



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

- *Provisional data indicate an improvement in the current account deficit in August 2006, largely related to a contraction in the deficit on the merchandise trade account.*
- *In the capital and financial account, net inflows from official and private transactions were sufficient to offset 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 reduction in the deficit on the income account, there was also a contraction in the current account deficit for the period January to August 2006.*
- *Net official and private investment inflows were sufficient to finance the deficits on the current and capital accounts, and facilitated a significant build-up in the NIR over the period.*

### August 2006

Provisional data indicate that the current account deficit improved by US\$58.1 million in August 2006, relative to the deficit in August 2005 (see **Table**). **This improvement stemmed primarily from a reduction in the merchandise trade deficit, influenced by respective increases of US\$17.2 million and US\$12.3 million in non-traditional and alumina exports.** The increase in earnings from non-traditional exports reflected growth in the values of mineral fuel and scrap metal export. For alumina exports, a 37.6 per cent increase in price was the main factor accounting for the growth in earnings.

Higher surpluses on the services and current transfers accounts also contributed to the narrowing of the current account deficit. The services account benefited from increases of 30.9 per cent and 20.1 per cent in cruise passenger and stopover arrivals, respectively, while the improvement in the surplus on the current transfers account was attributed to an increase of US\$12.8 million in net inflows to the private sector.

Within the capital and financial accounts, net private investment and official inflows were more than sufficient to finance the deficit on the current account. As a result, the NIR of the Bank of Jamaica increased by US\$127.8 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 – August 2006**

**The current account deficit was estimated at US\$620.3 million for the period January – August 2006, which represented an improvement of US\$65.3 million relative to the deficit for the comparable period in 2005.** With the exception of the merchandise trade deficit, all the sub-accounts reflected significant improvements in the review period.

The higher surplus on the services account was attributed to respective growth of 17.7 per cent and 15.2 per cent in stopover and cruise passenger arrivals over the period, relative to the January - August 2005, while the transfers account benefited from an increase of 6.8 per cent in gross private remittance inflows. The contraction in net investment income outflows was associated with lower profit remittances of the direct investment companies, as well as increased earnings from the Bank of Jamaica's foreign assets. With respect to the trade account, there was an expansion in payments for fuel imports, reflecting the impact of a 27.1 per cent increase in the average price of oil over the period, relative to the same period of 2005. In addition, there was increased expenditure on machinery and transport equipment. Higher earnings from alumina and non-traditional exports had a partly countervailing impact on the widening trade deficit.

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 significant build-up of US\$128.4 million in the NIR over the period. At end August 2006, the gross reserves of the Bank of Jamaica stood at US\$2 383.1 million, representing 17.8 weeks of projected imports of goods and services.

**BALANCE OF PAYMENTS SUMMARY**

US\$MN

	1/			1/		
	Aug	Aug	Change	Jan-Aug	Jan-Aug	Change
	2005	2006		2005	2006	
<b>1. CURRENT ACCOUNT</b>	<b>-150.1</b>	<b>-92.0</b>	<b>58.1</b>	<b>-685.6</b>	<b>-620.3</b>	<b>65.3</b>
<b>A. GOODS and SERVICES</b>	<b>-243.8</b>	<b>-187.5</b>	<b>56.3</b>	<b>-1253.1</b>	<b>-1362.9</b>	<b>-109.8</b>
<b>a. GOODS BALANCE</b>	<b>-272.0</b>	<b>-237.0</b>	<b>35.0</b>	<b>-1708.2</b>	<b>-1951.3</b>	<b>-243.1</b>
Exports (f.o.b.)	154.2	188.5	34.3	1103.3	1429.8	326.5
Imports (f.o.b.)	426.2	425.5	-0.7	2811.5	3381.1	569.6
<b>b. SERVICES BALANCE</b>	<b>28.2</b>	<b>49.5</b>	<b>21.3</b>	<b>455.1</b>	<b>588.4</b>	<b>133.3</b>
Transportation	-31.6	-32.3	-0.7	-170.9	-198.4	-27.5
Travel	95.0	121.2	26.2	913.7	1115.1	201.4
Other Services	-35.2	-39.4	-4.2	-287.7	-328.3	-40.6
<b>B. INCOME</b>	<b>-42.7</b>	<b>-53.5</b>	<b>-10.8</b>	<b>-471.4</b>	<b>-386.5</b>	<b>84.9</b>
Compensation of employees	12.7	7.3	-5.4	42.0	41.4	-0.6
Investment Income	-55.4	-60.8	-5.4	-513.4	-427.9	85.5
<b>C. CURRENT TRANSFERS</b>	<b>136.4</b>	<b>149.0</b>	<b>12.6</b>	<b>1038.9</b>	<b>1129.1</b>	<b>90.2</b>
Official	10.4	10.2	-0.2	96.5	88.9	-7.6
Private	126.0	138.8	12.8	942.4	1040.2	97.8
<b>2. CAPITAL &amp; FINANCIAL ACCOUNT</b>	<b>150.1</b>	<b>92.0</b>	<b>-58.1</b>	<b>685.6</b>	<b>620.3</b>	<b>-65.3</b>
<b>A. CAPITAL ACCOUNT</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>-2.4</b>	<b>1.1</b>	<b>3.5</b>
<b>a. Capital Transfers</b>	<b>-0.2</b>	<b>0.1</b>	<b>0.3</b>	<b>-2.4</b>	<b>1.1</b>	<b>3.5</b>
Official	0.0	0.1	0.1	0.3	3.6	3.3
Private	-0.2	0.0	0.2	-2.7	-2.5	0.2
<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>150.3</b>	<b>91.9</b>	<b>-58.4</b>	<b>688.0</b>	<b>619.2</b>	<b>-68.8</b>
Other official investment	74.0	43.8	-30.2	173.0	218.1	45.1
Other private investment 2/	44.6	175.9	131.3	774.0	529.5	-244.5
Reserves	31.7	-127.8		-259.0	-128.4	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA