



Jamaica Balance of Payments (October 2006)¹

- *Provisional data for October 2006 show a deterioration in the current account, due primarily to higher deficits on the merchandise trade and income accounts.*
- *In the financial account, net official and private capital inflows 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 increase in the trade deficit, there was an expansion in the current account deficit for the period January to October 2006. All the other sub-accounts recorded improvements.*
- *Net official and private investment inflows were more than sufficient to finance the deficit on the current account, resulting in a build-up in the NIR over the period*

October 2006

Provisional data indicate that the current account deficit widened by US\$29.6 million to US\$165.1 million in October 2006, relative to October 2005 (see **Table**). **This deterioration reflected strong growth in imports, driven mainly by respective expansions of US\$30.4 million (45.2 per cent) and US\$28.1 million (64.5 per cent) in payments for machinery & transport equipment and chemical imports.** Partly offsetting the growth in imports was an expansion in earnings from alumina exports, which resulted from increases of 17.2 per cent and 11.0 per cent in price and volume, respectively. Non-traditional exports also increased during the period, influenced by growth in the export of waste and scrap metals. The rise in the deficit on the income account was related to higher interest payments on official external debt, as well as an increase in the imputed profit remittances of direct investment companies.

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\$35.6 million for the month.

¹ See Balance of Payments Monthly Statistical Update for more details at:
http://www.boj.org.jm/publications_home.php

January – October 2006

For the period January – October 2006, the current account deficit was estimated at US\$1 025.2 million, which was US\$71.6 million higher than the deficit for the comparable period in 2005. This performance was largely attributed to a significant increase in the deficit on the goods account, the impact of which was partially offset by higher surpluses on the services and current transfers accounts.

The deterioration on the goods account stemmed primarily from respective expansions of US\$315.6 million and US\$233.3 million in payments for fuel and machinery & transport equipment, the effect of which were partly offset by higher earnings from exports of refined fuel, alumina and waste and scrap metal. The higher surplus on the services account was influenced by respective increases of 17.3 per cent and 16.5 per cent in cruise passenger and stopover arrivals. An increase of 7.7 per cent in gross private remittance inflows was responsible for the growth in current transfers.

Within the capital and financial accounts, net official and private investment inflows were more than sufficient to finance the deficit on the current account. In this context, there was a build-up of US\$219.2 million in the NIR over the period. At end-October 2006, the gross reserves stood at US\$2 421.1 million, representing 18.1 weeks of projected imports of goods and services.

BALANCE OF PAYMENTS SUMMARY

US\$MN

	Oct 2005	Oct ^{1/} 2006	Change	Jan-Oct 2005	Jan-Oct ^{1/} 2006	Change
1. CURRENT ACCOUNT	-135.5	-165.1	-29.6	-953.6	-1025.2	-71.6
A. GOODS and SERVICES	-226.1	-251.4	-25.3	-1699.5	-1891.9	-192.4
a. GOODS BALANCE	-236.0	-257.2	-21.2	-2159.5	-2474.5	-315.0
Exports (f.o.b.)	121.0	153.7	32.7	1368.4	1756.1	387.7
Imports (f.o.b.)	357.0	410.9	53.9	3527.9	4230.6	702.7
b. SERVICES BALANCE	9.9	5.8	-4.1	460.0	582.6	122.6
Transportation	-27.3	-34.9	-7.6	-229.6	-276.5	-46.9
Travel	67.2	74.4	7.2	1032.9	1249.9	217.0
Other Services	-30.0	-33.7	-3.7	-343.3	-390.8	-47.5
B. INCOME	-36.8	-55.3	-18.5	-548.5	-548.1	0.4
Compensation of employees	15.4	17.1	1.7	71.1	75.9	4.8
Investment Income	-52.2	-72.4	-20.2	-619.6	-624.0	-4.4
C. CURRENT TRANSFERS	127.4	141.6	14.2	1294.4	1414.8	120.4
Official	9.2	9.4	0.2	115.1	107.2	-7.9
Private	118.2	132.2	14.0	1179.3	1307.6	128.3
2. CAPITAL & FINANCIAL ACCOUNT	135.5	165.1	29.6	953.6	1025.2	71.6
A. CAPITAL ACCOUNT	-0.3	0.4	0.7	-2.9	1.0	3.9
a. Capital Transfers	-0.3	0.4	0.7	-2.9	1.0	3.9
Official	0.0	0.1	0.1	0.3	3.8	3.5
Private	-0.3	0.3	0.6	-3.2	-2.8	0.4
b. Acq. / Disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	135.8	164.7	28.9	956.5	1024.2	67.7
Official investment	103.8	33.9	-69.9	290.2	287.0	-3.2
Private investment ^{2/}	-8.0	95.2	103.2	886.8	956.4	69.6
Reserves	40.0	35.6		-220.5	-219.2	

1/ Provisional

2/ Includes errors & omissions