



News Release
20 August 2006

Jamaica Balance of Payments (March 2006)¹

- *Provisional data indicate that the Jamaican current account balance improved markedly in March 2006, largely related to a significant contraction in the deficit on the merchandise trade account. There was also an improvement in the services balance.*
- *In the capital and financial account, net inflows from private transactions were more than sufficient to offset net amortization of Government's external debt, as well as the deficit on the capital account. In this context, the net international reserves (NIR) increased 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 March 2006. All the other sub-accounts recorded improvements.*
- *Net private investment inflows were insufficient to cover the deficits on the current and capital accounts, as well as net official investment outflows. There was, consequently, a small decline in the NIR over the period.*

March 2006

Provisional data suggest that the current account improved significantly in March 2006 to a surplus of US\$14.4 million, compared with a deficit of US\$43.9 million in March 2005 (see Table). **This improvement stemmed primarily from strong growth in export earnings, reflecting respective expansions of US\$41.6 million and US\$25.0 million in non-traditional and major traditional exports.** Growth in the non-traditional category was mainly attributed to mineral fuels and chemicals. For major traditional exports, there was an increase in earnings from alumina exports reflecting growth of 12.4 per cent and 12.3 per cent in export volumes and price, respectively. There was also a supporting expansion in net inflows from the travel sector in the context of increases of 8.0 per cent and 2.6 per cent in stopover and cruise visitor arrivals, respectively.

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

There were partial offsetting increases in imports and the deficit on the income account. Expansions of US\$13.3 million and US\$8.4 million in payments for machinery & transportation equipment and fuel were mainly responsible for the growth in imports. The increase in the deficit on the income account was due to an expansion in imputed profit remittances of the direct investment companies.

Within the capital and financial accounts, **net private investment inflows were more than sufficient to finance the public sector's net amortization of external debt, as well as the deficit on the capital account.** As a result, the NIR of the Bank of Jamaica increased by US\$53.9 million for the month.

January – March 2006

For January – March 2006, the current account deficit was estimated at US\$218.1 million, which was US\$49.4 million higher than the deficit in 2005. **This deterioration was largely attributed to an increase in the deficit on the goods account,** reflecting growth in imports of fuel, and machinery & transportation equipment. The price of fuel grew by 27.3 per cent on the international market for the review period, while the purchase of a power barge in February largely accounted for the growth in imports of machinery and transportation equipment.

Partly offsetting the impact of the deterioration on the goods balance were strong improvements in the surpluses on the services and current transfers accounts. The higher surplus on the services account was attributed to the expansion in earnings from the tourism industry, driven by the growth in arrivals. The transfer account benefited from an increase in private remittances.

Within the capital and financial accounts, net private investment inflows were insufficient to finance the deficits on the current and capital accounts as well as to cover net amortization by the public sector. In this context, there was a small decline of US\$9.2 million in the NIR over the period. At end March 2006, the gross reserves stood at US\$2 373.0 million, representing 17.2 weeks of projected imports of goods and services.

BALANCE OF PAYMENTS SUMMARY

US\$MN

	1/			1/		
	Mar 2005	Mar 2006	Change	Jan-Mar 2005	Jan-Mar 2006	Change
1. CURRENT ACCOUNT	-43.9	14.4	58.3	-168.7	-218.1	-49.4
A. GOODS and SERVICES	-159.5	-89.1	70.4	-400.4	-459.9	-59.5
a. GOODS BALANCE	-240.8	-186.2	54.6	-601.2	-700.3	-99.1
Exports (f.o.b.)	132.2	203.3	71.1	381.2	518.1	136.9
Imports (f.o.b.)	373.0	389.5	16.5	982.4	1218.4	236.0
b. SERVICES BALANCE	81.3	97.1	15.8	200.8	240.4	39.6
Transportation	-13.8	-16.1	-2.3	-46.1	-60.1	-14.0
Travel	133.8	150.9	17.1	352.2	407.5	55.3
Other Services	-38.7	-37.7	1.0	-105.3	-107.0	-1.7
B. INCOME	-27.5	-38.8	-11.3	-164.1	-162.2	1.9
Compensation of employees	4.3	5.0	0.7	8.5	9.9	1.4
Investment Income	-31.8	-43.8	-12.0	-172.6	-172.1	0.5
C. CURRENT TRANSFERS	143.1	142.3	-0.8	395.8	404.0	8.2
Official	16.9	12.0	-4.9	42.4	35.7	-6.7
Private	126.2	130.3	4.1	353.4	368.3	14.9
2. CAPITAL & FINANCIAL ACCOUNT	43.9	-14.4	-58.3	168.7	218.1	49.4
A. CAPITAL ACCOUNT	-0.5	-0.4	0.1	-0.9	-1.8	-0.9
a. Capital Transfers	-0.5	-0.4	0.1	-0.9	-1.8	-0.9
Official	0.0	0.0	0.0	0.1	0.0	-0.1
Private	-0.5	-0.4	0.1	-1.0	-1.8	-0.8
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	44.4	-14.0	-58.4	169.6	219.9	50.3
Other official investment	9.6	-17.9	-27.5	13.4	-38.8	-52.2
Other private investment 2/	105.3	57.8	1.0	199.3	249.5	50.2
Reserves	-70.5	-53.9		-43.1	9.2	

1/ Provisional

2/ Includes errors & omissions