BANK OF JAMAICA

News Release
23 June 2006

Jamaica Balance of Payments (February 2006)[1]

- *The Jamaican current account deficit deteriorated in February 2006 compared with February 2005, largely related to a worsening of the deficit on the merchandise trade account.*
- *In the capital and financial account, net inflows from private transactions were insufficient to offset net amortization of Government's external debt, as well as the deficits on the current and capital accounts. In this context, the net international reserves (NIR) declined for the month.*
- *Also influenced by an increase in the trade balance, the current account deficit for the period January to February 2006 expanded by US$26.1 million. All the other sub-accounts, however, recorded improvements.*
- *Net private investment inflows were insufficient to finance the deficits on the current and capital accounts for the review period, as well as official investment outflows, resulting in a decline of US$63.1 million in the NIR during the period.*

February 2006

The current account deficit widened by US$45.2 million in February 2006 vis-à-vis the deficit in February 2005 (see Table). **This deterioration stemmed primarily from an expansion in imports, particularly increases of US$39.9MN (62.4 per cent) and US$39.7 million (59.7 per cent) in payments for machinery & transport equipment and fuel, respectively.** The increase in fuel imports largely reflected a 28.3 per cent rise in the price of oil on the international market. **Partly offsetting the impact of the increased spending on imports were respective expansions of US$22.6 million and US$13.1 million in earnings from alumina and non-traditional exports.** Alumina exports reflected growth of 22.4 per cent and 12.3 per cent in volume and price, respectively.

There were also partial offsetting increases in net inflows from the travel sector and current transfers. **For the month, the travel sub-account reflected noteworthy growth of 12.0 per cent and 12.6 per cent in stopover and cruise arrival visitors, respectively**.

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

Within the capital and financial account, **net private investment inflows were insufficient to finance the public sector's net amortization of external debt, as well as the deficits on the current and capital accounts**. As a result, the NIR of the Bank of Jamaica declined by US$69.2 million for the month.

January – February 2006

For the period January – February 2006, the current account deficit was estimated at US$126.7 million, which was US$26.1 million higher than the deficit in 2005. **This deterioration was influenced primarily by an increase in the deficit on the goods account,** reflecting growth in imports of fuel and machinery and transport equipment. Partly offsetting the impact of the deterioration on the goods balance was a relatively strong improvement in the surplus on the services account. This was attributed to the expansion in earnings from the tourism industry.

Within the capital and financial account, net private investment inflows were insufficient to finance net official amortization as well as the deficits on the current and capital accounts. In this context, there was a decline of US$63.1 million in the NIR over the period. At end February 2006, the gross reserves stood at US$2 327.6 million, representing 17.7 weeks of projected imports of goods and services.

BALANCE OF PAYMENTS SUMMARY

US$MN

	Feb 2005	Feb 2006 1/	Change	Jan-Feb 2005	Jan-Feb 2006 1/	Change
1. CURRENT ACCOUNT	-18.2	-63.4	-45.2	-100.6	-126.7	-26.1
A. GOODS and SERVICES	-73.8	-117.9	-44.1	-226.9	-266.8	-39.9
a. GOODS BALANCE	-145.6	-194.2	-48.6	-361.4	-421.1	-59.7
Exports (f.o.b.)	129.4	168.0	38.6	248.0	311.8	63.8
Imports (f.o.b.)	275.0	362.2	87.2	609.4	732.9	123.5
b. SERVICES BALANCE	71.8	76.3	4.5	134.5	154.3	19.8
Transportation	-7.8	-15.2	-7.4	-22.4	-26.4	-4.0
Travel	109.4	127.7	18.3	218.4	250.6	32.2
Other Services	-29.8	-36.2	-6.4	-61.5	-69.9	-8.4
B. INCOME	-71.1	-77.6	-6.5	-128.1	-121.0	7.1
Compensation of employees	0.2	0.1	-0.1	3.1	3.7	0.6
Investment Income	-71.3	-77.7	-6.4	-131.2	-124.7	6.5
C. CURRENT TRANSFERS	126.7	132.1	5.4	254.4	261.1	6.7
Official	11.6	9.4	-2.2	23.4	18.5	-4.9
Private	115.1	122.7	7.6	231.0	242.6	11.6
2. CAPITAL & FINANCIAL ACCOUNT	18.2	63.4	45.2	100.6	126.7	26.1
A. CAPITAL ACCOUNT	-0.6	-1.5	-0.9	-1.8	-2.8	-1.0
a. Capital Transfers	-0.6	-1.5	-0.9	-1.8	-2.8	-1.0
Official	0.1	0.0	-0.1	0.1	0.0	-0.1
Private	-0.7	-1.5	-0.8	-1.9	-2.8	-0.9
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	18.8	64.9	46.1	102.4	129.5	27.1
Other official investment	20.8	-21.6	-42.4	3.8	-19.6	-23.4
Other private investment 2/	-18.5	17.3	1.0	71.2	86.0	14.8
Reserves	16.5	69.2		27.4	63.1	

1/ Provisional

2/ Includes errors & omissions

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