



## Jamaica Balance of Payments<sup>1</sup> June and January – June 2007

- *Provisional data for June 2007 show that there was a contraction in the deficit of the current account of Jamaica's Balance of Payments. This outturn was due to improvements in all accounts with the exception of the services account.*
- *For the month, net official investment inflows were insufficient to finance net private investment outflows, as well as the deficits on the current and capital accounts, resulting in a decline in the NIR.*
- *Influenced by a worsening of the deficit on the goods and income accounts and a reduction in the surplus on the services account, there was an expansion in the current account deficit for the period January to June 2007.*
- *Net official and private investment inflows were not sufficient to finance the deficits on the current and capital accounts, resulting in a decline in the NIR over the period.*

### June 2007

**Provisional data indicate that the current account deficit improved by US\$15.8 million in June 2007 relative to the deficit in June 2006 (see Table).** This improvement stemmed primarily from an 11.1 per cent increase in private transfers, which reflected growth of 14.4 per cent in inflows through remittance companies. In addition, there were lower imputed profit remittances by the direct investment companies which contributed to a deficit on the income account. The marginal reduction in the deficit on the merchandise trade account was attributable to an increase in the value of alumina exports.

Partly offsetting the improvement in the current account was a reduction in the balance on the services accounts. This was largely due to respective declines of 3.3 per cent and 18.8 per cent in arrivals of stopover visitors and cruise passengers which contributed to a contraction of US\$8.7 million in estimated gross travel inflows.

Within the capital and financial accounts, net official investment inflows were insufficient to finance net private investment outflows and the deficits on the current and capital accounts. As a result, the NIR of the Bank of Jamaica declined by US\$13.4 million for June 2007.

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

## **January – June 2007**

**The current account deficit was estimated at US\$672.2 million for the period January – June 2007, US\$184.6 million higher than the deficit for the comparable period in 2006.** With the exception of current transfers, the balances on all the sub-accounts deteriorated over the review period.

With respect to the merchandise trade account, there was an increase in the value of imports, associated mainly with higher spending on machinery & transport equipment and manufactured goods. There was, however, a US\$60.0 million (6.4 per cent) reduction in expenditure on fuel imports, partly reflecting a decline of 8.1 per cent in the average price of oil (WTI) on the international market. The impact of the expansion in imports was partly offset by increased earnings from non-traditional exports, particularly mineral fuels and scrap metals.

An expansion of US\$51.2 million in the deficit on the transportation sub-account, in conjunction with a decline of US\$29.4 million in the surplus on the travel sub-account, accounted for the lower surplus on the services account. The higher deficit on the transportation sub-account was influenced by increases in freight charges, related to the growth in imports. The contraction in the balance on the travel sub-account reflected declines in total visitor arrivals as well as an increase in expenditure by Jamaicans travelling abroad.

The deterioration in the income account was principally related to higher imputed profit remittances of direct investment companies while the increase in net current transfers reflected growth of 9.7 per cent in gross private inflows.

Within the capital and financial account, net private and official investment inflows were insufficient to finance the deficits on the current and capital accounts. As a result, there was a decline of US\$78.7 million in the NIR during the review period. At end-June 2007, the gross reserves stood at US\$2 472.4 million, representing 16.7 weeks of projected imports of goods and services.

**BALANCE OF PAYMENTS SUMMARY**

US\$MN

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	Jun 2006	Jun 2007	Change	Jan-Jun 2006	Jan-Jun 2007	Change
<b>1. CURRENT ACCOUNT</b>	<b>-126.4</b>	<b>-110.6</b>	<b>15.8</b>	<b>-487.6</b>	<b>-672.2</b>	<b>-184.6</b>
<b>A. GOODS and SERVICES</b>	<b>-213.8</b>	<b>-220.9</b>	<b>7.1</b>	<b>-1031.0</b>	<b>-1285.1</b>	<b>-254.1</b>
<b>a. GOODS BALANCE</b>	<b>-280.3</b>	<b>-279.3</b>	<b>0.9</b>	<b>-1408.4</b>	<b>-1576.9</b>	<b>-168.5</b>
Exports (f.o.b.)	174.7	182.4	7.7	1079.8	1144.7	64.9
Imports (f.o.b.)	454.9	461.7	6.8	2488.2	2721.6	233.4
<b>b. SERVICES BALANCE</b>	<b>66.5</b>	<b>58.4</b>	<b>-8.1</b>	<b>377.4</b>	<b>291.8</b>	<b>-85.6</b>
Transportation	-39.8	-38.8	1.0	-191.0	-242.2	-51.2
Travel	155.1	146.5	-8.7	838.3	808.9	-29.4
Other Services	-48.8	-49.2	-0.5	-269.9	-274.9	-5.0
<b>B. INCOME</b>	<b>-59.3</b>	<b>-55.5</b>	<b>3.8</b>	<b>-301.5</b>	<b>-328.4</b>	<b>-26.8</b>
Compensation of employees	9.4	6.7	-2.7	21.4	12.0	-9.4
Investment Income	-68.7	-62.2	6.5	-323.0	-340.4	-17.4
<b>C. CURRENT TRANSFERS</b>	<b>146.7</b>	<b>165.8</b>	<b>19.2</b>	<b>844.9</b>	<b>941.3</b>	<b>96.4</b>
Official	12.2	13.1	0.9	73.2	72.4	-0.8
Private	134.5	152.7	18.2	771.7	868.9	97.2
<b>2. CAPITAL &amp; FINANCIAL ACCOUNT</b>	<b>126.4</b>	<b>110.6</b>	<b>-15.8</b>	<b>487.7</b>	<b>674.9</b>	<b>187.2</b>
<b>A. CAPITAL ACCOUNT</b>	<b>1.3</b>	<b>-0.6</b>	<b>-1.9</b>	<b>-1.2</b>	<b>-3.1</b>	<b>-1.9</b>
<b>a. Capital Transfers</b>	<b>1.3</b>	<b>-0.6</b>	<b>-1.9</b>	<b>-1.2</b>	<b>-3.1</b>	<b>-1.9</b>
Official	1.6	0.0	-1.5	2.2	0.4	-1.8
Private	-0.2	-0.6	-0.4	-3.4	-3.5	-0.1
<b>b. Acq./disposal of non-prod. non-fin'l assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>B. FINANCIAL ACCOUNT</b>	<b>125.1</b>	<b>111.2</b>	<b>-13.9</b>	<b>488.8</b>	<b>678.0</b>	<b>186.5</b>
Other official investment	38.6	132.3	93.7	175.5	347.8	172.3
Other private investment 2/	33.8	-34.4	-68.3	336.0	248.9	-87.1
Reserves	52.7	13.4		-22.6	78.7	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA

16-Oct-07