



BALANCE OF PAYMENTS OF JAMAICA 2005



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Five years BOP Series Based on the Fifth Edition

PREFACE

This report summarises the economic transactions between Jamaican residents and the rest of the world during 2005. It highlights the major macroeconomic developments in the global and domestic economy that affected the BOP during the review period. The presentation of the BOP accounts for 2005 conforms to the guidelines of the Fifth Manual published by the International Monetary Fund.

We are grateful to the members of the private sector for their cooperation in supplying data, responding to questionnaires and granting interviews, without which compilation of the accounts would be weakened. The Bank of Jamaica remains committed to its mandate of serving the Jamaican economy by, inter alia, the timely provision of economic information. We trust that this publication will continue to inform and educate. Comments are welcome at www.boj.org.jm.

OVERVIEW

The performance of the Jamaican balance of payments in 2005 reflected developments in the domestic and global economy. The current account deficit widened for the first time in two years, to US\$1 078.7 million (or 11.1 per cent of GDP), following a deficit of US\$509.4 million (or 5.8 per cent of GDP) in 2004. The deterioration of the external accounts was influenced primarily by higher commodity prices, in particular fuel prices. This worsening was, however, partially offset by significant increases in tourism receipts and remittance flows, reflective of, *inter-alia*, continued world output growth. Within the financial account, strong net private and official investment inflows were more than sufficient to finance the deficits on the current and capital accounts and contribute to an increase of US\$228.9 million in the net international reserves (NIR) of the Bank of Jamaica (BOJ).

Growth in world output decelerated in 2005 in the context of increases in oil prices. This was largely driven by a slowdown in economic activity among the major advanced economies, in particular the United States of America (US). Growth also slowed among the emerging market economies of the western hemisphere.

The rate of increase in energy and commodity prices accelerated during the review year. Higher prices in 2005, relative to 2004, were mainly evident for fuel oil, metals and beverages. Food prices however declined during the review period.

For the Jamaican economy, the pace of GDP expansion increased to 1.4 per cent in 2005, relative to 1.0 per cent in 2004, despite the impact of three hurricanes in the second half of the year. The economy strengthened in the context of continued buoyancy in foreign direct investments inflows. The primary impetus for growth emanated from Construction & Installation and the tourism industry.

There was a moderation in domestic inflation in 2005 to 12.9 per cent, relative to 13.7 per cent in 2004. The inflation rate for the year was influenced by adverse weather

conditions, including bush fires that affected agricultural supplies as well as increases in administered prices and taxation. The external influence on domestic prices emanated primarily from rising international oil prices.

PART I

INTERNATIONAL ECONOMIC DEVELOPMENTS

1.0 OVERVIEW

Growth in world output decelerated by 0.4 percentage point in 2005 to 4.9 per cent, in the context of the adverse impact on economic activity from high oil prices, natural disasters and geopolitical concerns. Growth among the developed economies provided less impetus to global expansion, relative to 2004. With the exception of Japan, there was a slowdown in economic activity among all the major advanced economies. Growth among the emerging market economies of the Western Hemisphere also moderated. In particular, Venezuela, Guyana and Ecuador reflected slower paces of economic expansion in a context of weak domestic demand and high oil prices.

Rising energy prices and accommodative monetary policy over the previous two years precipitated inflationary pressures among the developed economies in 2005. In this context, the authorities tightened monetary policy during the year, which precipitated increases in short-term interest rates. Long-term rates, however, remained stable in the context of the market's view of the low risk of acceleration in long-term inflation.

There was, however, a moderation in inflation among the developing economies in 2005, reflecting relatively more stable exchange rates, relative to the previous two years.

In the area of international trade negotiations, the sixth World Trade Organisation (WTO) Ministerial Conference in Hong Kong in December 2005 failed to reach a consensus on several issues of importance to CARICOM countries. Regionally, the negotiations towards the establishment of a CARIFORUM/European Union (EU) Economic Partnership Agreement forged ahead with the launching of the penultimate phase in September 2005. In addition, Venezuela and some CARICOM members signed a PetroCaribe Agreement, which facilitates the purchase of oil on preferential credit conditions.

1.1 OUTPUT, INFLATION & EMPLOYMENT

Advanced Economies

Output

After rebounding in 2004, growth in real GDP among the major advanced economies slowed by 0.6 percentage point to 2.6 per cent in 2005. This deceleration was experienced by all advanced economies, with the exception of Japan (see **Table 1**).

TABLE 1

ADVANCED ECONOMIES									
Real GDP, Consumer Prices, Unemployment Rates (Annual per cent change and per cent of labour force)									
	Real GDP			Consumer Prices			Unemployment Rates		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
Advanced Economies	1.9	3.2	2.6	1.8	2.0	2.3	6.6	6.3	6.0
United States	2.5	3.9	3.2	2.3	2.7	3.4	6.0	5.5	5.1
Japan	1.8	2.3	2.6	-0.3	0.0	-0.6	5.3	4.7	4.4
Euro area	0.8	2.1	1.3	2.1	2.1	2.2	8.7	8.9	8.6
Germany	-0.2	1.2	0.9	1.0	1.7	2.0	8.8	9.2	9.1
France	1.1	2.0	1.2	2.2	2.3	1.9	9.5	9.6	9.5
Italy	0.1	1.1	0.1	2.8	2.3	2.3	8.5	8.1	7.7
UK	2.7	3.3	1.9	1.4	1.3	2.0	5.0	4.8	4.8
Canada	1.8	3.3	2.9	2.7	1.8	2.2	7.6	7.2	6.8

Source: World Economic Outlook – September 2006

The US economy expanded by 3.2 per cent in 2005, a slower pace than was recorded in 2004. This deceleration was related to a fall in the growth of consumer spending, attributable in part to a falloff in auto sales, as buyer incentive programmes ended, as well as sharp increases in gasoline prices following the passage of Hurricane Katrina. There was also a moderation in the growth in investment spending in the context of an incipient slowdown in the rate of growth of residential investment as well as slower rate of build up of private inventories.

Growth among the economies of the Euro area weakened during 2005 to 1.3 per cent from 2.1 per cent in 2004. Investment spending benefited from relatively accommodative monetary policy as the European Central Bank (ECB) maintained its key policy rate at 2.0 per cent until December 2005. However, during the fourth quarter of the year, growth

faltered due to falling household consumption, especially in Germany and Italy, and weaker net exports. Underpinning this weakness in economic activity was an increase in oil prices.

Growth in the UK for 2005 was 1.9 per cent, which represented a slowdown of 1.4 percentage points, relative to 2004. This moderation reflected a decline of 1.9 per cent in the mining & quarrying and manufacturing sectors.

Economic growth in Canada of 2.9 per cent for the review year was fuelled by increases in private consumption, supported by rising employment and asset prices, as well as growth in business investment in the context of a pick-up in corporate profits. The Canadian economy also benefited from an improvement in its terms of trade due to higher energy and commodity prices. The growth rate for 2005, however, represented a marginal deceleration of 0.4 percentage point, relative to 2004.

Real output growth in Japan for 2005 was 2.6 per cent, up from 2.3 per cent in 2004. Growth in economic activity was driven primarily by strong demand from China as well as an expansion in domestic demand. The latter was underpinned by rising employment, buoyant corporate profits and a turnaround in bank credit growth.

Inflation

Inflation among the advanced economies, as measured by the annual point to point increase in consumer price indices (CPIs), was 2.3 per cent in 2005, compared with 2.0 per cent in 2004. With the exception of France and Japan, this acceleration was evident in all the economies. The increase in inflation reflected the impact of natural disasters on prices in some economies as well as increases in oil and other commodity prices (see **Table 1**).

For the US, inflation increased to 3.4 per cent for the year, relative to 2.7 per cent the previous year. The energy and transportation sub-indices of the US CPI recorded the most significant increases of 16.9 per cent and 6.6 per cent, respectively. Headline inflation reached a high of 4.7 per cent in September 2005, with the energy and transportation sub-indices increasing by 34.8 per cent and 14.5 per cent, respectively. However, there was little

pass-through of the fuel price-related shock to core inflation (as measured by changes in the CPI, less food and energy inflation), which remained moderate at 2.2 per cent. The containment of core inflation reflected the accelerated tightening of monetary policy by the US Federal Reserve during the year.

For the Euro area, while higher energy prices fostered a small increase in headline inflation to 2.2 per cent in 2005, core inflation remained subdued, largely reflective of low domestic demand and moderate growth in labour costs. For the UK and Canada, headline inflation accelerated by 0.8 percentage point and 0.4 percentage point to 2.0 per cent and 2.2 per cent, respectively, relative to 2004, also reflecting increases in energy, transportation and housing costs.

For Japan, consumer prices fell in 2005, following the stabilisation of 2004. The deflation was attributed to declines in the costs of recreation, food and furniture.

Unemployment

The unemployment rate among the advanced economies declined to 6.0 per cent at end 2005, relative to 6.3 per cent at end 2004. The most significant improvement in employment was noted in the US and Canada. For the US, the unemployment rate fell by 0.4 percentage point to 5.1 per cent, reflecting increased employment in the services sector. For Canada, the decline in unemployment to 6.8 per cent at end 2005, from 7.2 per cent at end 2004, reflected increased employment in construction, educational services and retail and wholesale trade.

Japan and the Euro area also recorded improvements in employment in 2005. In Japan, the unemployment rate fell to 4.4 per cent at end 2005, from 4.7 per cent at end 2004. This came as a result of increased employment in the real estate and health care services sectors. Unemployment in the Euro area declined marginally by 0.3 percentage point to 8.6 per cent at end 2005. Notwithstanding the improvement, the Euro area continued to record the highest rate of unemployment among the advanced economies (see **Table 1**).

Interest Rate and Exchange Rate Developments

Central banks, particularly among the developed economies, tightened monetary policy in response to inflationary pressures in 2005. For the advanced economies, the most notable increases in short-term interest rates were evident in the US and Canada (see **Table 2**). The US Federal Reserve increased the Federal Funds Rate eight times to 4.25 per cent at end 2005, from 2.25 per cent at end 2004. Short-term interest rates in the US private money markets consequently increased to an average of 3.2 per cent during the year, from an average of 1.4 per cent in 2004. For Canada, short-term interest rates increased by 0.5 percentage point, to an average of 2.7 per cent in 2005. This increase was associated with an increase in the Bank of Canada's key policy rate from 2.5 per cent to 3.25 per cent. There was, however, overall stability in long-term private money market rates among the major advanced economies in 2005, associated in part with investors' confidence in the ability of the central banks to contain long-term inflation.

TABLE 2

	ADVANCED ECONOMIES					
	Interest Rates (%)					
	Short-Term¹			Long – Term²		
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Advanced Economies	1.6	1.7	2.5	3.6	3.7	3.6
United States	1.0	1.4	3.2	4.0	4.3	4.3
Japan	0.0	0.0	0.0	1.0	1.5	1.4
Euro area	2.3	2.1	2.2	3.9	3.8	3.4
UK	3.7	4.6	4.7	4.5	4.8	4.3
Canada	2.9	2.2	2.7	4.8	4.6	4.1

Source: World Economic Outlook – September 2006

1. *Period averages. For the US, three month Treasury Bill yield; for Japan, three-month bond yield on repurchase agreement; for the Euro Area, a weighted average of the national three month money market interest rates and three-month EURIBOR; for the UK, three-month London inter-bank offered rate; for Canada, three month Treasury Bill yield.*
2. *Period averages. For the US, ten-year Bond yield; for Japan, ten-year bond yield; for Euro area, a weighted average of the national ten-year euro bond yield; for the UK, ten-year government bond yield; and for Canada, Government bond yields of ten years and above.*

The movement of the US dollar against the other major currencies during 2005 was mixed. During the year, the US dollar depreciated by 7.7 per cent and 0.8 per cent against the Canadian dollar and the Euro, respectively, reflecting the effects of widening US trade and fiscal deficits (see **Table 3**). In contrast, the Dollar gained against the Japanese Yen and the

British Pound by 1.8 per cent and 0.5 per cent, respectively. The appreciation of the US dollar against the Japanese currency largely reflected the policy of the Bank of Japan to maintain a depreciated currency, while, for the British Pound, the foreign exchange markets reacted to the relatively weak economic performance of that economy during the year.

TABLE 3

	ADVANCED ECONOMIES: EXCHANGE RATES				
	US Dollar Nominal Exchange Rates			Real Effective Exchange Rates¹	
	National Currency units per U.S. dollar			Annual per cent change	
	2004	2005	% change	2004	2005
Canadian Dollar	1.30	1.21	-7.69	4.88	5.79
Japanese Yen	108.10	110.00	1.76	-0.37	-6.38
Pound Sterling ²	1.83	1.82	-0.55	4.00	-0.81
Euro ²	1.24	1.25	0.81	5.11	-0.71

Source: World Economic Outlook, September 2006

1. *Defined as a ratio, in common currency, of the normalized unit labour costs in the manufacturing sector to the weighted average of those of its industrial country trading partners, using 1999-2001 trade weights.*

2. *Expressed in US dollars per unit of national currency.*

Developing Countries

Output

Despite slowing marginally, GDP growth for developing countries remained relatively high (see **Table 4**). With the exception of the Middle East and Asia, GDP growth for the various regions decelerated during 2005. Overall growth was driven by the impact of increases in oil export earnings.

Emerging Asia was a significant contributor to global growth. China continued to lead the region's growth rate, with real GDP expanding by 10.2 per cent in 2005, relative to 10.1 per cent in 2004. This performance was driven by significant growth in domestic demand, net exports and investment expenditure.

TABLE 4

DEVELOPING COUNTRIES: REGIONAL GROUPS						
Real GDP, Consumer Prices						
(Annual per cent change)						
	Real GDP			Consumer Prices		
	2003	2004	2005	2003	2004	2005
DEVELOPING COUNTRIES	6.7	7.7	7.4	5.8	5.6	5.3
Africa	4.6	5.5	5.4	10.7	8.0	8.5
Asia	8.4	8.8	9.0	2.5	4.1	3.5
Middle East	6.4	5.5	5.7	6.3	7.6	7.7
Western Hemisphere	2.2	5.7	4.3	10.5	6.5	6.3

Source: World Economic Outlook – September 2006.

Economic output in the developing countries of the Western Hemisphere increased by 4.3 per cent in 2005, relative to an increase of 5.7 per cent in 2004. This slowdown was in part associated with the performance of Brazil and Venezuela and Ecuador. The Latin American economies however benefited from strong global demand for primary commodities, in particular, fuel and metals. Significant improvement in growth was evident in the Dominican Republic, where consumption spending grew by double-digits in the wake of improved confidence following the financial sector crisis of 2003 (see **Table 5**).

With the exception of Guyana, the countries of CARICOM (Caribbean Community) generally recorded positive GDP growth in 2005 (see **Table 5**). Trinidad and Tobago recorded the highest growth rate among the countries of the region for the year, the result of expansion in the energy sector. Of note, the overall growth in the Eastern Caribbean Currency Union (ECCU) was driven by a 20.0 per cent expansion in the construction sector, partly due to preparations for Cricket World Cup 2007. Guyana registered a decline in GDP of 3.0 per cent in 2005, attributed mainly to a falloff in the production of sugar, rice, livestock and the mining of mineral ores such as bauxite and gold. Economic activity in Guyana was also adversely affected by unfavourable weather conditions and higher oil prices.

TABLE 5

SELECTED COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN				
Real GDP, Consumer Prices				
(Annual per cent change)				
Caribbean	REAL GDP		Consumer Prices	
	2004	2005	2004	2005
Antigua and Barbuda	5.2	3.0	1.3	1.2
Bahamas	3.0	3.5	0.9	2.2
Barbados	4.8	3.9	1.4	6.1
Belize	4.6	3.1	3.1	3.7
Grenada	-3.0	1.5	2.5	6
Guyana	1.6	-3.0	5.5	8.2
Jamaica	0.9	1.4	13.6	15.3
St. Kitts and Nevis	6.4	4.9	2.1	1.8
St. Lucia	4.0	5.1	1.5	3.0
St. Vincent and the Grenadines	4.3	4.9	3	2.6
Suriname	8.0	2.0	9.0	15.8
Trinidad and Tobago	6.5	7.0	5.6	6.9
Latin America				
Argentina	9.0	9.2	4.4	9.6
Bolivia	3.6	3.9	4.4	5.4
Brazil	4.9	2.3	6.6	6.9
Chile	6.1	6.3	1.1	3.1
Dominican Republic	2.0	9.0	51.5	4.2
Ecuador	6.9	3.3	2.7	2.4
El Salvador	1.5	2.8	5.4	4.0
Uruguay	12.3	6.0	7.6	5.9
Venezuela	17.9	9.3	21.7	15.9

Sources: World Economic Outlook – September 2006,
Caribbean Centre for Monetary Studies (CCMS), Report on the
Economic Performance and Convergence of the CARICOM Region 2006.

Inflation

Notwithstanding an increase in oil prices, the average inflation rate in developing countries continued on a downward trend in 2005. The average inflation rate for this group of countries in 2005 was 5.3 per cent, compared with 5.6 per cent in 2004. The most significant deceleration in inflation was experienced among the Asian economies. Average inflation for this group fell to 3.5 per cent in 2005, relative to 4.1 per cent in 2004, influenced by increased domestic agricultural supplies in South and East Asia.

For the Western Hemisphere region, the average inflation rate also fell to 6.3 per cent from 6.5 per cent in 2004. This lower inflation primarily resulted from lower price increases in the Dominican Republic and Venezuela, reflecting the success of these governments in stabilizing their exchange rates during 2005, following a period of accelerated depreciation since 2003.

The average inflation rate for the CARICOM region increased to 7.8 per cent in 2005, from 5.2 per cent in 2004. This was largely driven by increases in oil prices. A rapid expansion in aggregate demand in Trinidad and Tobago, increased house prices in The Bahamas and increases in administered prices in Belize, also contributed to the rise in inflation within the region.

Unemployment

Unemployment in the Middle East and Africa, estimated at end 2005 at 13.2 per cent and 9.7 per cent, respectively, continued to be of concern for governments in these regions. The unemployment rate for Latin America and the Caribbean rose by 0.3 percentage point to 7.7 per cent in 2005. In Asia, the unemployment rate remained at 4.9 per cent in 2005, similar to 2004.

For selected CARICOM countries, there was a slight fall in the unemployment rate in 2005, relative to 2004 (see **Table 6**). The average unemployment rate for selected countries declined marginally by 0.4 percentage point at end 2005 to 9.9 per cent. Generally, the non-tradable sectors, particularly construction, were the major sources of new jobs. The construction sector benefited from increased government capital expenditure, including activities related to the 2007 Cricket World Cup, and from increased private spending on residential and commercial infrastructure.

Barbados generated the most new jobs in 2005, which facilitated an improvement in the unemployment rate at the end of the year to 9.1 per cent, from 9.6 percent at end 2004. In the context of continued strong GDP growth, the unemployment rate in Trinidad and Tobago declined to 8.0 per cent. This reduction was reflective of increased employment in the

construction sector as the sector benefited from a major government housing development as well as strong private sector construction activities. The unemployment rate in Trinidad & Tobago in 2005 remained the lowest among the selected Caribbean countries.

TABLE 6

SELECTED COUNTRIES IN THE CARIBBEAN		
Unemployment Rate		
(Annual per cent change)		
Countries	Unemployment Rate	
	2004	2005
Bahamas	10.2	10.2
Barbados	9.6	9.1
Belize	11.6	11.0
Jamaica	11.7	11.3
Trinidad and Tobago	8.4	8.0

Source: CCMS Report on the Economic Performance and Convergence of the CARICOM Region 2006

1.2 COMMODITY PRICES

The IMF's index of primary commodity prices increased by 29.2 per cent in 2005, relative to 2004 (see **Table 7**). With the exception of the food sub-index, all the major sub-groups recorded significant increases for the year. The most significant increase was reflected in the energy sub-index, which rose by 38.7 per cent in 2005, relative to 2004.

The growth in fuel prices was, in part, attributed to a significant increase of 41.3 per cent in the price of petroleum. Oil prices were primarily influenced by concerns about supply shocks as well as general excess demand, reflecting strong growth in consumption by the US and China. In late August, the passage of Hurricane Katrina also forced the shutdown of several oil refineries in Louisiana, reducing refining capacity in that country by approximately 10.0 per cent and contributing to an increase in prices in September to a high of US\$65.60 per barrel.

The non-fuel commodity price index rose by 10.3 per cent, due primarily to higher metal and beverages prices. The metals sub-index increased by 26.4 per cent in 2005, reflecting the impact of robust demand due to increased construction activities and industrial production in China and the US. Within the metals sub-group, the price of aluminium increased by 10.6

per cent, reflecting the impact of higher energy prices on smelting activities in Western Europe and North America. In addition, the strong economic performance of China, the US, India and Russia fostered robust demand for the commodity, which served to bolster prices. The beverage sub-index recorded a significant increase of 21.0 per cent, attributed to weather-related supply disruptions in Vietnam which affected coffee prices.

TABLE 7

WORLD COMMODITY PRICES		
(Annual per cent change)		
	<u>2004</u>	<u>2005</u>
Terms of Trade		
Advanced Economies	-	-1.7
Developing countries	2.5	6.2
Fuel Exporters	11.3	25.2
Non-fuel exporters	-0.2	-0.1
All Primary Commodities	26.6	29.2
Non- fuel primary commodities ¹	18.5	10.3
Food	14.3	-0.4
Beverages	3.0	21.0
Agricultural raw materials	5.5	1.5
Metals	36.1	26.4
Energy	31.1	38.7
Petroleum ²	30.7	41.3
Natural Gas	11.1	42.0
Coal	98.1	-11.5
Memorandum		
Average oil spot price (in US\$/ barrel) ²	37.8	53.4

Source: IMF Primary Commodity Prices Indices

1. Weights based on 1995-97 average world export earnings

2. Average of U.K., Brent, Dubai and West Texas

Intermediate crude oil spot prices

A marginal decline of 0.4 per cent was recorded in the food index for 2005. The vegetable oil and protein meals sub-group recorded the most significant contraction, in part due to a fall of 19.3 per cent in soybean prices. The decline in the sub-index was, however, tempered by an increase of 20.4 per cent in sugar prices, reflecting the impact of reduced exports from Brazil and Europe. In the case of Brazil, the sugar cane crop was used in the production of ethanol, while European exports were reduced in the context of the reform of the EU's common agricultural policy, which fostered a decline beet sugar production.

1.3 INTERNATIONAL TOURISM

World tourist travel remained robust in 2005, despite the various negative events that affected the industry. Preliminary information from the World Tourism Organisation (WTO) suggests an increase of 5.5 per cent in international tourist arrivals in 2005 to a record 808.3 million (see **Table 8**). However, there was a slowdown in the rate of growth in the industry, relative to the 10.7 per cent expansion observed in 2004. Travel in 2005 was affected by various terrorist attacks in London, Turkey and Egypt as well as natural disasters, including the residual effects of the Indian Ocean Tsunami and an unusually active hurricane season. Notwithstanding these developments, the outturn for 2005 was still above the long-term average growth rate for the industry and reflected strong increases in arrivals to all regions, in particular Africa, Asia and the Pacific and the Middle East. There was, however, a slower rate of growth in visitor arrivals to Europe. The overall growth in travel was attributed to positive world economic growth.

The slowdown in the growth in visitor arrivals to Europe was influenced by weak demand driven by rising oil prices and higher interest rates. Growth was strongest in Northern Europe, driven primarily by an increase of 10.0 per cent in arrivals to the United Kingdom. The London bomb attacks appeared to have had little effect on foreign travel to that country.

Growth of 7.4 per cent in arrivals to Asia and the Pacific was recorded. This increase occurred despite the December 2004 Tsunami. Increased visitor arrivals to the region were largely confined to the northeast, in particular Taiwan, China and Japan, as the Tsunami largely affected the south. The rapid expansion and moderate liberalisation of the Chinese economy as well as strong private domestic demand in Japan contributed to the rise in visitor arrivals.

Growth in arrivals to the Americas was influenced by the Central and South American sub-regions, which rose by 14.4 per cent and 12.8 per cent, respectively. Increases of 4.1 per cent and 5.6 per cent in arrivals to North America and the Caribbean, respectively, were moderate relative to the rest of the region. This relatively poor performance was largely attributed to

the impact of a very active hurricane season. In addition, there was reduced consumer confidence in some of the major source markets, associated with the increase in energy prices and tighter monetary policy.

Visitor arrivals to Africa increased by 10.2 per cent in 2005, primarily reflecting a 13.1 per cent rise for the Sub-Saharan region with impressive increases being recorded for Kenya, Mozambique and the Islands of Seychelles and Mauritius. This outturn compared favourably with an average growth of 4.3 per cent in visitor arrivals to Africa during the previous four years. The acceleration in visitor arrivals to this region was attributed to the success of aggressive marketing campaigns in the emerging markets of the Far East, especially China, in view of the economic opportunities that these countries offer.

TABLE 8

WORLD TOURIST ARRIVALS				
(Millions)				
	2004	2005	Change	% Change
World	766.0	808.3	42.3	5.5
Europe	425.6	443.9	18.3	4.3
Americas	125.8	133.1	7.3	5.8
Asia & Pacific	145.4	156.2	10.8	7.4
Africa	33.3	36.7	3.4	10.2
Middle East	35.9	38.4	2.5	7.0

Source: World Tourism Organization (WTO)

Stopover Arrivals to the Caribbean

The Caribbean Tourist Organisation (CTO) estimates that stopover arrivals to selected Caribbean destinations grew by 3.6 per cent in 2005 (see **Table 9**), following an increase of 6.9 per cent in 2004. The growth in arrivals for the year was also below the long-term annual average rate of 3.8 per cent and was also lower than the average growth rate of 9.2 per cent for the other sub-regions of the Americas. Arrivals to Jamaica and the Bahamas grew at more modest rates. There were, however, notable increases in arrivals to Cuba, Dominican Republic and the U.S. Virgin Islands.

The countries contributing to the growth in arrivals to the Caribbean during 2005 included the US, Canada and Europe (see **Table 20**).

TABLE 9

STOPOVER VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2004	2005	% Change
Dominican Republic	3443	3691	7.2
Cancun (Mexico)	2331	2134	-8.4
Cuba	2049	2319	13.2
Bahamas	1450	1515	4.4
Jamaica	1415	1479	4.5
Puerto Rico	1412	1450	2.7
Aruba	728	733	0.6
US Virgin Islands	659	697	5.8
Barbados	552	548	-0.8
St Maarten	475	468	-1.5
TOTAL	14514	15032	3.6

Source: Caribbean Tourism Organization (CTO)

Cruise Arrivals to the Caribbean

Cruise arrivals to selected Caribbean countries declined marginally in 2005, relative to an increase of 13.0 per cent in 2004. Significant declines in arrivals were, however, recorded for Barbados, Belize and Puerto Rico, which had all posted strong growth in 2004. The largest increase, which was recorded by St. Maarten, was attributed to the upgrading of facilities for both cruise lines and passengers. Jamaica's performance was not significantly affected by the active hurricane season with arrivals rising by 3.3 per cent and exceeding the one million milestone for the third consecutive year.

An extremely active hurricane season in 2005, which resulted in the redeployment of scheduled calls to destinations outside of the region, was the major contributing factor to the decline in cruise ship passenger arrivals to these destinations. This followed three consecutive years of tourist diversion to the region due to political and terrorist instability in other areas. Growth in arrivals to the region may have also been hindered by the inability of some ports to accommodate larger vessels.

TABLE 10

CRUISE VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2004	2005	% Change
Bahamas	3360	3350	-0.3
Cozumel (Mexico)	1909	1992	4.4
US Virgin Islands	1965	1913	-2.7
Puerto Rico	1390	1315	-5.4
Cayman Islands	1693	1799	6.2
St. Maarten	1348	1488	10.4
Jamaica	1100	1136	3.3
Belize	851	800	-6.0
Barbados	721	564	-21.9
Aruba	576	553	-4.1
Total	14914	14910	-0.03

Source: Caribbean Tourism Organization (CTO)

1.4 TRADE RELATIONS

The most important trade-related arenas for Jamaica in 2005 continued to be discussions on the World Trade Organisation's (WTO) Doha Development Agenda and the Economic Partnership Agreement (EPA) between CARIFORUM countries and the European Union (EU)¹. In addition, further discussions took place on the establishment of the CARICOM Single Market and Economy (CSME). The signing of the PetroCaribe Agreement between selected CARICOM countries and Venezuela was a significant development in 2005.

World Trade Organisation

The Sixth WTO Ministerial Conference was held in Hong Kong over the period 13–18 December 2005. In contrast to the Cancún Ministerial Conference in September 2003 where there was a failure to reach agreement, the Hong Kong meeting resulted in consensus in a few high profile areas. Among the main outcomes of the meeting was a decision taken by the developed countries to eliminate export subsidies by 2013, a commitment to reduce agricultural subsidies and the adoption of a formula to guide the non-agricultural market access (NAMA) negotiations. However, little headway was made on several issues of importance to the CARICOM region including the designation of certain commodities as special products, the strengthening of the provisions on special and differential treatment and

¹ The CARIFORUM countries include the countries of CARICOM and the Dominican Republic.

the designation of a special group of countries as small and vulnerable states. There was also reluctance on the part of some developed countries to provide binding duty-free and quota-free concessions.

CARIFORUM/EU Negotiations

The third and penultimate phase of the Economic Partnership Agreement (EPA) negotiations between the EU and CARIFORUM states was launched on 30 September 2005 in St. Lucia². Issues related to market access for agricultural and non-agricultural goods, services and investment related matters are expected to be addressed in this phase.

The third phase of the EPA negotiations will also consider the EC policy on bananas and sugar. In 2005, the WTO, through a process of formal arbitration ruled that Europe's proposal to introduce a €30.00 per tonne levy on banana imports from non-ACP countries in January 2006 was in contravention of WTO trade principles. Latin American producers protested that they would lose market share in the EU at the proposed tariff and suggested a tariff of €75.00 per tonne. The EC subsequently proposed and implemented a new tariff rate of €176.00 per metric tonne. At the September 2005 launch of the third phase of the EPA, the EU expressed interest in working with CARIFORUM banana-supplying countries to obtain a fair and lasting solution.

With regard to sugar, the EU member states agreed on 22 November to reform the Common Market Organization for sugar. This reform included a reduction of 36.0 per cent in the price that the EU guarantees domestic sugar producers over four years, beginning in 2006/07. This would bring the price of the commodity closer to world market levels. It also included compensation to EU sugar beet farmers for 64.2 per cent of lost income through direct

² Preceded by an all-African Caribbean Pacific (ACP) phase, there are four phases guiding interchange between the EU and CARIFORUM states, namely: i) Initial Phase: Establishing the Priorities of EPA Negotiations (April 2004 to September 2004) - the objective of this phase was to establish an understanding of the fundamental concerns and interests of EPA negotiations for both CARIFORUM and the EU; ii) Second Phase: Convergence on strategic approach to CARIFORUM regional integration (September 2004 to September 2005) - the aim of EPA negotiations during this phase was to establish a common understanding on the priorities for support of Caribbean regional integration, and the targets to be attained by the time of the commencement of implementation on January 1, 2008 and beyond; iii) Third Phase: the current phase of negotiations, ending in December 2006; and, iv) Final Phase: Finalisation (January 2007 to mid-2007) - negotiations during this final phase should concentrate on consolidating the results of the negotiations and completing them.

payments, i.e., decoupled from production. The ACP states will continue to enjoy preferential access to the EU market, albeit at the diminished rate. To assist ACP states with the process of adjustment, the EU offered a €40.0 million assistance plan for sugar for 2006, with aid for future years to be negotiated.

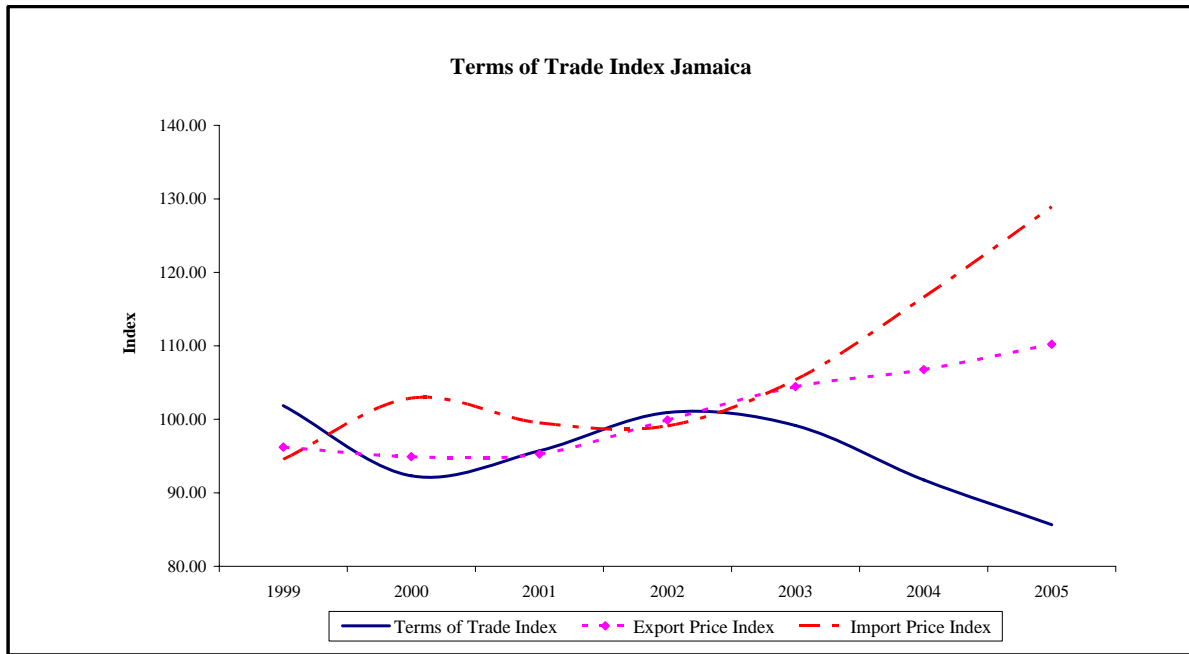
CARICOM/PetroCaribe Agreement

The PetroCaribe Agreement between Venezuela and 13 Caribbean island nations was signed on 29 June 2005 in Puerto la Cruz, Venezuela. As a replacement to the Caracas Agreement, the initiative facilitated the continued purchase of oil from Venezuela on preferential credit terms. It also allowed the beneficiaries to pay part of the cost of the oil with other products provided to Venezuela, such as bananas, rice, and sugar. The Agreement stipulated the formation of a fund geared towards the social and economic development of beneficiary Caribbean countries. It is anticipated that the fund will be financed from the savings that accrue to the individual countries. In addition to the Agreement, a bilateral Memorandum of Understanding (MOU) was signed by Venezuela and Jamaica. The only countries that have not signed the agreement are Barbados and Trinidad and Tobago.

1.5 IMPLICATIONS FOR JAMAICA

In the context of the foregoing, Jamaica's terms of trade index declined by 3.3 per cent in 2005, relative to 2004 (see Figure 1). The deterioration in the index was attributed to a 10.6 per cent increase in the import price index (IPI), which outweighed a 7.0 per cent increase in the export price index (EPI). The increase in the IPI was primarily the result of a 36.0 per cent increase in fuel prices, a 2.6 per cent increase in the price of non-fuel inputs and a 7.8 per cent increase in construction materials. In terms of the EPI, the growth in the index reflected increases in the price of sugar and alumina as well as the tourism implicit price index for Jamaica.

Figure 1



Despite the difficulties in reaching agreement at the multilateral level on some issues of importance to CARICOM states, Jamaica's bilateral trade agreements with the EU and Venezuela offered increased opportunities for Jamaica.

PART II

DOMESTIC MACROECONOMIC DEVELOPMENTS

2.0 OVERVIEW

The performance of the Jamaican economy in 2005 was positive. Economic growth strengthened as the economy continued to attract foreign direct investment and recover from past adverse weather conditions. Annual point to point inflation at December was 12.9 per cent, lower than the 13.7 per cent at December 2004. The overall performance of the economy was supported by the BOJ's and Government's commitment to economic stability, which bolstered consumer and business confidence in the economy.

2.1 OUTPUT & EMPLOYMENT

Gross Domestic Product

Real Gross Domestic Product (GDP) grew by 1.4 per cent during 2005, relative to growth of 1.0 per cent in 2004 (see **Table 11**). This represented the seventh consecutive year of economic growth. The economic expansion in 2005 occurred in spite of the impact of three hurricanes in the second half of the year. While only *Construction & Installation* and *Mining & Quarrying* grew within the goods producing sectors, all the sub-sectors within *services* recorded moderate growth. The primary impetus for growth in *services* emanated from *Miscellaneous Services*, in particular from the tourism industry. This was the second largest contributor to growth, next to *Construction & Installation*. The positive performance of the tourism industry occurred in the context of increased arrivals of visitors from the US, the main source market, as well as Canada.

Within the goods producing sectors, *Agriculture, Forestry & Fishing* contracted by 7.2 per cent. This reflected contractions of 37.6 per cent and 0.4 per cent in the domestic and export sub-sectors, and occurred in the context of unfavourable weather conditions throughout the year. The sector was affected by severe drought conditions in the first quarter, which was exacerbated by bushfires in St. Elizabeth, the main agriculture parish. This was followed by heavy rains in the second quarter and two hurricanes in the third quarter. These weather conditions significantly retarded the post-Hurricane Ivan recovery process that was anticipated in 2005.

TABLE 11

GROSS DOMESTIC PRODUCT		
(1996 Prices)		
Growth Rate by Sector (%)		
	2004	2005
GOODS	1.4	1.0
Agriculture, Forestry & Fishing	-8.7	-7.2
Mining & Quarrying	2.6	3.4
Manufacturing	2.7	-1.3
Construction & Installation	5.4	7.3
SERVICES	1.2	1.4
Basic Services	0.7	1.9
Electricity & Water	-0.1	4.1
Transport Storage & Communication	0.9	1.2
Other Services	1.3	1.3
Distributive Trade	1.3	1.1
Financing & Insurance Services	-0.7	0.4
Real Estate & Business Services	2.1	1.9
Producers of Government Services	0.2	0.3
Miscellaneous Services	4.1	3.0
Household & Private Non-Profit	0.3	0.4
IMPUTED SERVICE CHARGES	5.1	-1.2
TOTAL GDP	1.0	1.4

Mining & Quarrying expanded by 3.4 per cent in 2005, consistent with the average growth of 3.3 per cent for the previous four years. The growth primarily reflected increased bauxite production, as the growth in alumina production continued to be below the average recorded over the last three years. For the year, crude bauxite production expanded by 21.4 per cent, a normalisation over 2004, when output was affected by damage to the loading gantry at the bauxite company. Alumina production grew marginally by 1.6 per cent due partly to mechanical problems experienced by two alumina processing plants in the last quarter of the review year. Against this background, alumina exports grew by 3.6 per cent in 2005, relative to 4.8 per cent the previous year.

Manufacturing recorded a marginal decline of 1.3 per cent, relative to an expansion of 2.7 per cent in 2004. This contraction was due to declines in *food, beverages & tobacco*, which offset an expansion in *other manufacturing*. The performance of *food, beverages & tobacco* primarily reflected declines in sugar and tobacco production, the impact of which was partially offset by growth in food processing, non-alcoholic and alcoholic beverages. The reduction in the output of sugar was attributed to the fall in sugar cane reaped during the year while the closure of the sole cigarette factory contributed to the decline in tobacco production. Increased demands from new and existing markets, partly influenced by enhanced promotional activities, were the main impetus for the growth in alcoholic beverages. The positive performance of *other manufacturing* mainly reflected increased production in the non-metallic and chemical producing industries. The former reflected an increase of 4.5 per cent in cement production, stemming from reduced competition from imports, as well as growth in the domestic construction sector.

Construction & Installation grew by 7.3 per cent for 2005, relative to 5.4 per cent in 2004. This performance was influenced by an expansion in road and hotel construction as well as post hurricane reconstruction activity.

Unemployment

Consistent with the slight acceleration in growth, there was a marginal contraction of 0.4 percentage point in the unemployment rate to 11.3 per cent in 2005. Similarly, the job-seeking rate, which is the percentage of the labour force actively seeking work, was 5.4 per cent in 2005, a 0.6 percentage point decline compared to 2004.

Five sectors recorded increased employment, with the largest growth of 3.1 per cent and 2.7 per cent occurring in *transport, storage & communication* and *wholesale & hotels*, respectively. The increased employment in these sectors was consistent with the notable increase in the number of hotels being built, growth in the telecommunications market as well as expansion at the Island's ports.

2.2 RELATIVE PRICES, COMPETITIVENESS & MONETARY POLICY

The Real Effective Exchange Rate (REER) Index at end 2005 was higher by 7.3 per cent, relative to the index at end 2004. This was indicative of a worsening in Jamaica's competitiveness. The increase in the REER mainly reflected domestic inflation of 12.9 per cent, which outweighed the combined impact of inflation among Jamaica's major trading partners of 3.3 per cent, as well as the movements of the Jamaica Dollar and the currencies of Jamaica's major trading partners, relative to the US dollar. The average selling rate of the US dollar vis-à-vis Jamaica Dollar depreciated by 4.4 per cent for the year, while the currencies of Jamaica's main trading partners vis-à-vis the US dollar depreciated by an average of 2.6 per cent (see **International Economic Developments**).

Inflation in Jamaica was influenced by bushfires and adverse weather conditions that affected agricultural supplies. Additionally, waning supply from the cattle industry caused beef prices to rise by nearly 50.0 per cent. Administered price adjustments such as upward movements in the minimum wage and bus and taxi fares affected prices during the year. There were also increases in General Consumption Tax (GCT) and the Special Consumption Tax on tobacco products, the removal of zero-rated GCT status from a number of items as well as increased property taxes.

Continued increases in international oil prices were the primary international factor influencing local inflation in 2005. For the year, the average price of the benchmark West Texas Intermediate (WTI) crude oil rose by 36.2 per cent to US\$56.47 per barrel. The negative impact of this significant increase was noted in household and automotive fuels as well as utility rates. Electricity & water rates rose by approximately 14.2 per cent and 15.0 per cent, respectively.

Core inflation, however, remained stable at 5.2 per cent in 2005. This stability was achieved in a context of the relatively tight management of base money, in line with the programmed target. The monetary base declined by an average of 3.5 per cent over the first three quarters of the year and as a result, core inflation fell steadily towards the end of the year. For the

year, the monetary base expanded by 9.7 per cent, relative to 11.2 per cent in 2004, the major source of the growth being an increase of US\$298.3 million in the NIR.

The monetary policy stance throughout the year was partly conditioned by developments in the foreign exchange market. Following the stability that ensued in 2004, the foreign exchange market remained stable over the first half of 2005. This was evidenced by a marginal depreciation of 0.35 per cent in the Jamaica Dollar vis-à-vis the United States dollar for the period. Given instability in the second half of the year, the rate of depreciation in 2005 accelerated to 4.4 when compared to 1.6 per cent in 2004. The Jamaica Dollar also depreciated against the Canadian dollar but appreciated against the British Pound. In this context, the Central Bank reduced interest rates on three occasions as well as effected two reductions of the Special Deposit Requirement during the first half but discontinued its interest rate reductions over the second half.

Despite the instability in the foreign exchange market in the second half of 2005, overall economic confidence remained positive. This confidence was supported by the foreign direct investment (FDI) flows, a strong NIR position, expectations of accelerated economic growth and continued commitment to fiscal prudence despite various shocks. In that context, consumer confidence, as measured by the Jamaica Conference Board Business and Consumer Confidence Indices, showed an increase, relative to the previous year.

2.3 SUMMARY & OUTLOOK

Similar to 2004, the path of inflation was adversely affected by unfavourable weather conditions and other domestic and international exogenous shocks. These shocks also retarded the anticipated economic growth and hampered the post-Ivan recovery process. Nevertheless, there was a marginal acceleration in economic expansion of 1.4 per cent for 2005. Relatively tight demand management by the Central Bank resulted in a containment of core inflation inline with the previous year.

Continued economic expansion is projected for 2006 within the range of 2.5 per cent to 3.5 per cent. This will be led by services, in particular tourism, and recovery in the goods

producing sectors. Against this background, headline inflation is expected to continue to moderate to single digits, underpinned by stability in the foreign exchange market and a decline in core inflation. The major challenges to economic policy and risks to the outlook relate to the continued increases in oil prices and an unpredictable hurricane season.

PART III
THE BALANCE OF PAYMENTS

3.0 SUMMARY

Following improvements in 2003 and 2004, Jamaica's current account deficit widened to US\$1 078.7 million or 11.1 per cent of GDP in 2005 (see **Figure 2 and Table 12**). The deterioration in the current account balance reflected higher deficits on the goods and income accounts, partly offset by an expansion in net receipts on the services and current transfers accounts. The deterioration in the goods account was influenced primarily by increases in world commodity prices, in particular fuel. The current account deficit was more than financed by substantial net private and official investment inflows. Within this context, the NIR of the BOJ increased by US\$228.9 million in 2005.

Figure 2

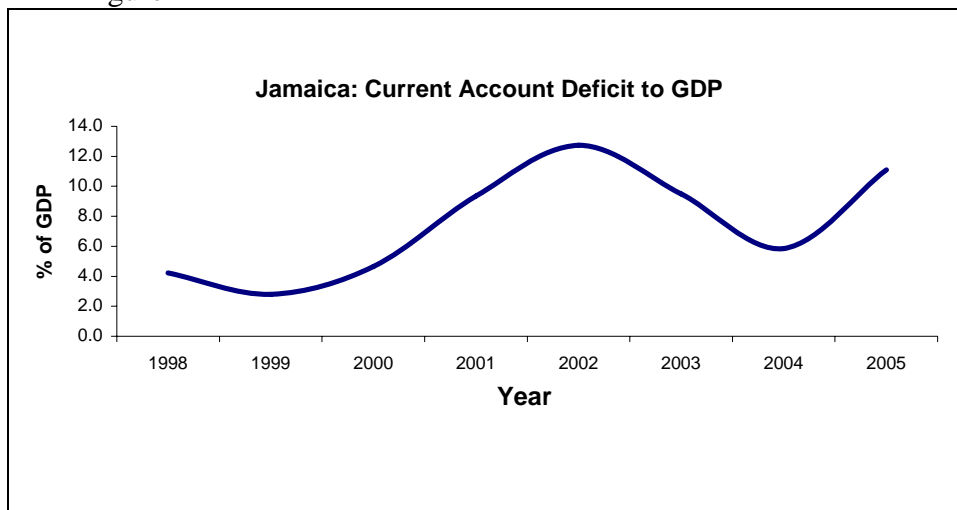


TABLE 12

SUMMARY OF BALANCE OF PAYMENTS			
(US\$M)			
	<u>2004</u> ^{1/}	<u>2005</u> ^{2/}	<u>Change</u>
CURRENT ACCOUNT	-509.4	-1078.7	-569.3
A. GOODS & SERVICES BALANCE	-1372.8	-1981.2	-608.4
a. GOODS BALANCE	-1944.5	-2581.3	-636.8
Exports (f.o.b.)	1601.6	1664.3	62.7
Imports (f.o.b.)	3546.1	4245.6	699.5
b. SERVICES BALANCE	571.7	600.1	28.4
Transportation	-150.3	-273.8	-123.5
Travel	1151.5	1295.7	144.2
Other Services	-429.5	-421.8	7.7
B. INCOME	-582.7	-675.9	-93.2
Compensation of employee	84.5	88.5	4.0
Investment income	-667.2	-764.4	-97.2
C. CURRENT TRANSFERS	1446.1	1578.4	132.3
Official	159.9	137.0	-22.9
Private	1286.2	1441.4	155.2
2. CAPITAL & FINANCIAL A/C	509.4	1078.7	569.3
A. CAPITAL ACCOUNT	2.2	-2.7	-4.9
a. Capital Transfers	2.2	-2.7	-4.9
Official	13.8	0.3	-13.5
Private	-11.6	-3.0	8.6
B. FINANCIAL ACCOUNT	507.2	1081.4	574.2
Other Official Investment	507.5	409.0	-98.5
Other Private Investments ^{3/}	693.3	901.3	208.0
Reserves	-693.6	-228.9	464.7

1/ Revised

2/ Provisional

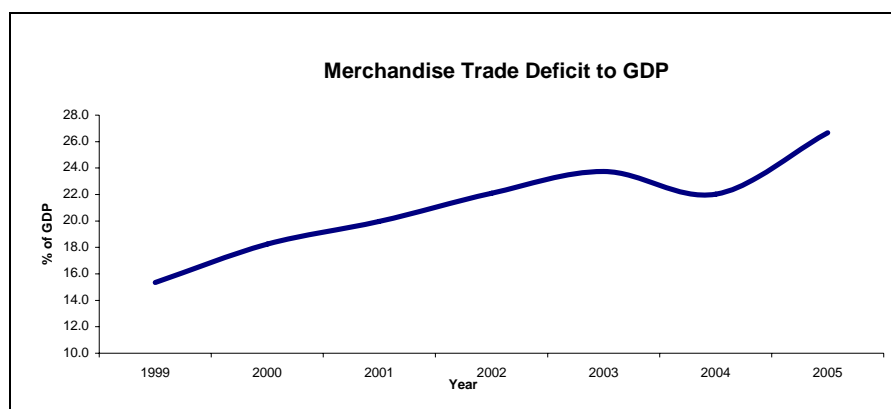
3/Includes errors and omissions

Source: Bank of Jamaica

3.1 MERCHANDISE TRADE

Jamaica's total merchandise trade (i.e. exports plus imports (f.o.b.)) increased by US\$762.2 million to US\$5 909.9 million (61.1 per cent of GDP) in 2005, relative to 2004 (see **Table IV, Appendix**). This was occasioned by an expansion of US\$636.8 million in the deficit on the goods account to US\$2 581.3 million or 26.6 per cent of GDP (see **Figure 3**). The growth in the trade deficit resulted from an increase of US\$699.5 million in imports (f.o.b.), marginally offset by an expansion of US\$62.7 million in exports.

Figure 3



Exports

Total earnings from goods exports were estimated at US\$1 664.3 million or 17.2 per cent of GDP for the review year (see **Table 13**). Earnings from *general merchandise exports* of US\$1 531.5 million continued to account for the largest share of total exports. *Free zone exports* and *goods procured in ports* by foreign carriers totalled US\$56.8 million and US\$76.0 million, respectively.

The increase in the value of exports was largely due to expansions in earnings from crude material, mineral fuels and beverages & tobacco exports. The growth in crude material exports reflected increased volumes as well as higher world prices for alumina. Similarly, the significant expansion in the value of mineral fuel exports was largely attributed to increases in the international price of fuel.

TABLE 13

VALUE OF EXPORTS (US\$M)				
	2004	2005	Change	% Change
SITC SECTIONS				
0. Food	247.7	193.5	-54.2	-21.9
Bananas	12.8	4.7	-8.1	-63.3
Citrus & citrus products	2.2	1.6	-0.6	-29.2
Sugar & sugar preparations	98.1	76.8	-21.3	-21.7
Other	134.6	144.6	10.0	7.5
1. Beverages & tobacco	61.7	78.9	17.2	27.9
Rum	28.5	34.3	5.8	20.2
Tobacco & tobacco products	12.1	12.2	0.1	0.8
Other	21.1	32.4	11.3	53.8
2. Crude materials	924.2	1039.8	115.6	12.5
Bauxite	80.4	98.8	18.4	22.9
Alumina	814.6	920.3	105.7	13.0
Other	29.2	20.8	-8.4	-28.9
3. Mineral fuels	33.6	111.4	77.8	231.5
4. Animal & vegetable oils & fats	0.1	0.1	0.0	19.0
5. Chemicals	77.2	57.2	-20.0	-25.9
6. Manufactured goods	13.9	11.0	-2.9	-20.6
7. Machinery & transport equipment	24.3	18.2	-6.1	-25.2
8. Misc. manufactured goods	21.8	21.3	-0.5	-2.1
9. Misc. commodities	0.0	0.0	0.0	0.0
A. TOTAL GENERAL EXPORTS	<u>1404.5</u>	<u>1531.5</u>	<u>127.0</u>	<u>9.0</u>
B. FREE ZONE EXPORTS	126.8	56.8	-70.0	-55.2
C. GOODS PROCURED IN PORTS	70.3	76.0	5.7	8.1
TOTAL EXPORTS (F.O.B.)	1601.6	1664.3	62.7	3.9

Source: Statistical Institute of Jamaica

Earnings from goods procured in Jamaican ports by foreign carriers increased in 2005, representing the third consecutive year of growth. The continued expansion in earning reflected increased activity at the Island's two international airports as well as the sea ports. *Free zone* exports, however, declined significantly by 55.2 per cent to US\$56.8 million. This contraction largely resulted from the closure of a large knitwear company at the Kingston free zone in January of the review year.

Major Traditional Exports

Earnings from major traditional exports increased by US\$94.7 million to US\$1 100.6 million in 2005, mainly reflecting higher earnings from bauxite and alumina exports, partly offset by reductions in receipts from sugar and banana exports (see **Table 14**). In the context of the

overall increase in earnings, the share of general merchandise exports attributed to major traditional exports increased to 92.6 per cent, relative to 85.7 per cent in 2004.

TABLE 14

MAJOR TRADITIONAL EXPORT COMMODITIES				
	2004^{1/}	2005^{2/}	Change	% Change
BAUXITE				
VOLUME ('000 tonnes)	3338.1	4058.7	720.6	21.6
VALUE (US\$M)	80.4	98.8	18.4	22.9
PRICE (US\$/tonne)	24.1	24.3	0.3	1.1
ALUMINA				
VOLUME ('000tonnes)	4021.1	4166.9	145.8	3.6
VALUE (US\$M)	814.6	920.3	105.7	13.0
PRICE (US\$/tonne)	202.7	220.9	18.2	9.0
SUGAR				
VOLUME ('000 tonnes)	157.2	112.9	-44.3	-28.2
VALUE (US\$M)	98.1	76.8	-21.3	-21.7
PRICE (US\$/tonne)	624.2	680.5	56.2	9.0
BANANA				
VOLUME ('000tonnes)	27.6	11.7	-15.9	-57.6
VALUE (US\$M)	12.8	4.7	-8.1	-63.3
PRICE (US\$/tonne)	463.6	400.7	-62.9	-13.6

1/ Revised

2/ Estimates

Bauxite & Alumina

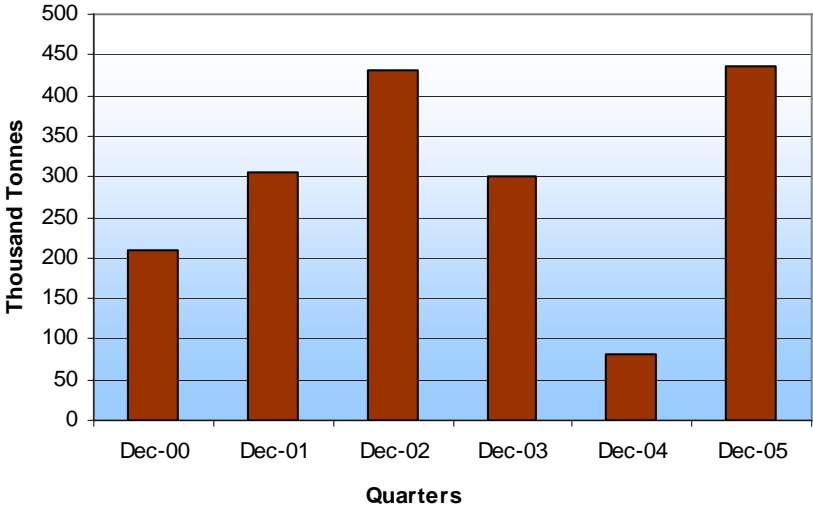
Earnings from bauxite exports in 2005 expanded by 22.9 per cent, largely attributed to a 21.6 per cent increase in export volumes to 4 058.7 thousand tonnes, the highest level since 2002. The average realized price (ARP) also increased, albeit marginally, by 1.1 per cent. The growth in volumes primarily reflected a normalization of production levels following repairs to a loading gantry at the St Ann Bauxite Company, which was damaged in the fourth quarter of 2004 (see **Figure 4**).

The higher receipts from the export of alumina during 2005 were attributed to respective increases of 9.0 per cent and 3.6 per cent in the ARP and the volume exported. Higher alumina prices in 2005 largely reflected robust demand for aluminium stemming from

buoyant world growth, particularly growth in China (see **International Economic Developments**).

The growth in the volume of alumina exports mainly reflected an increase in the capacity utilization rate for the industry, following weather-related disruptions in 2004. Export volumes were also influenced by a 400,000 tonne capacity expansion in the industry in 2004, which reflected a 250 000 tonne expansion at Jamalco and 150 000 tonne expansion at Alpart. The growth in exports occurred despite mechanical problems at some of the Island’s main refineries due to adverse weather in the last quarter of 2005.

Figure 4
December Quarter Bauxite Export (2000-2005)



Sugar

The value of sugar exports declined by 21.7 per cent in 2005, due primarily to a 28.2 per cent reduction in export volumes, relative to 2004. The decline in export volumes resulted from a deterioration in cane quality following the impact of adverse weather conditions early in the 2004/05 crop-year. This was evidenced by an increase in the tonnes cane to tonnes sugar (TC/TS) ratio from 10.87 in 2004 to 10.97 in 2005. The increase in the ARP partly reflected the appreciation in the value of the Euro vis-à-vis the US dollar during 2005 (see **International Economic Developments**). Higher prices also resulted from shortfalls in

world supply, largely due to unfavourable weather in India as well as strong demand for ethanol from Brazil, the world's principal producer of sugar.

Banana

Earnings from banana exports contracted by 63.3 per cent in 2005, relative to 2004. This was largely influenced by a cessation of exports over the first four months of the review year, following significant crop destruction caused by Hurricane Ivan in September 2004. Export volumes remained low for the remainder of the year as production was adversely affected by the passage of two hurricanes in July of the review year. The decline in earnings also stemmed from a 13.6 per cent fall in average price of bananas, largely reflecting a reduction in the quality of exports.

TABLE 15

OTHER DOMESTIC EXPORTS BY S.I.T.C.				
(US\$M)				
	2004	2005	Change	% Change
0. Food	134.3	193.1	58.8	43.8
Citrus & citrus products	2.2	1.6	-0.6	-29.2
Other	132.1	191.5	59.4	45.0
1. Beverages & Tobacco	61.5	78.8	17.3	28.2
Rum	28.5	34.3	5.8	20.2
Tobacco & tobacco products	12.1	12.2	0.1	0.8
Other	20.9	32.4	11.5	54.8
2. Crude Materials	29.2	18.6	-10.6	-36.3
3. Mineral Fuels	33.0	110.6	77.6	235.2
4. Animal & Vegetable Oils & Fats	0.1	0.1	0.0	18.0
5. Chemicals	75.3	54.8	-20.5	-27.3
6. Manufactured Goods	3.9	5.3	1.4	35.9
7. Machinery & Transport Equip.	2.0	0.8	-1.2	-59.4
8. Miscellaneous Manufactured Goods	18.3	18.4	0.1	0.4
9. Miscellaneous Commodities	0.0	0.0	0.0	0.0
TOTAL	357.6	480.5	122.9	34.4

Other Domestic Exports

Total earnings from *other domestic* exports expanded by 34.4 per cent in 2005 (see **Table 15**). Contributing to the outturn were higher earnings from mineral fuels and beverages & tobacco, which were partially offset by lower earnings from crude materials and chemical

exports. Lower earnings from crude material exports reflected a reduction in the volume of cut flowers and other exports.

Higher earnings from the export of *beverages and tobacco* reflected new marketing efforts by local producers as well as improved external demand for premium Jamaican rum and other beverages. The record growth in the value of mineral fuel exports was mainly due to the increase in the average price of oil in 2005, relative to 2004. Mineral fuel exports represent Petrojam's supply of petroleum products, including gasoline, to regional and international traders.

Imports

Total imports (c.i.f.) in 2005 amounted to US\$4 867.3 million (50.2 per cent of GDP). General merchandise imports continued to dominate Jamaica's import bill, accounting for 97.4 per cent of total imports in 2005, relative to 95.9 per cent in 2004. Goods procured in ports and free zone imports accounted for the remaining 3.6 per cent of total imports (see **Table 16**).

Imports in 2005 were 18.9 per cent higher than in 2004, due primarily to a 20.7 per cent (US\$812.2 million) increase in general merchandise imports. This was partly offset by the 71.0 percent (US\$38.0 million) decline in free zone imports. Growth in general merchandise imports principally reflected increases in mineral fuels, chemicals and food.

The continued growth in the value of mineral fuel imports mirrored the developments in the international oil market, with the average price per barrel of oil, as measured by the price of West Texas Intermediate crude, increasing by 36.2 per cent, relative to 2004. The expansion in the fuel bill was also influenced by the closure of the PETROJAM refinery for the first two quarters of the 2005 calendar year due to an explosion at the plant in October 2004. This necessitated the increased importation of relatively more expensive refined oil products.

TABLE 16

VALUE OF IMPORTS BY SITC (C.I.F.)				
(US\$M)				
	2004^{1/}	2005^{2/}	Change	% Change
TOTAL GENERAL IMPORTS	3927.2	4739.4	812.2	20.7
0. FOOD	527.3	602.9	75.6	14.3
1. BEVERAGE & TOBACCO	46.2	55.9	9.7	21.1
2. CRUDE MATERIALS	68.0	79.2	11.2	16.4
3. MINERAL FUELS	910.5	1360.1	449.6	49.4
4. ANIMAL & VEGETABLE OIL	32.4	27.7	-4.7	-14.6
5. CHEMICALS	403.2	555.3	152.1	37.7
6. MANUFACTURED GOODS	563.1	637.8	74.7	13.3
7. MACHINERY & TRANSPORT EQUIPMENT.	880.7	870	-10.7	-1.2
8. MISCELLANEOUS MANUFACTURED GOODS	426.4	477.2	50.8	11.9
9. MISCELLANEOUS COMMODITIES.	69.4	73.3	3.9	5.7
FREEZONE	53.6	15.5	-38.0	-71
GOODS PROCURED IN PORTS	112.3	112.3	0.0	0.0
TOTAL	4093.1	4867.3	774.2	18.9

1/ Revised

2/ Provisional

3.2 DIRECTION OF TRADE (GENERAL MERCHANDISE)

The US, Canada and the UK remained Jamaica's main trading partners in 2005. Trade with these countries was valued at US\$3 014.6 million or 48.1 per cent of total merchandise trade, compared with 47.4 per cent in 2004. These countries provided markets for US\$853.4 million or 55.7 per cent of Jamaica's total exports, while supplying US\$2 161.3 million or 45.6 per cent of its imports (see **Tables 17 to 19**).

The US maintained its position as Jamaica's largest trading partner during 2005, accounting for 37.2 per cent of total merchandise trade, compared with 35.8 per cent in 2004. Imports from the US, which included chemicals, manufactured goods, machinery & transport equipment and food, accounted for 40.9 per cent of general merchandise imports. On the other hand, exports to that market, comprising mainly bauxite, alumina and miscellaneous manufactured goods, accounted for 25.8 per cent of general merchandise exports.

General merchandise imports from the US, which rose by US\$333.5 million to US\$1 939.3 million in 2005, outstripped the US\$92.9 million increase in exports earnings from that

market. The growth in imports largely reflected the higher cost of processed fuel and other fuel related products, principally associated with rising fuel prices. In this context, Jamaica's general merchandise trade deficit with the US worsened by 18.5 per cent to US\$1 544.2 million in 2005, relative to the previous year.

Jamaica's trade surplus with Canada grew by 9.2 per cent, influenced primarily by a faster rate of increase in exports, relative to imports. Exports to Canada increased by 7.9 per cent to US\$295.0 million, while the value of imports rose by 5.7 per cent to US\$109.6 million. Notwithstanding these increases, the share of Jamaica's total merchandise trade with Canada declined to 6.5 per cent in 2005, from 6.7 per cent the previous year. Exports to this market include alumina, rum and food, while imports comprise mainly machinery & transport equipment, mineral fuels, chemicals and food.

TABLE 17

VALUE OF EXPORTS BY PRINCIPAL TRADING PARTNERS						
(US\$M)						
	2004	% of Total	2005	% of Total	Change	% Change
COUNTRY						
United States	302.1	19.2	395.1	25.8	93.0	30.8
Canada	273.5	17.4	295.0	19.3	21.5	7.9
European Union	304.7	19.4	294.1	19.2	-10.6	-3.5
United Kingdom	149.6	9.5	163.4	10.7	13.8	9.2
China	169.8	10.8	107.5	7.0	-62.3	-36.7
Caricom	51.9	3.3	50.0	3.3	-1.9	-3.7
Latin America	9.5	0.6	14.5	0.9	5.0	52.6
All other countries	313.1	19.9	211.9	13.8	-101.2	-32.3
TOTAL	1574.2	100.0	1531.5	100.0	-42.7	-2.7

TABLE 18

VALUE OF IMPORTS BY PRINCIPAL TRADING PARTNERS						
(US\$M)						
COUNTRY	2004	2004 % of Total	2005	% of Total	2005 Change	% Change
United States	1605.8	39.7	1939.3	40.9	333.5	20.8
Canada	103.7	2.6	109.6	2.3	5.9	5.7
European Union	223.7	5.5	282.2	6.0	58.5	26.2
United Kingdom	93.2	2.3	112.4	2.4	19.2	20.6
China	115.5	2.9	141.3	3.0	25.8	22.3
Caricom	562.7	13.9	752.2	15.9	189.5	33.7
Latin America	414.4	10.3	287.1	6.1	-127.3	-30.7
All Other Countries	923.6	22.8	1115.4	23.5	191.8	20.8
TOTAL	4042.6	100.0	4739.5	100.0	696.9	17.2

TABLE 19

TRADE BALANCE BY PRINCIPAL TRADING PARTNERS				
(US\$M)				
COUNTRY	2004	2005	Change	% Change
United States	-1303.7	-1544.2	-240.5	18.4
Canada	169.8	185.4	15.6	9.2
European Union	81.0	11.9	-69.1	-85.3
United Kingdom	56.4	51.0	-5.4	-9.6
China	54.3	-33.8	-88.1	-162.2
Caricom	-510.8	-702.2	-191.4	37.5
Latin America	-404.9	-272.6	132.3	-32.7
All Other Countries	-610.5	-903.5	-293.0	48.0
TOTAL	-2468.4	-3208.0	-739.6	30.0

Source: Statistical Institute of Jamaica

Despite robust growth in the values of both exports and imports, there was a marginal decline in the UK's share of Jamaica's merchandise trade to 4.4 per cent in 2005, from 4.6 per cent in 2004. General merchandise exports to the UK, comprising mainly sugar, banana and rum, increased by 9.3 per cent to US\$163.4 million, in contrast with a decline of 2.4 per cent in 2004. Imports from the UK, consisting mainly of machinery and transport equipment, expanded by 20.5 per cent to US\$112.4 million. Against the background of the relatively strong growth in imports, the trade surplus with the UK was reduced in 2005 by US\$5.3 million to US\$51.0 million.

For the EU, the trade surplus of US\$11.9 million in 2005 represented a decline of 85.2 per cent, relative to 2004. This deterioration was mainly attributed to a 26.1 per cent expansion in imports, while exports fell by 3.5 per cent. As a result, the share of total merchandise trade accounted for by the EU fell to 9.2 per cent in 2005 from 9.9 per cent in 2004.

Jamaica's merchandise trade balance with China worsened in 2005, moving to a deficit of US\$33.8 million from a surplus of US\$54.3 million a year earlier. This was influenced by an increase of US\$25.9 million in spending on imports, as well as a US\$62.3 million decline in export earnings. China accounted for 7.0 per cent of Jamaica's exports in 2005, relative to 10.8 per cent, while its share of imports rose marginally to 3.0 per cent in 2005 relative to 2.9 per cent in 2004. Exports to China consisted mainly of alumina and scrap metal, while imports included miscellaneous manufactured articles, manufactured goods and machinery & transport equipment.

Jamaica's trade deficit with Latin America declined by US\$132.4 million to US\$272.5 million in 2005, relative to 2004. Imports from Latin America declined by US\$127.4 million to US\$287.1 million in 2005, while exports rose by US\$5.0 million to US\$14.5 million. Jamaica imported fuel, vegetable oils, corned beef and electrical equipment from Latin America, while the country exported beverages, rum and other miscellaneous manufactured goods to countries in that region.

3.3 CARICOM TRADE

CARICOM's share of Jamaica's merchandise trade increased to 15.0 per cent in 2005 from 12.6 per cent in 2004. Contributing to this increase was a US\$189.5 million expansion in imports from the region, which was slightly offset by a US\$1.9 million decline in exports. These changes, however, resulted in a US\$191.4 million expansion in Jamaica's trade deficit with the region in 2005. The widening of the deficit was influenced primarily by increased imports from Trinidad and Tobago, which remained Jamaica's principal regional trading partner in 2005 (see **Table 20**). Imports from Trinidad accounted for 87.7 per cent of the Island's total imports from CARICOM, relative to 85.8 per cent in 2004.

TABLE 20

CARICOM TRADE (SELECTED COUNTRIES) (US\$M)						
COUNTRY	2004			2005		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
Antigua	3.4	0.0	3.4	3.5	0.1	3.4
Barbados	8.8	17.2	-8.5	10.0	18.0	-8.0
Belize	0.0	0.0	0.0	0.0	0.0	0.0
Dominica	2.0	8.2	-6.2	2.4	9.4	-7.0
Grenada	1.0	0.5	0.5	2.0	0.7	1.3
Guyana	0.0	0.0	0.0	0.0	0.0	0.0
Montserrat	0.1	0.1	0.0	0.1	0.0	0.1
St. Kitts	1.6	0.0	1.6	1.8	0.0	1.8
St. Lucia	3.1	0.6	2.5	4.1	0.6	3.5
St. Vincent	1.1	0.2	0.9	1.3	0.3	1.0
Suriname	0.0	0.0	0.0	0.0	0.0	0.0
Trinidad & Tobago	15.0	482.6	-467.6	17.6	660.5	-642.9
TOTAL	36.1	509.5	-473.4	42.9	689.6	-646.7

Source: Statistical Institute of Jamaica

3.4 SERVICES

Net earnings from services increased by 5.0 per cent to US\$600.2 million in 2005 (or 6.9 per cent of GDP) (see **Table 21**). The increase in earnings was attributed to an expansion of US\$144.1 million in net receipts from *travel*, which was complemented by a reduction of US\$7.9 million in net payments for *other services*. An increase of US\$123.5 million in net *transportation* payments partly offset the improvement in *travel* and *other services*.

TABLE 21

	SERVICES			
	(US\$M)			
	2004	2005	Change	% Change
Services Balance	571.7	600.2	28.5	5.0
Inflows	2297.1	2329.6	32.5	1.4
Outflows	1725.4	1729.4	4.0	0.2
Transportation	-150.3	-273.8	-123.5	82.2
Inflows	497.3	451.1	-46.2	-9.3
Outflows	647.6	724.9	77.3	11.9
Travel	1151.5	1295.6	144.1	12.5
Inflows	1437.9	1545.1	107.2	7.5
Outflows	286.4	249.5	-36.9	-12.9
Other Services	-429.5	-421.6	7.9	-1.8
Inflows	361.9	333.4	-28.5	-7.9
Outflows	791.4	755.0	-36.4	-4.6

Source: Bank of Jamaica

Transportation

The higher deficit on the transportation sub-account was attributed to growth of 28.8 per cent and 13.0 per cent in payments for freight and passenger services, respectively (see **Table 22**). The growth in freight charges reflected the expansion in overall imports.

There was also a fall in receipts from the sale of transportation services, which reflected the rationalisation of the operations of the national carrier, including a reduction in the number of service destinations. In contrast, receipts from freight, auxiliary and other support services, increased, relative to 2004. The growth in earning from freight occurred against the background of the expansion in exports.

TABLE 22

	TRANSPORTATION			
	(US\$M)			
	2004	2005	Change	% Change
TRANSPORTATION (NET)	-150.3	-273.8	-123.5	82.1
TOTAL RECEIPTS	497.3	451.1	-46.2	-9.3
Passenger Fares	295.2	237.8	-57.4	-19.4
Freight	7.6	14.6	7.0	92.3
Other	194.5	198.7	4.2	2.2
TOTAL PAYMENTS	647.6	724.9	77.4	11.9
Passenger Fares	31.7	40.8	9.1	28.8
Freight	506.2	572.1	65.8	13.0
Other	109.7	112.1	2.4	2.2

Source: Bank of Jamaica

Travel

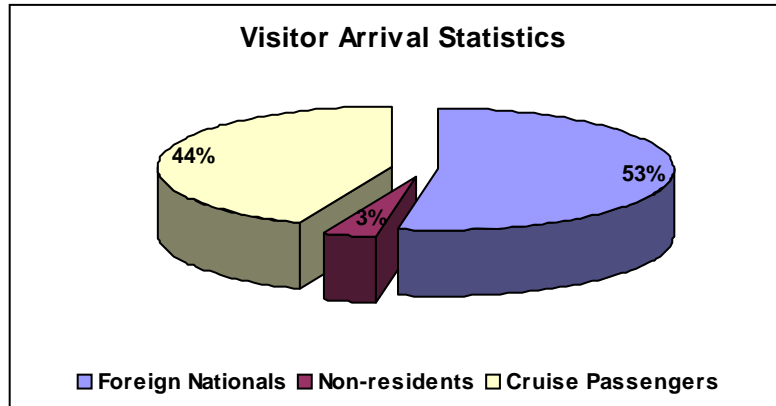
Net foreign exchange earnings from the tourism industry amounted to US\$1 295.6 million (13.4 per cent of GDP) in 2005, representing an increase of 12.5 per cent, relative to 2004. This performance was attributed to an increase in gross travel earnings, complemented by a reduction in gross payments (see **Table 21**).

The expansion in gross travel earnings in 2005 was largely influenced by respective increases of 4.5 per cent and 3.3 per cent in stopover and cruise passenger arrivals (see **Table 22**)³. There was also a marginal increase in the average daily spending of visitors, relative to 2004. Within the stopover category, arrivals of long-stay foreign nationals expanded by 7.0 per cent and accounted for 53.0 per cent of total visitor arrivals during the year (see **Figure 5**)⁴.

³ Visitor arrivals were at record levels for both stopover and cruise visitors in 2005.

⁴ Long-stay visitors represent visitors who stay over three nights while short-stay is used for visitors who spend between 1-3 nights.

Figure 5



The growth in tourist arrivals occurred in the context of an aggressive marketing campaign by the Jamaica Tourist Board (JTB), involving the sensitisation of 10,000 travel and reservation agents as well as tour operators in the US. While the industry was negatively affected towards the middle of the year by the early start of an active hurricane season, the diversion of visitors, particularly from Cozumel, Mexico in the last quarter of the year, was sufficient to outweigh the earlier dislocation. In addition, new airlift capacity provided by, among others, US Airways and Spirit Airlines, contributed to the growth in arrivals to the Island. In addition, United Airlines began non-stop flights from Washington D.C., American Airlines started daily service from Dallas, Texas, while there was an expansion in Air Jamaica's non-stop service to South Florida. Notwithstanding these developments, the rationalization of the operations of the national carrier affected arrivals from some destinations, while the room stock within the industry was temporarily affected by refurbishing work during the year.

TABLE 22

VISITOR ARRIVAL STATISTICS				
	2004	2005	Change	% Change
Total Stop-Overs	1414786	1478663	63877	4.5
Foreign Nationals	1326918	1386996	60078	4.5
Long-Stay	1253917	1341559	87642	7.0
Short-Stay	73001	45437	-27564	-37.8
Non-resident Jamaicans	87868	91667	3799	4.3
Cruise Passengers	1099773	1135843	36070	3.3
Armed Forces	2737	1407	-1330	-48.6
TOTAL VISITORS	2517296	2615913	98617	3.9

Source: Jamaica Tourist Board

Stopover Arrivals

Source Markets

The rate of growth in visitor arrivals from the US accelerated by 1.4 percentage points to 6.2 per cent in 2005, relative to 2004, to exceed one million visitors for the first time. In this context, the US remained the main market source for stopover tourists in 2005, accounting for 71.0 per cent of total stopover arrivals (see **Figure 6**). Other major source markets that recorded notable increases in stopover visitors were Canada and Europe (excluding Germany). Declines were recorded for Latin America, the U.K. and Japan (see **Table 23**).

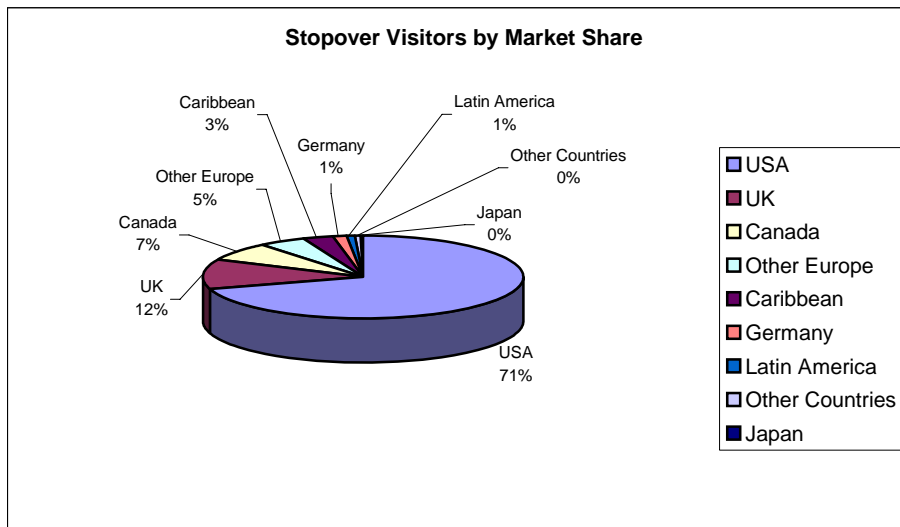
TABLE 23

STOPOVER ARRIVALS BY COUNTRY OF ORIGIN												
	Foreign Nationals				Non-Resident Jamaicans				Total Stopovers			
				%				%				%
	2004	2005	Change	Change	2004	2005	Change	Change	2004	2005	Change	Change
US	932784	990809	58025	6.2	63347	67508	4161	6.6	996131	1058317	62186	6.2
UK	153242	142643	-10599	-6.9	8364	7130	-1234	-14.8	161606	149773	-11833	-7.3
Canada	98972	110086	11114	11.2	6651	6776	125	1.9	105623	116862	11239	10.6
Other Europe*	62060	64000	1940	3.1	169	246	77	45.6	62229	64246	2017	3.2
Caribbean	40442	40526	84	0.2	9001	9713	712	7.9	49443	50239	796	1.6
Germany	18017	19774	1757	9.8	73	86	13	17.8	18090	19860	1770	9.8
Latin America	10491	8347	-2144	-20.4	149	81	-68	-45.6	10640	8428	-2212	-20.8
Other Countries	6505	6537	32	0.5	89	97	8	9.0	6594	6634	40	0.6
Japan	4405	4274	-131	-3.0	25	30	5	20.0	4430	4304	-126	-2.8
Total	1326918	1386996	60078	4.5	87868	91667	3799	4.3	1414786	1478663	63877	4.5

Source: Jamaica Tourist Board

* Excludes UK and Germany

Figure 6



Source: Jamaica Tourist Board

Growth in stopover visitor arrivals from the US primarily reflected respective expansions of 14.3 per cent and 10.2 per cent in arrivals from the southern region (Miami) and western region (Los Angeles). Modest increases of 5.0 per cent and 1.2 per cent were recorded from the Midwest and the Northeast regions of the country, respectively. The overall growth in visitor arrivals from the US largely reflected the promotional activities of the JTB and additional airlift.

Total stopover arrivals from the UK, Jamaica's second largest source market, declined by 7.3 per cent in 2005, relative to 2004⁵. This outcome was principally related to the decision by Air Jamaica to discontinue flights to Manchester as a part of its rationalization plans.

Influenced by respective increases of 38.3 per cent and 6.1 per cent in arrivals from Quebec and Ontario, overall visitor arrivals from the Canadian market expanded significantly by 10.6 per cent for the year. The performance in 2005 was driven by the aggressive promotional campaign by the Jamaica Tourist Board as well as an increase in charter services from major gateways.

⁵ An annual average growth rate of 4.6 per cent was recorded for the previous five years from this market.

Tourist arrivals from European countries, excluding the U.K. and Germany, rose by a modest 3.2 per cent in 2005, following a 10.7 per cent rise in 2004. Arrivals from this market grew by an average 6.7 per cent during the period 2001-2005. The slowdown in the rate of increase in visitor arrivals stemmed from a weakening in economic growth in the Euro area (see **International Economic Developments**).

Visitor arrivals from Latin America declined for the fifth consecutive year influenced by the Central American sub-region. With the exception of Belize, arrivals from all Central American countries, including Mexico, Panama and Costa Rica recorded declines. Inadequate airlift was largely responsible for the continued poor performance from this market. There was a slowdown in stopover arrivals from the Caribbean primarily attributed to the impact of the active hurricane season during the year. The Cayman Islands and Trinidad and Tobago were the major providers of visitors from the region, recording respective increases of 5.2 per cent and 3.5 per cent.

Seasonal Distribution

Notwithstanding the active hurricane season that resulted in a significant number of cancellations, visitor arrivals for the summer months (May to December) grew by 4.6 per cent in 2005, outstripping the 2.4 per cent rise recorded in 2004. Arrivals for the winter period (January to April) grew by 4.3 per cent, albeit at a slower pace when compared with the growth recorded for the similar period of the previous year (see **Table 24**). The increase in summer arrivals was attributed to the diversion of visitors from other destinations that were adversely affected by hurricanes, as well as increased accommodation and airlift during that period.

TABLE 24

	SEASONAL DISTRIBUTION OF STOPOVER VISITOR ARRIVALS					
	No. of visitors				% of total	
	2004	2005	Change	% Change	2004	2005
Winter	497186	518547	21361	4.3	35.1	35.1
Summer	917600	960116	42516	4.6	64.9	64.9
Total	1414786	1478663	63877	4.5	100.0	100

Source: Jamaica Tourist Board (JTB)

Visitor Accommodation & Length of Stay

During 2005, the number of available rooms went up by 4.4 per cent to 26 039, while the number of beds rose by 4.5 per cent to 53 930 (see **Table 25**). With the exception of Port Antonio, all resort areas showed increases in available rooms and beds. Increased visitor accommodation reflected the opening of two new hotels: the 850-room RIU III and 360-room Sandals Whitehouse in Ocho Rios and the South Coast, respectively. In addition, visitor accommodation in Ocho Rios was enhanced by the reopening of the Renaissance Jamaica Grande, which was closed for refurbishing following the passage of Hurricane Ivan and subsequently taken over by the Sunset Group of hotels and renamed the Sunset Jamaica Grande.

The average length of stay for foreign national visitors declined marginally to 9.8 days in 2005 from 9.9 days in 2004 (see **Table 26A**). This decline was due primarily to a fall-off in the length of stay of visitors from Canada and the U.K., and, possibly associated with the active hurricane season, occurred during the summer season. Despite the fall-off in the average length of stay per tourist, there was a 6.2 per cent increase in the number of foreign national visitors that stayed in hotel accommodations in 2005, relative to 2004. As a result, the average rate of hotel room occupancy moved to 61.9 per cent in 2005 from 61.4 per cent in 2004.

TABLE 25

VISITOR ACCOMMODATION STATISTICS				
(By Resort Area)				
	2004	2005	Change	% Change
No. of Rooms	24947	26039	1092	4.4
Kingston	2077	2085	8	0.4
Montego Bay	7944	7950	6	0.1
Ocho Rios	6712	7406	694	10.3
Negril	6414	6426	12	0.2
Port Antonio	986	967	-19	-1.9
South Coast	814	1205	391	48.0
No. of Beds	51614	53930	2316	4.5
Kingston	4142	4155	13	0.3
Montego Bay	16396	16434	38	0.2
Ocho Rios	14539	16014	1475	10.1

Negril	12981	13009	28	0.2
Port Antonio	1946	1928	-18	-0.9
South Coast	1610	2390	780	48.4

Source: Jamaica Tourist Board

TABLE 26A

AVERAGE LENGTH OF STAY By Country of Residence (Days)		
Country	2004	2005
US	8.3	8.5
Canada	12.9	11.8
UK	17.2	16.6
Europe	11.2	11.5
Latin America	8.2	9
Caribbean	10.2	9.1
Other Countries	11.7	13
TOTAL	9.9	9.8

Source: Jamaica Tourist Board

TABLE 26B

AVERAGE LENGTH OF STAY By Type of Accommodation				
	2004		2005	
	Foreign Nationals	Non Resident Jamaicans	Foreign Nationals	Non Resident Jamaicans
Hotel	6.5	13.4	6.9	8.6
Non-Hotel	9.3	18.0	9.3	13.7
Private Homes	20.0	28.3	18.1	20.2
Other	13.3	26.3	12.0	16.8
TOTAL	9.9	27.7	9.8	19.6

Source: Jamaica Tourist Board

Cruise Passengers

For the third consecutive year, cruise passenger arrivals to Jamaica in 2005 surpassed the one million mark (see **Table 22**). Cruise visitor arrivals increased by 3.3 per cent to 1 135 843 visitors for the year, influenced primarily by a 7.2 per cent expansion in the second half. Growth of 0.2 per cent was recorded in the first half of the year.

The growth in visitor arrivals was facilitated by the introduction of a number of larger ships as there was a 5.4 per cent decline in the number of calls to the Island. In 2005, 79 ships made 482 calls to the Island, relative to 120 ships making 510 calls in 2004. The decline in the number of ships was partly influenced by the diversion of a number of vessels to other destinations during the passage of Hurricanes Dennis and Emily in July. Increased competition from some destinations in the region, due to their proximity to the Gulf in the context of concerns about the cost of fuel, also contributed to the falloff in the number of ships to Jamaican ports.

Tourist Expenditure

Gross earnings from tourism expanded by US\$107.1 million in 2005 to US\$1 545.0 million (15.9 per cent of GDP), principally reflecting an increase of 7.6 per cent by foreign nationals (see **Table 27**).

TABLE 27

TOURIST EXPENDITURE				
(US\$M)				
	2004	2005	Change	% Change
Foreign National Stop-over Expenditure	1305.0	1404.0	99.0	7.6
Winter Expenditure	466.5	476.6	10.0	2.1
Summer Expenditure	838.5	927.5	89.0	10.6
Non-resident Jamaican Expenditure	41.7	44.9	3.2	7.6
Cruise passengers & Armed Forces	91.2	96.1	4.9	5.4
Total Expenditure	1437.9	1545.0	107.1	7.4
Less Jamaican Expenditure Overseas	241.1	207.9	-33.2	-13.8
Less Exp. of Resident Workers Overseas	45.3	41.6	-3.7	-8.3
Net Expenditure	1151.5	1295.6	144.0	12.5
Memo				
<i>Stopover visitor average daily expenditure</i>	102.0	103.5	1.5	1.5
<i>Cruise Passenger average daily expenditure</i>	84.0	85.2	1.2	1.4

Source: Jamaica Tourist Board

The average daily expenditure of foreign national tourists approximated US\$103.50, which represented an increase of 1.5 per cent, relative to 2004. The average daily spending by cruise passengers also increased during the review period.

With respect to payments, the expenditures of Jamaicans while overseas and spending by Jamaican seasonal workers overseas declined during 2005 (see **Table 27**). This reflected reductions in the number of seasonal workers travelling abroad in 2005, relative to the previous year, which may have been partly associated with Hurricane Katrina.

Other Services

The deficit on the *other services* account narrowed by US\$7.7 million to US\$421.8 million in 2005. This improvement stemmed from a decline of US\$36.3 million in gross payments, which was partly countered by a reduction of US\$28.6 million in gross receipts (see **Table 28**).

Lower gross payments for other services were principally influenced by a US\$57.9 million decline in payments for computer & information services. This was partially offset by higher spending on other business services. The fall in spending on computer and information services stemmed from the non-repetition of expenditure on software development for the telecommunication sector in 2004. Higher payments for other business services were attributed to a rise in commissions to the travel sector associated with the increased marketing activities of the JTB during the year.

With respect to receipts from the provision of other services to foreigners, lower inflows largely resulted from declines in communication and other businesses. An increase in earnings from financial services partly offset this decline. The fall in earnings from communication services was associated with the reduction in international call settlements, while lower receipts from leases at the ports influenced the contraction in other business services. Growth in receipts from financial services was attributed to higher income from fees earned by financial companies as well as commissions on remittances earned by Jamaican companies.

Table 28

	OTHER SERVICES (US\$M)			
	2004	2005	Change	% Change
OTHER SERVICES (NET)	-429.5	-421.8	7.7	
RECEIPTS	361.9	333.3	-28.6	-7.9
Insurance	9.1	14.2	5.1	56.0
Computer & information	33.1	34.5	1.4	4.2
Other	285.1	250.6	-34.5	-12.1
Government	34.6	34.1	-0.5	-1.4
PAYMENTS	791.4	755.1	-36.3	-4.6
Insurance	124.4	133.8	9.4	7.6
Computer & information	75.1	17.2	-57.9	-77.1
Other	543.7	557.6	13.9	2.6
Government	48.2	46.4	-1.8	-3.7

Source: Bank of Jamaica

3.5 INCOME

The deficit on the income account widened by US\$93.2 million, an increase of 16.0 per cent relative to 2004. This higher deficit reflected an expansion of US\$97.2 million in net investment income outflows, marginally offset by an increase of US\$4.1 million in net inflows from compensation of employees (see **Table 29**).

TABLE 29

	INCOME (US\$M)			
	2004	2005	Change	% Change
INCOME ACCOUNT (NET)	-582.5	-675.9	-93.2	16.0
INFLOWS	269.6	328.2	58.6	21.7
OUTFLOWS	852.1	1004.1	152.8	17.8
1. Compensation to Employees	84.5	88.5	4.1	4.7
Inflows	135.4	140.3	4.8	3.5
Outflows	50.9	51.8	0.8	1.6
2. Investment Income (net)	-667.0	-764.4	-97.2	14.6
 Inflows	134.2	187.9	53.8	40.1
Direct Investment	24.9	24.4	-0.5	-2.0
Portfolio Investment	35.9	56.3	20.4	56.7
Other Investment	73.3	107.2	33.9	46.2
Central Government	0.0	0.0	0.0	0.0
Bank of Jamaica	42.9	72.7	29.8	69.5
Other	30.4	34.5	4.1	13.5
 Outflows	801.1	952.3	151.0	18.8
Direct Investment	361.6	453.7	92.1	25.5
Portfolio Investment	18.6	35.2	16.6	89.2
Other Investment	421.0	463.4	42.3	10.0
Central Government	299.5	352.5	53.0	17.7
Bank of Jamaica	0.4	0.7	0.3	75.0
Government Guaranteed	1.8	17.6	15.8	877.8
Other	119.3	92.6	-26.8	-22.4

Source: Bank of Jamaica

The expansion in net investment income outflows was influenced primarily by respective increases of US\$92.1 million and US\$53.0 million in estimated profit remittances by the direct investment companies and Central Government's interest payments on its foreign debt. This was partially offset by growth of US\$29.8 million in interest income on the BOJ's foreign assets, due both to the increased level of reserves held by the Bank and a rise in external interest rates. Higher earnings from the export of bauxite and alumina drove the growth in profit remittances of the foreign direct investment companies in 2005, while the expansion in Central Government's interest payments reflected the increase in the external debt stock.

Total earnings by Jamaicans working abroad rose by US\$4.8 million in 2005, due primarily to an estimated increase in income by seasonal workers. Local entities had an increase in payments of US\$0.9 million to non-resident employees during the year.

3.6 CURRENT TRANSFERS

The current transfers balance grew by US\$132.2 million in 2005, relative to 2004 (see **Table 30**). Gross current transfer inflows increased by US\$43.3 million, while gross outflows declined by US\$88.9 million during the review period. The improvement in net current transfers reflected an expansion of inflows to the private sector, supported by a greater decline in outflows from the same sector.

Private remittance inflows increased by 3.8 per cent to US\$1 793.7 million (17.5 per cent of GDP) in 2005. There was, however, a slowdown in the rate of increase in inflows in the context of the non-repetition of reinsurance flows in the aftermath of Hurricane Ivan in 2004. The slowdown in inflow growth also coincided with the moderation in the pace of economic expansion in the US (see **International Economic Developments**). Private remittance outflows, however, declined by 20.4 per cent to \$352.3 million in 2005. This largely reflected normalization in outflows following significant growth in 2004. The growth in outflows in 2004 reflected an increase in reinsurance flows from Jamaica to clients in other Caribbean Islands who were affected by Hurricane Ivan.

Remittance companies continued to account for the major share of private transfer inflows in 2005. These agencies acted as a conduit for 53.6 per cent of total inflows in 2005, relative to 44.2 per cent in 2004. The share of inflows through the postal system remained at 0.07 per cent in 2005, relative to 2004. The respective shares of inflows through financial institutions and the other agencies, however, declined to 36.7 per cent and 9.6 per cent in 2005 from 40.6 per cent and 15.2 per cent in 2004.

TABLE 30

CURRENT TRANSFERS				
	(US\$M)			
	2004	2005	Change	% Change
NET CURRENT TRANSFERS	1446.1	1578.4	132.2	9.1
TOTAL RECEIPTS	1892.1	1935.5	43.3	2.3
GENERAL GOVERNMENT	163.5	141.8	-21.7	-13.3
OTHER SECTOR	1728.6	1793.7	65.0	3.8
Remittances thru' the postal system	1.2	1.2	0.0	2.1
Remittances thru' the financial system	701.2	658.1	-43.0	-6.1
Remittance companies	763.4	961.9	198.4	26.0
Other	262.8	172.4	-90.4	-34.4
TOTAL PAYMENTS	446.0	357.1	-88.9	-19.9
GENERAL GOVERNMENT	3.6	4.8	1.2	33.3
OTHER SECTOR	442.4	352.3	-90.1	-20.4
Remittances thru' the financial system	339.9	316.9	-23.0	-6.8
Other	102.4	35.3	-67.2	-65.6

Source: Bank of Jamaica

Gross current official transfer inflows fell by US\$21.7 million, mainly reflecting the non-receipt of expected grant flows. The reduction in inflows was also attributed to the normalization in grant receipts following the surge in flows in 2004 in the aftermath of Hurricane Ivan. Total official outflows increased by US\$1.2 million to US\$4.8 million, relative to the previous year.

3.7 CAPITAL AND FINANCIAL ACCOUNTS

Overview

The capital account recorded a deficit of US\$2.7 million in 2005, relative to a surplus of US\$2.2 million in 2004 (see **Table 31**). The financial account registered a surplus of US\$1 081.4 million, an increase of US\$574.2 million when compared with the previous year. Net private and official investment inflows of US\$901.3 million and US\$409.0 million, respectively, were more than sufficient to finance the deficits on the capital account and current accounts. As a result, there was a build up of US\$228.9 million in the net international reserves of the country.

Table 31

CAPITAL AND FINANCIAL ACCOUNT				
(US\$M)				
	2004	2005	Change	% Change
CAPITAL & FINANCIAL ACCOUNT (NET)	509.4	1078.7	569.3	111.8
A. CAPITAL ACCOUNT	2.2	-2.7	-4.9	-222.7
Capital Transfers	2.2	-2.7	-4.9	-222.7
General Government	13.8	0.3	-13.5	-97.8
Other Capital Transfers	-11.6	-3.0	8.6	-74.1
Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	507.2	1081.4	574.2	113.2
Other Official Investment	507.5	409.0	-98.5	-19.4
Other Private Investments 1/	693.3	901.3	208.0	30.0
Change in Reserves (increase = minus)	-693.6	-228.9	464.7	-67.0

1/ Include errors & omissions

Source: Bank of Jamaica

Capital Account

The deficit on the capital account mainly reflected a decline of US\$13.5 million in net official inflows, which was partly offset by a decline of US\$8.6 million in net outflows from the private sector. There were lower capital inflows to Central Government in 2005,

attributed to the decline in international assistance in the context of the recovery of the Island from the effects of Hurricane Ivan in 2004.

Financial Account

Within the financial account, net official investment inflows of US\$409.0 million were US\$98.5 million lower when compared to 2004. This decline was influenced primarily by an increase of US\$483.2 million in gross official investments outflows to US\$1033.7 million. These outflows included a maturing Eurobond of US\$250.0 million as well as payment on Air Jamaica's external debt, following the acquisition of the local carrier by the Government in the first quarter (see **Table 32**). Gross official investment inflows rose to US\$1 442.7 million in 2005 from US\$1 058.0 million in the previous year. The inflows for 2005 included two GOJ Eurobonds totalling US\$546.4 million as well as US\$325.0 million secured through the debt raising activities of Air Jamaica (see **Table 28**). The success of the government's debt raising efforts reflected improved confidence in the medium-term prospects for the Jamaican economy. Lower financing rates were obtained despite rising interest rates in the advanced economies.

TABLE 32

OTHER OFFICIAL INVESTMENT FLOWS				
	(US\$M)			
	2004^{1/}	2005^{2/}	Change	% Change
NET OFFICIAL INVESTMENTS	507.5	409.0	-98.5	-19.4
GROSS OFFICIAL INFLOWS	1058.0	1442.7	384.7	36.4
Multilateral Institutions	0.0	0.0	0.0	0.0
Project Loan	124.6	67.4	-57.2	-45.9
Other Assistance	933.4	1375.3	441.9	47.3
GROSS OFFICIAL OUTFLOWS	550.5	1033.7	483.2	87.8
Government Direct	481.4	498.1	16.8	3.5
Bank of Jamaica	1.1	386.4	385.3	35030.0
Other Official	68.0	149.1	81.1	119.3

Source: Bank of Jamaica

1/ Revised

2/ Provisional

Net private investment inflows (comprised primarily of FDIs and portfolio investment flows) expanded by 30.0 per cent to US\$901.3 million in 2005, relative to 2004. Gross FDI flows

expanded by US\$80.9 million to US\$682.5 million (7.0 per cent of GDP) in 2005, influenced primarily by investment in the information technology/communication, agricultural/manufacturing/distribution and mining sectors (see **Table 33**). The introduction of a new service provider for the communication sector accounted for the growth in that category, while the expansion at the Jamalco refinery was responsible for investment in the mining industry.

TABLE 33

FOREIGN DIRECT INVESTMENTS INFLOWS BY SECTOR				
SECTORS	(US\$M)			
	2004	2005	% Share	Change
Agricultural/Manufacturing/Distribution	43.5	118.9	17.4	75.4
Information Technology/Communication	17.9	55.0	8.1	37.1
Insurance	10.2	0.0	0.0	-10.2
Minerals & Chemicals	9.8	12.8	1.9	3.0
Mining	57.3	111.6	16.4	54.3
Tourism	114.6	106.7	15.6	-7.9
Other	170.2	75.9	11.1	-94.3
Sub-total	423.6	480.9	70.5	57.3
Retained Earnings	178.0	201.6	29.5	23.6
Divestment	0.0	0.0	0.0	0.0
TOTAL	601.6	682.5	100.0	80.9

Source: Bank of Jamaica

Net private investment inflows, combined with net official investment inflows, were more than sufficient to finance the deficits on the current and capital accounts. As a consequence, the net foreign assets of the country expanded by US\$289.8 million to US\$2 154.3 million at the end of 2005 (see **Table 34**). This build-up reflected an increase of US\$288.9 million in the country's gross assets, which was countered by an increase of US\$0.9 million in its liabilities. The value of Jamaica's gross assets at end December was US\$2 176.8 million, representing an estimated 27.0 weeks of goods imports or 19.0 weeks of imported goods and services.

TABLE 34

JAMAICA: GROSS AND NET FOREIGN ASSETS				
(As at 31 December)				
(US\$M)				
	2004 ^{1/}	2005 ^{2/}	Change	% Change
NET FOREIGN ASSETS	1864.5	2154.3	289.8	15.5
GROSS FOREIGN EXCHANGE ASSETS	1887.9	2176.8	288.9	15.3
Holdings of SDRs	0.1	0.0	-0.1	-100.0
Supplementary Fund	91.7	43.2	-48.5	-52.9
Other Bank of Jamaica	1790.2	2125.9	335.7	18.8
Central government	0.7	0.8	0.1	14.3
Other official institutions	5.2	6.9	1.7	32.7
(of which CDF)	1.4	1.4	0.0	0.0
(of which EDF)	3.8	5.5	1.7	44.7
GROSS FOREIGN LIABILITIES	23.4	22.5	-0.9	-3.8
IMF Liabilities	0.9	0.0	0.0	0.0
Iraq	22.5	22.5	0.0	0.0

Source: Bank of Jamaica

1/ Revised

2/ Provisional

3.8 BALANCE OF PAYMENTS OUTLOOK

Jamaica's current account balance in 2006 is likely to be affected by the continued expansion of the main sectors within the economy as well as developments in the international economic environment. World economic growth is expected to remain strong in 2006, despite a recent tightening of monetary policy among the more advanced economies and

higher world energy prices. This should result in further expansion in the exports sector through higher international commodity prices as well as continued strong growth in tourism.

The goods deficit is expected to widen in 2006. Imports are expected to grow at a faster pace, relative to exports, influenced by higher energy prices as well as the planned expansions in the mining, tourism and manufacturing sectors. Price increases in the international oil market are projected to continue during the year and this should result in further expansion in Jamaica's oil bill. Given the relatively strong outturn for world economic growth in 2005, higher oil prices are, however, not expected to seriously hamper world growth in 2006. In this context, the demand for alumina and bauxite should remain buoyant. The expectation of a further 150 000 tonne capacity upgrade at the Jamalco refinery during 2006 should also boost alumina exports during the year.

Export earnings by the sugar and banana industries are expected to be affected by the reforms to the current preferential agreements with the EU. With regard to sugar, EU member countries agreed in November 2005, to reduce the price of sugar by 36.0 per cent over four years ending in July 2009. This should, however, not significantly affect prices in 2006 as the proposed implementation date coincides with the end of the crop year. For banana, the WTO has proposed the introduction of a tariff-only system in place of the tariff rate quota system within the Cotonou Agreement implemented in January 2006.

The surplus on the services account is projected to continue to expand in 2006, driven primarily by increased visitor arrivals in the context of additional accommodation and airlift projected to come on stream during the year. Cruise visitor arrivals are also expected to remain buoyant due to projected growth in both the number of ships as well as the number of calls to the Island.

Continued expansions in private remittances are projected in 2006, influenced primarily by the expected growth in the world economy, particularly the US. The rate of growth of transfers should fall, however, given the high inflows experienced in 2004 and 2005 associated with the active hurricane seasons. Within the financial account, private capital

inflows should remain robust in the context of ongoing projects as well as commitments for new projects particularly in the tourism, mining and communication sectors. Foreign direct investment should remain strong, given the Government's commitment to fiscal discipline as well as the further development of the financial markets.

APPENDIX

STATISTICAL TABLES

FIVE-YEAR BOP SERIES BASED ON THE FIFTH EDITION

<u>Page</u>	<u>Table</u>	<u>Title</u>
	I.	Balance of Payments Summary (2001 - 2005)
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	VII.	Income Account (2001 - 2005)
	VIII.	Current Transfers Account (2001 - 2005)
	IX.	Capital and Financial Account (2001 – 2005)

TABLE I

BOP SUMMARY					
(US\$MN)					
				1/	2/
	2001	2002	2003	2004	2005
CURRENT ACCOUNT	-757.3	-1074.4	-772.6	-509.4	-1078.7
GOODS BALANCE	-1618.2	-1870.5	-1942.6	-1944.5	-2581.3
EXPORTS (f.o.b.)	1454.4	1309.1	1385.6	1601.6	1664.3
IMPORTS (f.o.b.)	3072.6	3179.6	3328.2	3546.1	4245.6
SERVICES BALANCE	383.1	314.7	552.3	571.7	600.1
TRANSPORTATION	-256.2	-245.6	-143.6	-150.3	-273.8
TRAVEL	1026.2	950.3	1102.7	1151.5	1295.7
OTHER SERVICES	-386.9	-390.0	-406.7	-429.5	-421.8
INCOME	-437.8	-605.5	-571.4	-582.7	-675.9
COMPENSATION OF EMPLOYEE	74.6	82.1	70.7	84.5	88.5
INVESTMENT INCOME	-512.4	-687.6	-642.1	-667.2	-764.4
CURRENT TRANSFERS	915.6	1086.9	1189.1	1446.1	1578.4
OFFICIAL	119.7	107.6	105.2	159.9	137.0
PRIVATE	795.9	979.3	1083.9	1286.2	1441.4
CAPITAL & FINANCIAL A/C	757.3	1074.4	772.6	509.4	1078.7
CAPITAL ACCOUNT	-23.6	-16.9	0.1	2.2	-2.7
CAPITAL TRANSFERS					
OFFICIAL	2.2	0.2	0.1	13.8	0.3
PRIVATE	-25.8	-17.1	-0.4	-11.6	-3.0
ACQ/DISP OF NON-PRO NON FIN ASSETS	0.0	0.0	0.4	0.0	0.0
FINANCIAL ACCOUNT	780.9	1091.3	772.5	507.2	1081.4
OTHER OFFICIAL INVESTMENT	626.3	101.1	-367.2	507.5	409.0
OTHER PRIVATE INVESTMENTS 1/	1025.9	746.4	707.6	693.3	901.3
RESERVES	-871.3	243.7	432.1	-693.6	-228.9

Source: Bank of Jamaica

TABLE II

BALANCE OF PAYMENTS STANDARD PRESENTATION (US\$MN)										
	2001		2002		2003 ^{1/}		2004 ^{2/}		2005	
	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr
		-757.3		-1074.4		-772.6		-509.4		-1078.7
I. CURRENT ACCOUNT	4661.8	5419.1	4780.0	5854.4	5265.0	6037.6	6060.4	6569.8	6257.4	7336.2
A. Goods & Services	3351.4	4586.5	3221.3	4777.1	3523.9	4914.2	3898.7	5271.5	3993.7	5975.0
1. Goods	1454.4	3072.6	1309.1	3179.6	1385.6	3328.2	1601.6	3546.1	1664.3	4245.6
1.1 General Merchandise	1223.1	2922.9	1117.3	3065.3	1195.9	3176.7	1404.5	3387.9	1531.5	4130.8
1.2 Goods procured in ports by carriers	35.4	36.2	29.1	35.7	48.0	72.3	70.3	101.9	76.0	101.7
1.3 Freezone Trade	195.9	113.6	162.7	78.6	141.7	79.2	126.8	56.0	56.8	13.1
2. Services										
2.1 Transportation	350.5	606.7	368.7	614.3	474.3	617.9	497.3	647.6	451.1	724.9
2.1.1 Passenger	261.6	20.9	272.8	15.8	266.2	17.4	295.2	31.7	237.8	40.8
2.1.2 Freight	6.9	457.3	6.9	473.7	3.6	467.1	7.6	506.2	14.6	572.1
2.1.3 Other	82.0	128.5	89.0	124.8	204.5	133.4	194.5	109.7	198.7	112.1
2.2 Travel	1232.2	206.0	1208.7	258.4	1355.1	252.4	1438.0	286.5	1545.0	249.3
2.3 Other Services										
2.3.1 Insurance Services	11.9	94.1	15.4	118.4	8.4	97.1	9.1	124.3	14.2	133.8
2.3.2 Communication Services	164.7	50.1	171.1	52.9	144.6	45.9	192.8	48.3	148.4	47.2
2.3.3 Financial Services	15.8	29.7	22.4	17.7	26.3	16.3	27.7	31.9	50.4	34.2
2.3.4 Computer & Information Services	36.6	13.8	34.1	11.6	36.0	20.4	33.1	75.0	34.5	17.2
2.3.5 Royalties & License Fees	5.9	38.3	6.1	32.1	12.0	10.8	9.7	9.0	12.5	11.0
2.3.6 Other Business Services	40.7	427.2	45.2	436.4	26.4	469.5	26.4	447.2	9.6	458.5
2.3.7 Personal, Cultural & Recreational Services	9.0	4.0	9.2	4.0	20.4	2.4	28.4	2.4	29.6	2.0
2.3.8 Government Services	29.7	34.0	31.3	45.8	34.8	48.4	34.6	48.1	34.1	46.4
2.3.9 Construction Services	0.0	10.0	0.0	5.9	0.0	4.8	0.0	4.7	0.0	4.8
B Income	218.2	656.0	220.8	826.3	217.6	789.0	269.6	852.3	328.2	1004.1
3. Compensation of employees	106.7	32.1	111.0	28.9	110.1	39.4	135.5	51.0	140.3	51.8
4. Investment Income	111.5	623.9	109.8	797.4	107.5	749.6	134.1	801.3	187.9	952.3
C. Current Transfers	1092.2	176.6	1337.9	251.0	1523.5	334.4	1892.1	446.0	1935.5	357.1
5. Official	126.3	6.6	115.1	7.5	110.0	4.8	163.5	3.6	141.8	4.8
6. Private	965.9	170.0	1222.8	243.5	1413.5	329.6	1728.6	442.4	1793.7	352.3
2. CAPITAL & FINANCIAL ACCOUNT	3693.8	2921.2	3400.5	2265.1	3562.0	2816.3	3983.8	3459.4	4762.2	3729.8
D. Capital Account	13.9	37.5	18.9	35.8	19.3	19.2	35.8	33.6	22.5	25.2
7. Government capital transfers	2.2	0.0	0.2	0.0	0.5	0.0	13.8	0.0	0.3	0.0
8. Other sectors transfers	11.7	37.5	18.7	35.8	18.8	19.2	22.0	33.6	22.2	25.2
E. Financial Account	3679.9	2883.7	3381.6	2229.3	3542.7	2797.1	3948.0	3425.8	4739.7	3704.6
9. Direct Investment	613.9	89.0	478.8	73.9	720.7	116.3	601.6	60.0	682.5	101.0
10. Other Investment	3066.0	1929.1	2642.6	2138.9	2375.2	2666.1	3346.4	2672.2	4057.2	3374.7
10.1 Trade credits	379.8	422.7	392.5	384.4	108.0	97.5	99.3	119.1	165.8	149.6
10.2 Loans	1437.1	687.3	958.3	854.2	654.2	714.1	1556.5	810.5	1750.7	1217.1
10.2.1 Government	950.3	295.6	563.9	482.3	117.4	479.7	961.6	481.4	614.2	498.1
10.2.2 Other sectors	486.8	391.7	394.4	371.9	536.8	234.4	594.9	329.1	1136.5	719.0
10.3 Currency & Deposits	1089.8	778.4	1071.2	547.9	735.8	748.1	408.4	608.1	810.6	599.9

10.4 Other Assets	159.3	40.7	220.6	352.4	877.2	1106.4	1282.2	1134.5	1330.1	1408.1
11. Reserves	0.0	865.6	260.2	16.5	446.8	14.7	0.0	693.6	0.0	228.9
11.1 Liabilities	0.0	20.2	0.0	16.5	0.0	14.7	0.0	8.0	0.0	0.9
11.2 Assets	0.0	845.4	260.2	0.0	446.8	0.0	0.0	685.6	0.0	228.0
11.2.2 Special drawing rights	0.0	1.4	0.8	0.0	0.6	0.0	0.0	0.0	0.0	0.0
11.2.4 Bank of Jamaica	0.0	844.0	259.4	0.0	446.2	0.0	0.0	685.6	0.0	228.0
F. Net errors & omissions	0.0	14.2	0.0	60.1	27.9	0.0	0.0	13.8	46.3	0.0

TABLE III

BALANCE OF PAYMENTS ANALYTIC SUMMARY					
((US\$MN))					
	2001	2002	2003	2004	2005
Balance of Trade	-1618.2	-1870.5	-1942.6	-1944.5	-2581.3
Services	383.1	314.7	552.3	571.7	600.1
Net Goods & Services	-1235.1	-1555.8	-1390.3	-1372.8	-1981.2
Income	-437.8	-605.5	-571.4	-582.7	-675.9
Private Current Transfers (net)	795.9	979.3	1083.9	1286.2	1441.4
Official Current Transfers (net)	119.7	107.6	105.2	159.9	137.0
Capital Transfers	-23.6	-16.9	0.1	2.2	-2.7
Financial Account	780.9	1091.3	772.5	507.2	1081.4
Net Errors & Omissions	-8.4	-60.1	27.9	-13.8	46.3

Source: Bank of Jamaica

TABLE IV

SELECTED BALANCE OF PAYMENTS INDICATORS					
	2001	2002	2003	2004	2005
Current Account/GDP	-9.3	-12.7	-9.5	-5.8	-11.1
NIR	1840.7	1597.0	1165.0	1858.6	2146.6
Gross Reserves	1903.3	1643.1	1196.4	1882.0	2169.1
Gross Foreign Liabilities	62.6	46.1	31.4	23.4	22.5
Gross Reserves in Wks of Imports of Goods & Services	12.7	10.7	7.5	11.1	11.0
Goods Imports/GDP	37.9	37.6	40.8	40.3	43.9
Goods & Services Imports/GDP	56.6	56.5	60.2	59.9	61.7
Goods Exports/GDP	18.0	15.5	17.0	18.2	17.2
Goods & Services Exports/GDP	41.4	38.1	43.2	44.3	41.3
Merchandise Trade/GDP	55.9	53.1	57.7	58.5	61.1
FDI/GDP	12.7	8.8	8.7	7.9	9.3
Debt Service/Exports	43.6	61.0	58.7	49.7	54.3
Private Remittances/GDP	11.9	14.5	17.3	19.6	18.5

Source: Bank of Jamaica

TABLE V

SERVICES ACCOUNT (US\$MN)						
	<u>1994</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Services (Net)	524.9	383.1	314.7	552.3	571.7	600.1
Inflows	1480.2	1897.0	1912.2	2138.3	2297.2	2329.4
Outflows	955.3	1513.9	1597.5	1586.0	1725.5	1729.3
1. Transportation	-196.2	-256.2	-245.6	-143.6	-150.3	-273.8
Inflows	215.8	350.5	368.7	474.3	497.3	451.1
Outflows	412.0	606.7	614.3	617.9	647.6	724.9
2. Travel	889.5	1026.2	950.3	1102.7	1151.5	1295.7
Inflows	970.4	1232.2	1208.7	1355.1	1438.0	1545.0
Outflows	80.9	206.0	258.4	252.4	286.5	249.3
3. Other Services	-168.4	-386.9	-390.0	-406.7	-429.5	-421.8
Inflows	294.0	314.3	334.8	308.9	361.9	333.3
Outflows	462.4	701.2	724.8	715.6	791.4	755.1

Source: Bank of Jamaica

TABLE VI

	OTHER SERVICES (US\$MN)				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Inflows	314.3	334.8	308.9	361.9	333.3
Construction Services	0.0	0.0	0.0	0.0	0.0
Communication Services	164.7	171.1	144.6	192.8	148.4
Insurance Services	11.9	15.4	8.4	9.1	14.2
Financial Services	15.8	22.4	26.3	27.7	50.4
Computer & Information Services	36.6	34.1	36.0	33.1	34.5
Royalties & license fees	5.9	6.1	12.0	9.7	12.5
Other Business Services	40.7	45.2	26.4	26.4	9.6
Personal, cultural & recreational services	9.0	9.2	20.4	28.4	29.6
Government Services	29.7	31.3	34.8	34.6	34.1
Outflows	701.2	724.8	715.6	791.4	755.1
Construction Services	10.0	5.9	4.8	4.8	4.8
Communication Services	50.1	52.9	45.9	48.4	47.2
Insurance Services	94.1	118.4	97.1	124.4	133.8
Financial Services	29.7	17.7	16.3	32.0	34.2
Computer & Information Services	13.8	11.6	20.4	75.1	17.2
Royalties & license fees	38.3	32.1	10.8	9.1	11.0
Other Business Services	427.2	436.4	469.5	446.9	458.5
Personal, cultural & recreational services	4.0	4.0	2.4	2.5	2.0
Government Services	34.0	45.8	48.4	48.2	46.4
Net services	-386.9	-390.0	-406.7	-429.5	-421.8

Source: Bank of Jamaica

TABLE VII

INCOME ACCOUNT					
(US\$MN)					
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
A. Compensation of Employees	74.6	82.1	70.7	84.5	88.5
Inflows	106.7	111.0	110.1	135.5	140.3
Outflows	32.1	28.9	39.4	51.0	51.8
B. Investment Income	-512.4	-687.6	-642.1	-667.0	-764.4
Inflows	111.5	109.8	107.5	134.2	187.9
Direct Investment	5.7	17.2	8.4	24.9	24.4
Portfolio Investment	5.3	12.4	14.8	35.9	56.3
Other Investment	100.5	80.2	84.3	73.3	107.2
- Central Government	0.0	0.0	1.2	0.0	0.0
- Bank of Jamaica	63.0	58.6	37.5	42.9	72.7
- Other	37.5	21.6	45.6	30.4	34.5
Outflows	623.9	797.4	749.6	801.3	952.3
Direct Investment	300.8	434.3	326.3	361.6	453.7
Portfolio Investment	6.7	9.0	25.2	18.6	35.2
Other Investment	316.4	354.1	398.1	421.1	463.4
- Central Government	266.3	286.3	308.5	299.5	352.5
- Bank of Jamaica	5.2	2.7	1.1	0.4	0.7
- Government Guaranteed	4.0	2.2	2.1	1.8	17.6
- Other	40.9	62.9	86.4	119.4	92.6

Source: Bank of Jamaica

TABLE VIII

CURRENT TRANSFERS (US\$MN)			
	2003	2004	2005
Total Receipts	1523.1	1892.1	1935.5
A. General Government	109.6	163.5	141.8
B. Other Sectors	1413.5	1728.6	1793.7
Remittance thru' Postal System	1.2	1.2	1.2
Remittance thru' Financial System	591.3	701.2	658.1
Remittance Companies	677.0	763.4	961.9
Other	144.0	262.8	172.4
Total Payments	334.6	446.0	357.1
A. General Government	4.8	3.6	4.8
B. Other Sectors	329.8	442.4	352.3
Remittance thru' Financial System	283.0	339.9	316.9
Other	46.8	102.4	35.3
Net Current Transfers	1188.5	1446.1	1578.4

Source: Bank of Jamaica

TABLE IX

CAPITAL ACCOUNT (US\$MN)					
	2001	2002	2003	2004	2005
Capita Account	-23.6	-16.9	0.1	2.2	-2.7
Capital Transfers	-23.6	-16.9	-0.3	2.2	-2.7
General Government	2.2	0.2	0.1	13.8	0.3
Inflows	2.2	0.2	0.1	13.8	0.3
Outflows	0.0	0.0	0.0	0.0	0.0
Other Sectors	-25.8	-17.1	-0.4	-11.6	-3.0
Inflows	11.7	18.7	18.8	22.0	22.2
Outflows	37.5	35.8	19.2	33.6	25.2
Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.4	0.0	0.0
Inflows	0.0	0.0	0.4	0.0	0.0
Outflows	0.0	0.0	0.0	0.0	0.0

Source: Bank of Jamaica