 13.4 per cent in stopover and cruise passenger arrivals, while an increase of 6.9 per cent in gross private remittance inflows accounted for the expansion in current transfers. The lower deficit on the income account was influenced by a decline in the imputed profit remittances of the direct investment companies.

Within the capital and financial accounts, net official and private investment inflows were sufficient to finance the deficit on the current account. In this context, there was a slight build-up of US\$0.6 million in the NIR over the period. At end July 2006, the gross reserves stood at US\$2 251.6 million, representing 16.8 weeks of projected imports of goods and services.

**BALANCE OF PAYMENTS SUMMARY**

US\$MN

	1/			1/		
	Jul 2005	Jul 2006	Change	Jan-Jul 2005	Jan-Jul 2006	Change
<b>1. CURRENT ACCOUNT</b>	-72.6	-133.1	-60.5	-535.5	-599.7	-64.2
<b>A. GOODS and SERVICES</b>	-128.1	-210.3	-82.2	-1009.3	-1184.6	-175.3
<b>a. GOODS BALANCE</b>	-213.0	-302.4	-89.4	-1436.2	-1724.2	-288.0
Exports (f.o.b.)	128.8	166.7	37.9	949.1	1220.6	271.5
Imports (f.o.b.)	341.8	469.1	127.3	2385.3	2944.8	559.5
<b>b. SERVICES BALANCE</b>	84.9	92.1	7.2	426.9	539.6	112.7
Transportation	-20.7	-29.3	-8.6	-139.3	-165.5	-26.2
Travel	149.3	171.1	21.8	818.7	993.9	175.2
Other Services	-43.7	-49.7	-6.0	-252.5	-288.8	-36.3
<b>B. INCOME</b>	-74.1	-65.9	8.2	-428.7	-388.5	40.2
Compensation of employees	9.0	10.1	1.1	29.3	34.1	4.8
Investment Income	-83.1	-76.0	7.1	-458.0	-422.6	35.4
<b>C. CURRENT TRANSFERS</b>	129.6	143.1	13.5	902.5	973.4	70.9
Official	11.0	11.0	0.0	86.1	78.7	-7.4
Private	118.6	132.1	13.5	816.4	894.7	78.3
<b>2. CAPITAL &amp; FINANCIAL ACCOUNT</b>	72.6	133.1	60.5	535.5	599.7	64.2
<b>A. CAPITAL ACCOUNT</b>	-0.6	1.5	2.1	-2.2	1.0	3.2
<b>a. Capital Transfers</b>	-0.6	1.5	2.1	-2.2	1.0	3.2
Official	0.0	1.4	1.4	0.3	3.5	3.2
Private	-0.6	0.1	0.7	-2.5	-2.5	0.0
<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>	73.2	131.6	58.4	537.7	598.7	61.0
Other official investment	93.1	64.2	-28.9	99.0	229.6	130.6
Other private investment 2/	-27.5	45.2	72.7	729.4	369.7	-359.7
Reserves	7.6	22.2		-290.7	-0.6	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA