

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

- *Provisional data for December 2006 show that there was a surplus on the current account of Jamaica's Balance of Payments. This surplus was due largely to a significant contraction in the deficit on the merchandise trade account which was complemented by increases in the surpluses on the services and current transfers accounts.*
- *In the financial account, net official capital inflows were insufficient to finance the deficit on the current account. In this context, the net international reserves (NIR) declined for the month.*
- *Influenced by higher deficits on the trade and income accounts, there was an expansion in the current account deficit for the period January to December 2006. 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 for the period.*

### **December 2006**

Provisional data indicate that the current account improved significantly in December 2006 to a surplus of US\$39.4 million, compared with a deficit of US\$22.9 million in December 2005 (see **Table**). **This improvement stemmed from strong growth in exports reflecting respective expansions of US\$23.4 million (64.8 per cent) and US\$12.4 million (14.6 per cent) in earnings from non-traditional exports (including waste & scrap metals and ethanol) and alumina exports.** Partly offsetting the growth in exports was an increase of US\$8.0 million in spending on imports. Expansions of US\$12.7 million, US\$9.9 million and US\$8.7 million in payments for fuel, manufactured goods and machinery and transport equipment were partially countered by declines of US\$14.8 million and US\$11.5 million in spending on chemicals and food imports.

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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)

There were increases in net inflows from travel and current transfers in the review month. The travel sub-sector benefited from an increase of 18.9 per cent in cruise visitor arrivals, while the higher surplus on the current transfers account stemmed from an increase of US\$11.5 million in net inflows to the private sector. Partly offsetting the impact of the improvement on the other sub-accounts was a higher deficit on the income account. This deterioration on the income account was due to an expansion in the imputed profit remittances of the direct investment companies.

Within the capital and financial accounts, net official investment inflows were insufficient to finance net private investment outflows and the deficit on the current account. As a result, the NIR of the Bank of Jamaica declined by US\$35.4 million for the month.

### **January – December 2006**

**For the period January – December 2006, the current account deficit was estimated at US\$1 096.9 million, which was US\$18.2 million higher than the deficit for the comparable period in 2005.** This deterioration was largely attributed to an increase in the deficit on the goods account, reflecting growth in imports of fuel, machinery & transportation equipment and chemicals. The effect of this expansion was partly offset by increased earnings from exports, particularly higher receipts from exports of refined fuel, waste & scrap metal and ethanol.

Partly offsetting the impact of the deterioration on the goods account were higher surpluses on the services and current transfers accounts. The higher surplus on the services account was influenced by respective increases of 17.7 per cent and 13.5 per cent in cruise passenger and stopover arrivals. This was supported by an average increase of 8.5 per cent in the estimated daily expenditure per stopover visitor. An expansion of 9.2 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\$230.1 million in the NIR over the period. At end-December 2006, the gross reserves stood at US\$2 399.2 million, representing 17.9 weeks of projected imports of goods and services.

**BALANCE OF PAYMENTS SUMMARY**

US\$MN

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	Dec 2005	Dec 2006	Change	Jan-Dec 2005	Jan-Dec 2006	Change
<b>1. CURRENT ACCOUNT</b>	<b>-22.9</b>	<b>39.4</b>	<b>62.3</b>	<b>-1078.7</b>	<b>-1096.9</b>	<b>-18.2</b>
<b>A. GOODS and SERVICES</b>	<b>-112.1</b>	<b>-58.9</b>	<b>-53.2</b>	<b>-1981.2</b>	<b>-2142.8</b>	<b>161.6</b>
<b>a. GOODS BALANCE</b>	<b>-212.9</b>	<b>-182.9</b>	<b>30.0</b>	<b>-2581.3</b>	<b>-2944.9</b>	<b>-363.6</b>
Exports (f.o.b.)	146.8	184.8	38.0	1664.3	2117.3	453.0
Imports (f.o.b.)	359.7	367.7	8.0	4245.6	5062.2	816.6
<b>b. SERVICES BALANCE</b>	<b>100.8</b>	<b>124.0</b>	<b>23.2</b>	<b>600.1</b>	<b>802.1</b>	<b>202.0</b>
Transportation	-17.4	-14.0	3.4	-273.8	-322.3	-48.4
Travel	162.9	187.1	24.2	1295.7	1613.4	317.7
Other Services	-44.7	-49.1	-4.4	-421.8	-489.1	-67.3
<b>B. INCOME</b>	<b>-74.1</b>	<b>-77.9</b>	<b>-3.8</b>	<b>-675.9</b>	<b>-680.7</b>	<b>-4.8</b>
Compensation of employees	6.0	9.2	3.2	88.5	101.0	12.5
Investment Income	-80.1	-87.1	-7.0	-764.4	-781.7	-17.3
<b>C. CURRENT TRANSFERS</b>	<b>163.3</b>	<b>176.3</b>	<b>13.0</b>	<b>1578.4</b>	<b>1726.5</b>	<b>148.1</b>
Official	11.6	13.0	1.4	137.0	130.1	-6.9
Private	151.7	163.2	11.5	1441.4	1596.4	155.0
<b>2. CAPITAL &amp; FINANCIAL ACCOUNT</b>	<b>22.9</b>	<b>-39.4</b>	<b>-62.3</b>	<b>1078.7</b>	<b>1096.9</b>	<b>18.2</b>
<b>A. CAPITAL ACCOUNT</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.6</b>	<b>-2.7</b>	<b>1.5</b>	<b>4.2</b>
<b>a. Capital Transfers</b>	<b>-0.1</b>	<b>0.5</b>	<b>0.6</b>	<b>-2.7</b>	<b>1.5</b>	<b>4.2</b>
Official	0.0	0.2	0.2	0.3	4.1	3.8
Private	-0.1	0.3	0.4	-3.0	-2.6	0.4
<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>23.0</b>	<b>-39.9</b>	<b>-62.9</b>	<b>1081.4</b>	<b>1095.5</b>	<b>14.1</b>
Other official investment	-13.2	33.3	46.5	396.6	578.0	181.4
Other private investment 2/	29.8	-108.6	-138.4	913.7	747.6	-166.1
Reserves	6.4	35.4		-228.9	-230.1	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA