



BALANCE OF PAYMENTS OF JAMAICA 2007



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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 2007. 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 2007 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 Jamaican external accounts were influenced by developments in the global economy in 2007, in particular, the continued increase in commodity prices. This increase was mainly evident for fuel, metals and food. Several unplanned refinery and oilfield closures, as well as increased speculative activity in the oil markets led to an increase in prices in the latter half of the year. This coincided with the weakening of the U.S dollar and increased uncertainty in the global financial markets as a result of the U.S. subprime mortgage crisis, which served to increase the relative attractiveness of commodities. The movement in metal prices was largely associated with increased demand for zinc, nickel and aluminium, while higher food prices reflected the effect of adverse weather conditions on several grains.

In terms of world output, growth slowed marginally in 2007 to 4.9 per cent from 5.0 per cent in 2006, in spite of robust expansion in emerging market economies, led by China and India. The deceleration in world growth was principally attributed to the slowdown in economic growth in the advanced economies, in particular, the United States (U.S.). The performance of these economies was affected by the subprime mortgage crisis in the U.S. which triggered a deterioration in global financial market conditions.

Consistent with the deceleration in output growth and the moderation in increases in commodity price, there was a notable fall in inflation in the advanced economies during the review year. For the developing economies, however, the movement in international commodity prices contributed to continued increases in aggregate demand in some commodity exporting countries, leading to the acceleration in prices. The inflation outturn in the advanced economies reflected the effect of monetary tightening in a number of countries in 2007.

For the Jamaican economy, the pace of economic expansion also slowed in 2007 to 1.2 per cent, relative to 2.5 per cent in 2006. The country's economic performance was hampered by the passage of Hurricane Dean in the latter half of the year, which adversely affected output from the Agriculture and Mining sectors. The impact of these

developments was, however, partly offset by a rebound in the Construction & Installation sector driven primarily by private and public sector investment as well as residential construction. The improvement in private sector investment reflected the start of construction of eight hotels during the year, as well as the expansion of the country's telecommunication infrastructure.

The maintenance of domestic price stability emerged as a major challenge for Jamaica in 2007. Higher international commodity prices, coupled with a surge in food prices arising from the contraction in domestic supplies in the context of Hurricane Dean, resulted in inflation of 16.8 per cent for the year, 11.1 percentage points above 2006. In the context of increased instability in the domestic financial markets, in particular the foreign exchange market, a worsened outlook for inflation and a more uncertain international environment, the monetary authorities introduced a number of special instruments as a part of its tightening strategy.

Consistent with these developments, the current account deficit widened by US\$560.8 million to US\$1 743.6 million (13.5 per cent of GDP) in 2007, relative to the deficit recorded in 2006. The deterioration in the current account was largely related to an expansion of US\$619.3 million in the deficit on the goods account, the impact of which was partially offset by an increase of US\$291.3 million in current transfers related to remittances. The widening of the goods deficit reflected a significant increase in spending on fuel imports in the context of the sustained rise in world oil prices. There were also notable increases in expenditure on imports of machinery & transport equipment and food. Increased expenditure on food was mainly associated with the adverse effects of the passage of Hurricane Dean on domestic agriculture, while machinery & transport equipment was buoyed by higher motor vehicle imports and specialized equipment for the expansion of Kingston Wharves. Net private and official investment inflows were insufficient to finance the current account deficit resulting in a decline of US\$439.8 million in the net international reserves (NIR) of the Bank of Jamaica.

PART I

INTERNATIONAL ECONOMIC DEVELOPMENTS

1. OVERVIEW

Growth in world output slowed to 4.9 per cent in 2007 from 5.0 per cent in 2006, principally reflecting a slowdown in the advanced economies, in particular, the U.S. The performance of these economies was affected by the subprime mortgage crisis in the U.S., particularly in the second half of the year, which triggered a deterioration in global financial market conditions. For the developing countries, economic growth expanded by 0.1 percentage point to 7.9 per cent in 2007, led by China and India. These economies benefited from robust domestic demand. High food and energy prices also engendered an increase in economic activity in commodity exporting countries.

Headline inflation decelerated among developed economies in 2007, principally reflecting the effects of monetary tightening by some central banks, as well as the slowdown in economic growth. For the developing countries, however, robust growth in commodity prices contributed to continued increase in aggregate demand in some countries, leading to the acceleration in prices.

Commodity prices rose by 11.8 per cent in 2007, 7.9 percentage points below the rate of growth recorded in 2006. The deceleration in the rate of growth of commodity price was evident for both energy and non-energy prices. The average price of crude oil rose by 9.4 per cent in 2007, relative to an increase of 17.0 per cent in 2006 and reflected robust demand in the U.S. and China, as well as increased uncertainty about supply. For non-fuel commodities, the growth in average food prices in 2007 accelerated by 4.5 percentage points relative to 2006 to 15.0 per cent and reflected significant increases in the price of grains. The movement in food prices was associated with the increased demand for corn as an input into ethanol production. The supplies of some grains were also affected by unfavourable weather conditions in the U.S. Midwest.

The currencies of selected industrialised economies continued to appreciate against the U.S. dollar in 2007.¹ The value of this basket of currencies increased during the year by an average of 5.8 per cent, relative to the U.S. dollar. This followed an appreciation of approximately 3.6 per cent the previous year. The strengthening of these currencies reflected increased expectations of monetary tightening by the various central banks, as well as concerns about a possible slowdown in the U.S. economy.

Trade negotiations in 2007 were highlighted by the agreement between CARIFORUM (CARICOM members and the Dominican Republic) and the European Union (EU) to form an Economic Partnership Agreement (EPA). The EPA guarantees duty-free, quota-free access of CARIFORUM exports to European markets with the exception of rice and sugar. The EU has also granted market access for more than 90.0 per cent of its service sectors. In return, CARIFOURM countries will liberalize 87.0 per cent of the goods imported from the EU and up to 75.0 per cent of its service sectors.

1.1 OUTPUT, INFLATION & UNEMPLOYMENT

1.1.1 Advanced Economies

Output

Real GDP growth among the advanced economies slowed to 2.7 per cent in 2007, relative to 3.0 per cent in 2006 (see **Table 1**). The deceleration in economic activities was reflected in all the advanced economies, with the exception of the United Kingdom (U.K).

Economic growth in the U.S. decelerated by 0.7 percentage point to 2.2 per cent in 2007 relative to 2006. This fall-off, which occurred mainly in the second half of the year, was attributed to a contraction in investment spending. Overall investment fell by 4.6 per cent in the review period, influenced by a 16.9 per cent decline in residential investment.² The deceleration in GDP growth was also influenced by a slowdown in growth in consumption spending to 2.9 per in 2007, relative to 3.1 per cent in 2006. This primarily reflected the effects of high oil prices and tightened credit conditions. The effect of these factors was partly offset by robust growth in net exports arising from the weakening of the U.S. dollar

¹ The Canadian Dollar, Japanese Yen, Pound Sterling and the Euro.

² Residential investments fell by 4.6 per cent in 2006. Total investment spending, however, expanded for the year by 2.7 per cent.

against the currencies of most of its major trading partners.

Investment spending, particularly residential investment, was adversely affected by the emergence of problems in the U.S. subprime mortgage market. A sharp rise in delinquencies among subprime adjustable-rate mortgages (ARMs) reflected, among other things, the combined effects of a significant decline in the price of homes in 2006 and rising interest rates. In this context, some subprime borrowers with ARMs, who would have been able to utilize refinancing before their payments rose, did not have enough home equity to qualify for a new loan given the sluggishness in house prices. The problems in the U.S. subprime mortgage market had knock-on effects across a broad range of financial markets and institutions, culminating in a widespread financial crisis and a more broad-based downturn in economic activity.

The slowdown in economic expansion in the Euro area in 2007 primarily reflected lower growth in Germany and France (see **Table 1**).³ Additionally, there was a decline in exports from this area related to the strengthening of the Euro against the currencies of its major trading partners. Similarly, the deceleration in economic growth in Canada was attributed to weaker exports, associated with the substantial appreciation in the Canadian dollar against the U.S. dollar and the deceleration of growth in oil prices. Growth in the Japanese economy also decelerated to an annual rate of 2.1 per cent, relative to 2.4 per cent in 2006. The slowdown in economic activity was attributed to a deceleration in growth in residential investment and private consumption spending in the second half of 2007. In contrast to other major developed economies, GDP growth in the U.K. accelerated by 0.2 percentage point, relative to 2006, and reflected a higher rate of expansion in private consumption and business investment spending.

³ The deceleration in growth in Germany in 2007 reflected the normalisation of investment and consumer spending following the 2006 Fédération Internationale de Football Association (FIFA) world cup.

TABLE 1

ADVANCED ECONOMIES								
Real GDP, Consumer Prices, Unemployment Rates, Interest Rates								
(Annual per cent change and per cent of labour force)								
	REAL GDP		CONSUMER PRICES*		UNEMPLOYMENT RATES		KEY INTEREST RATES**	
	2006	2007	2006	2007	2006	2007		
ADVANCED ECONOMIES	3.0	2.7	2.4	2.2	5.7	5.4	3.7	3.7
United States	2.9	2.2	3.2	2.9	4.6	4.6	5.3	4.3
Japan	2.4	2.1	0.2	0.0	4.1	3.9	5.0	5.5
Euro area	2.8	2.6	1.8	2.1	8.2	7.4	3.5	4.0
Germany	2.9	2.5	1.8	2.3	9.8	8.4		
France	2.0	1.9	1.9	1.6	9.2	8.3		
UK	2.9	3.1	2.3	2.3	5.4	5.4	4.3	4.3
Canada	2.8	2.5	1.8	2.1	6.3	6.0	0.3	0.5

Source: *World Economic Outlook - April 2008, Statistics Offices of individual countries*

*Annual Average; **End of period

Inflation

Inflation among the advanced economies, as measured by the annual average increase in consumer price indices (CPIs), decelerated to 2.2 per cent in 2007 from 2.4 per cent in 2006 (see **Table 1**). The U.S. and Japan recorded lower rates of price increases in 2007, while inflation accelerated in the Euro area and Canada. The inflation rate for the U.K. remained unchanged.

Lower consumer price inflation in the U.S. primarily reflected a deceleration in the rate of increase in the energy sub-index of the CPI. This was attributable to the slower rate of increase in oil prices in 2007, relative to 2006. Consumer prices in the U.S. were also influenced by the general slowdown in domestic demand in that economy. Like the U.S., the deceleration in inflation in Japan was influenced by the lower rate of increase in crude oil prices, as well as monetary tightening by the central bank.

Higher inflation in the Euro Area and Canada reflected relatively strong domestic aggregate demand and higher commodity prices, the impact of which was more than sufficient to offset the effects of monetary tightening during the year.

Unemployment

In the context of growth among the advanced economies, the average unemployment rate among the advanced economies declined by 0.3 percentage point to 5.4 per cent in 2007, relative to 2006 (see **Table 1**). The most significant improvement in employment was noted in the Euro area. For the Euro area, the unemployment rate fell by 0.8 percentage point to 7.4 per cent, principally reflecting the effects of labour market reforms implemented in previous years, particularly in Germany and France.⁴ Notwithstanding the significant improvement in employment, the Euro area continued to register the highest rates of unemployment among the major developed economies. Canada and Japan also recorded improvements in employment in 2007. The unemployment rate remained unchanged in the U.S. and the U.K.

Interest Rate and Exchange Rate Developments

With the exception of the Federal Reserve (Fed), all the major central banks increased their key policy interest rates during the year. The European Central Bank (ECB) and the Bank of England (BOE) both increased their policy rates by 50 basis points to 4.0 per cent and 5.5 per cent, respectively. This was in response to heightened inflation expectations in the first half of the year. In an effort to curtail capital outflow, the Bank of Japan (BoJ) increased its policy rate by 25 basis points to 0.5 per cent during the year. For Canada, the central bank raised interest rates in July by 0.25 basis points to 4.75 per cent. However, this action was reversed in December when the interest rates were adjusted downwards in the context of increased concerns about a possible slowdown in economic activity.

The Fed reduced its benchmark interest rate by 1.0 percentage point during the second half of the year to end at 4.25 per cent. This decision was influenced by concerns about the likely slowing of the U.S. economy, which was reflecting the intensification of the problems in the housing market, increased uncertainty in global financial markets and a pronounced softening in the growth in business and consumer spending.

⁴ Personal income taxes were reduced in France, Italy and Germany. Additionally, greater emphasis was given to employment by both unions and workers as their preferences shifted toward job preservation and job creation.

Developments in the foreign exchange markets during 2007 were dominated by declines in the U.S. dollar against most major currencies, with the exception of the Japanese Yen. The largest declines were experienced against the Euro, the Great Britain Pound and the Canadian dollar and reflected portfolio adjustments by market participants in the context of a widening interest rate differential in the latter half of 2007 in favour of these economies (see **Table 2**). The movement in the Canadian dollar was also influenced by increased foreign exchange inflows from foreign direct investments (foreign-led mergers and acquisitions of Canadian companies), as well as higher earnings from the export of fuel. The strengthening of the U.S. dollar against the Japanese Yen reflected the impact of the interest rate differential, especially in the first half of 2007.

TABLE 2

	ADVANCED ECONOMIES: EXCHANGE RATES				
	US Dollar Nominal Exchange Rates			Real Effective Exchange Rates¹	
	National Currency Units per U.S. dollar			Annual Per Cent change	
	<u>2006</u>	<u>2007</u>	<u>% change</u>	<u>2006</u>	<u>2007</u>
Canadian Dollar	1.13	1.07	-5.31	11.09	6.09
Japanese Yen	116.30	117.60	1.12	-7.88	-6.76
Pound Sterling ²	1.84	2.00	8.70	4.44	2.87
Euro ²	1.26	1.37	8.73	0.62	4.48

Source: World Economic Outlook, April 2008

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 U.S. dollars per unit of national currency.

1.2 Developing Countries

Output

Economic growth among the developing economies accelerated by 0.1 percentage point to 7.9 per cent in 2007, relative to 2006 (see **Table 3**). With the exception of the Middle East, which remained unchanged, all the regional groups recorded an acceleration in economic activity.

Asia continued to record the fastest rate of growth among the developing economies. Most of this expansion was attributed to China and India, which grew at annual rates of 11.4 per cent and 9.2 per cent, respectively. The performance of the Chinese economy, whose GDP growth accelerated by 0.3 percentage point in 2007, was influenced by increased investment expenditure, as well as strong growth in net exports. This acceleration occurred despite the implementation of administrative and monetary controls by the authorities to slow the rate of expansion. GDP growth in India slowed by 0.5 percentage point in 2007 and reflected a fall-off in consumption spending arising from tighter monetary policy.

TABLE 3

DEVELOPING COUNTRIES: REGIONAL GROUPS						
Real GDP, Consumer Prices (Annual per cent change)						
	REAL GDP			CONSUMER PRICES		
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
DEVELOPING COUNTRIES	7.1	7.8	7.9	5.7	5.4	6.3
Africa	5.7	5.9	6.2	7.1	6.4	6.3
Asia	9.0	9.6	9.7	3.8	4.1	5.3
Middle East	5.7	5.8	5.8	6.2	7.0	10.4
Western Hemisphere	4.6	5.5	5.6	6.3	5.3	5.4

Source: World Economic Outlook - April 2007

The growth in economic activity in the Middle East during 2007 primarily reflected increased exports in the context of higher oil prices, particularly in the last half of the year. The increased revenue from oil exports also supported higher government spending on infrastructure and consumption.

In Africa, GDP growth accelerated by 0.3 percentage point in 2007, relative to 2006, also reflecting strong growth in oil-exporting countries. Angola recorded the fastest growth in the region, where oil and diamond production rose sharply. In South Africa, the region's largest economy, economic activity slowed, as consumption decelerated reflecting tighter monetary policy. There was however, robust growth in investment as the country prepares to host the 2010 FIFA World Cup.

TABLE 4

Selected Developing Countries Real GDP & Consumer Prices (Annual Per cent Change)				
Country	GDP		Inflation Rate**	
	2006	2007*	2006	2007*
Developing Countries	7.8	7.9	5.4	6.3
Western Hemisphere	5.5	5.6	5.3	5.4
Argentina	8.5	8.7	10.9	8.8
Brazil	3.8	5.4	4.2	3.6
Chile	4.0	5.0	3.4	4.4
Colombia	6.8	7.0	4.3	5.5
Peru	7.6	9.0	2.0	1.8
Ecuador	3.9	1.9	3.3	2.2
Mexico	4.8	3.3	3.6	4.0
Uruguay	7.0	7.0	6.4	8.1
Venezuela	10.3	8.4	13.7	18.7
Caribbean***	8.6	5.6	7.3	6.5
Antigua & Barbuda	11.5	6.0	1.8	1.4
Barbados	3.9	4.2	7.3	4.0
Dominica	4.6	1.2	2.6	3.1
Guyana	4.7	5.2	7.2	19.4
Dominican Republic	10.7	8.0	7.6	6.1
Jamaica	2.5	1.2	8.9	9.2
St. Kitts & Nevis	5.8	5.5	8.5	4.5
St. Vincent & Grenadines	6.5	5.8	3.0	6.9
Trinidad & Tobago	12.0	6.0	8.3	7.8
Developing Asia	9.6	9.6	4.1	5.3
China	11.1	11.2	1.5	4.8
India	9.7	8.9	6.2	6.4
Indonesia	5.5	6.2	13.1	6.4
Malaysia	5.9	5.8	3.6	2.1
Philippines	5.4	6.3	6.2	2.8
Thailand	5.0	4.0	4.6	2.2
Middle East	5.8	6.0	7.0	10.4
Sources: The World Economic Outlook, April 2008. Statistics Offices of individual countries, * Estimates, **Annual average, ***GDP weighted				

Economic output in the developing economies of the Western Hemisphere increased by 5.6 per cent in 2007, relative to 5.5 per cent in 2006 (see **Table 4**). The faster rate of economic expansion in 2007 was associated with increased exports which occurred in the context of rising commodity prices in Central and South American countries. Brazil recorded the largest improvement in GDP growth relative to 2006, fuelled by higher domestic consumption and investment in the context of a sustained decline in real interest rates and improved labour

market conditions. The acceleration in growth in Latin America was, however, partly offset by slowing economic activity in the Caribbean.

Growth in the Caribbean region slowed markedly in 2007, in the context of an active hurricane season that affected the tourism and agriculture sectors. In particular, adverse weather conditions affected the agriculture sectors in Jamaica and Dominica. In Trinidad & Tobago, the slowdown in economic growth occurred in the context of a decline in crude oil production. Additionally, there was a slowdown in the growth in construction, following significant spending on various infrastructure projects in 2006 in preparation for the staging of the International Cricket Council 2007 Cricket World Cup. The economy most affected by this deceleration was Antigua and Barbuda.

Inflation

Consumer price inflation among the developing countries accelerated in 2007, relative to 2006 (see **Table 4**). The most significant increase in inflation was evident among the economies of the Middle East resulting from strong domestic demand.⁵

Inflation in the Western Hemisphere accelerated slightly by 0.1 percentage point to 5.6 per cent in 2007, relative to 2006. The faster rate of increase in consumer prices reflected higher capacity utilization in some countries and rising food and energy prices. Venezuela experienced the most significant increase in inflation. However, inflation decelerated for most countries in the Caribbean primarily reflecting a slower rate of growth in oil prices, as well as liquidity absorption policies and the introduction of farmers' markets in Trinidad and Tobago.

Unemployment

The Middle East and North Africa, with unemployment rates of 11.8 per cent and 11.0 per cent respectively, remained the regions with the highest unemployment rate in the world in 2007. For the Middle East, the unemployment rate remained unchanged relative to 2006 and but for North Africa, there was an increase of 0.1 percentage point. This relatively high rate

⁵ In the Gulf Cooperation Council (GCC) countries a large influx of expatriate workers and the growing prosperity of local residents have caused a housing shortage.

of unemployment in 2007 was reflective of limited opportunities for women in these regions. For Latin America and the Caribbean, the unemployment rate in 2007 was estimated at 8.5 per cent, unchanged relative to 2006. In East Asia, the unemployment rate declined to 3.3 per cent in 2007, relative to 3.4 per cent in 2006.

For selected CARICOM countries, there was a general fall in the unemployment rate in 2007, relative to 2006 (see **Table 5**). This reflected a significant increase in employment in the construction sector associated with infrastructural improvement related to the hosting of the 2007 ICC World Cup. However, the unemployment rate in 2007 rose in Belize relative to 2006 as result of job losses resulting from hurricane damage to farms in August. In the context of continued growth in the non-energy sector, the unemployment rate in Trinidad and Tobago declined to 5.5 per cent in 2007 from 6.2 per cent in 2006.

TABLE 5

SELECTED COUNTRIES IN THE CARIBBEAN		
Unemployment Rate		
(Annual per cent change)		
Countries	Unemployment Rate	
	2006	2007
Barbados	8.7	7.4
Belize	9.4	10.3
Jamaica	10.3	9.7
Trinidad and Tobago	6.2	5.5

Source: Country Statistical Offices

1.3 COMMODITY PRICES

The International Monetary Fund's (IMF) index of primary commodity prices (IPCP) increased by 11.8 per cent in 2006 (see **Table 6**). This represented an 8.9 percentage point deceleration, relative to the growth rate in 2006. The slower rate of growth in the IPCP was attributed to the movements in both the non-fuel and energy sub-indices, which recorded respective increases of 14.0 per cent and 10.5 per cent during the year. This followed increases of 23.3 per cent and 19.2 per cent in 2006.

The movement in the energy sub-index reflected a 9.4 per cent increase in West Texas Intermediate crude oil prices, relative to an increase of 17.0 per cent in 2006. The deceleration in prices in 2007 relative to 2006 primarily reflected a significant decline in demand for fuel during January of that year due to above-average winter temperature in the

U.S. However, several unplanned refinery and oilfield closures, as well as increased speculative activity in the oil markets led to an increase in prices in the latter half of the year. This coincided with the weakening of the U.S dollar and increased uncertainty in the global financial uncertainty as a result of the U.S. sub-prime mortgage crisis. Oil prices reached a record high of US\$98.88 per barrel on 20 November 2007 after the Organization of Petroleum Exporting Countries (OPEC) announced that it would keep output targets unchanged.

With the exception food prices, there was a general deceleration in all categories of non-fuel prices. In particular, the U.S. sub-prime housing crisis contributed to a reduction in demand for metals which resulted in a significant deceleration in the rate of growth in these prices. The increase in food prices, which grew at an annual rate of 15.2 per cent in 2007 after rising by 10.5 per cent in 2006, reflected continued strong growth in the prices of grains and oilseeds. Wheat, corn and soybeans recorded significant price increases of 40.8 per cent, 34.7 per cent and 43.0 per cent, respectively. These price increases reflected supply tightness arising from adverse weather conditions and increased demand for grains as a feedstock for ethanol production in the second half of the year. Additionally, there was continued strong demand for fuel in Asia, particularly China and India. The movement in prices was also attributed to increased speculative activities as the instability in the global financial market prompted investors to move their funds into relatively safe commodities.

TABLE 6

WORLD COMMODITY PRICES		
(Annual per cent change)		
	<u>2006</u>	<u>2007</u>
All Primary Commodities	20.7	11.8
Non- fuel primary commodities	23.3	14.0
Food	10.5	15.2
Beverages	8.4	13.7
Agricultural raw materials	8.8	5.0
Metals	56.2	17.3
Energy	19.2	10.5
Petroleum ¹	20.5	10.6
Natural Gas	15.3	1.4
Coal	31.8	-12.7

Source: IMF Primary Commodity Prices Indices

1. Average of U.K., Brent, Dubai and West Texas Intermediate crude oil spot prices

1.4 INTERNATIONAL TOURISM

The World Tourism Organisation reported an increase of 6.1 per cent in international tourist arrivals in 2007, relative to the 5.4 per cent expansion observed in 2006 (see **Table 7**). The increase in tourism arrivals was primarily influenced by robust global economic growth, particularly in emerging market economies, which was more than sufficient to offset the effect of the turbulence in global financial markets and rising fuel prices. All regions experienced above-average increases in arrivals with the Middle East experiencing the highest growth rate.

For Europe, tourist arrivals rose by 4.2 per cent in 2007 influenced primarily by an increase in low cost carriers servicing the region, as well improved infrastructure, particularly in Southern and Mediterranean Europe. Additionally, goodwill effects from several international events hosted in 2006 extended into 2007. However, tourism in the U.K remained unchanged relative to 2006, due to flooding in June, as well as the appreciation of the pound against the U.S. dollar.

The Asia and the Pacific region recorded growth of 10.2 per cent in tourist arrivals in 2007, with the majority of countries experiencing double-digit growth. This primarily reflected an increase in intra-regional travel as a result of rising disposable income in Asia and aggressive promotional campaigns by countries in the region. The development of niche markets, such as health and educational tourism also contributed to the increase in tourism.

The Americas experienced a 4.7 per cent growth in tourist arrivals in 2007. This reflected a significant increase in travel to the U.S. arising from a weaker U.S. dollar, as well as a decline in the length of time to process visas. There was also a significant increase in tourist arrivals in Central America as a result of the Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR).

Tourist arrivals in Africa rose by 8.0 per cent in 2007, dominated by growth in arrivals to both North and Sub-Saharan Africa. The growth in visitor arrivals reflected the results of increased marketing campaigns and investments in tourism infrastructure by Governments and private investors in several countries. The Middle East continued to enjoy significant

growth in tourism, which rose by 13.4 per cent in 2007. This reflected the effects of the opening of several resorts and increased niche marketing. This offset the effects of political and civil unrest in the region.

TABLE 7

WORLD TOURIST ARRIVALS				
(Millions)				
	2006	2007	Change	% Change
World	846	898	52	6.1
Europe	460.8	480.1	19.3	4.2
Americas	135.7	142.1	6.4	4.7
Asia & Pacific	167.8	184.9	17.1	10.2
Africa	40.9	44.1	3.2	7.8
Middle East	41	46.4	5.4	13.2

Source: World Tourism Organization (WTO)

Stopover Visitor Arrivals to the Caribbean

Preliminary estimates by the Caribbean Tourist Organisation (CTO) showed that stopover arrivals to selected Caribbean destinations fell by 0.6 per cent in 2007, following an increase of 2.5 per cent in 2006 (see **Table 8**). The Caribbean was the only sub-region in the world that experienced a decline in arrivals, relative to the previous year. This primarily reflected the effects of the Western Hemisphere Travel Initiative (WHTI), which requires that U.S. citizens obtain passports for travel to and from the U.S., Canada, Mexico and the Caribbean. Other factors included the impact of hurricanes in some countries in the region, as well as the recovery of Mexico, a significant competitor.

Cruise Visitor Arrivals to the Caribbean

There was a 1.7 per cent decline in cruise arrivals to selected Caribbean countries in 2007, compared with the 1.0 per cent growth recorded in 2006 (see **Table 9**). This decline reflected the recovery of Mexico, a major competitor which had been affected by Hurricane Wilma in 2005. The decline also reflected the effects of a reduction in cruise calls as a result of rising fuel charges.

TABLE 8

STOPOVER VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2006	2007	% Change
Dominican Republic	3965	3980	0.4
Cuba	2221	2152	-3.1
Bahamas	1602	1528	-4.6
Jamaica	1679	1701	1.3
Puerto Rico	1447	1361	-5.9
Aruba	694	772	11.2
US Virgin Islands	671	693	3.3
Barbados	562	574	2.1
St Maarten	468	469	0.3
TOTAL	13309	13230	-0.6

Source: Caribbean Tourism Organization (CTO)

TABLE 9

CRUISE VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2006	2007	% Change
Bahamas	3076	2971	-3.4
US Virgin Islands	1901	1918	0.9
Puerto Rico	1338	1437	7.4
Cayman Islands	1930	1716	-11.1
St. Maarten	1422	1422	0.0
Jamaica	1337	1180	-11.8
Belize	656	624	-4.8
Barbados	539	616	14.3
Aruba	591	482	-18.5
Total	12702	12481	-1.7

Source: Caribbean Tourism Organization (CTO)

1.5 TRADE RELATIONS

EU-CARIFORUM Economic Partnership Agreement

The European Union (EU) and the CARIFORUM initialled the Economic Partnership Agreement (EPA) on 15 December 2007 in Montego Bay, Jamaica.⁶ The EPA, which is designed to replace the trade component of the Cotonou Agreement, is a partnership pact between the EU and African, Caribbean and Pacific (ACP) countries since 2000. Under the EPA, all CARIFORUM goods, with the temporary exception of sugar and rice, are entitled to duty-free and quota-free access to the European Union as of 1 January 2008. In exchange, CARIFORUM countries will liberalize 87.0 per cent of current tariff lines (78.7 per cent of the value of imports). Tariffs on different groups of products (referred to as baskets) will be

⁶ CARIFORUM consists of the members of CARICOM and the Dominican Republic.

reduced over 5, 10, 15, 20 and 25 years with a three-year moratorium for all baskets. The moratorium means that the reduction of tariffs on EU products entering CARIFORUM will begin in the fourth year following the signing of the agreement. Other Duties and Charges (ODCs) will be liberalized over a ten-year period with a seven-year moratorium. For sugar exports, the Sugar Protocol will continue to hold. However, the CARIFORUM quota was increased by 60 000 tonnes for the period up to September 2009. With regard to rice exports, CARIFORUM rice exporting countries will be given quotas of 187 000 and 250 000 tonnes for 2008 and 2009, respectively. Thereafter, rice will be sold to the EU on a duty-free, quota-free basis. As it relates to services, the EU has granted market access (in respect of Modes 1-3) for more than 90.0 per cent of its sectors.⁷ In return, CARIFORUM has committed to liberalizing between 65.0 per cent and 75.0 per cent of its service sectors (in respect of Modes 1-3), with the Dominican Republic opening more than 90.0 per cent.

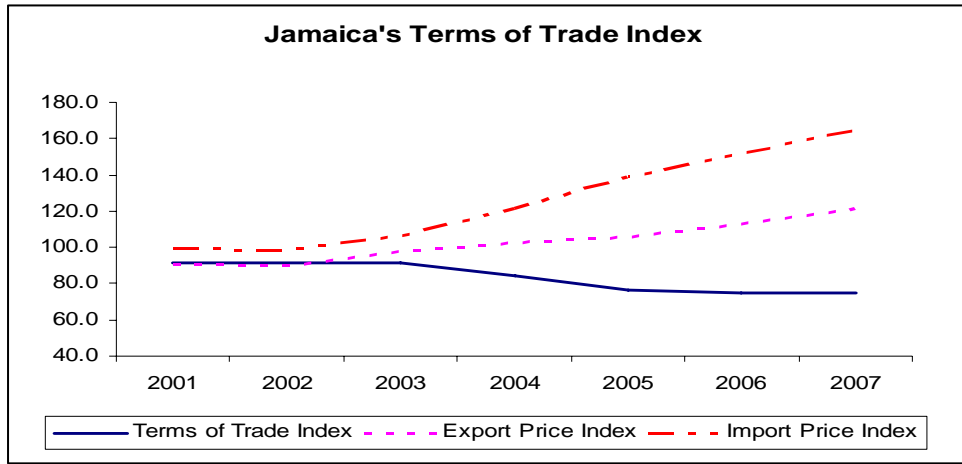
The EPA was finalized in October 2008.

1.6 JAMAICA'S TERMS OF TRADE

Jamaica's terms of trade index fell by 0.4 per cent in 2007, relative to 2006 (see **Figure 1**). The deterioration in the index was attributed to a 9.0 per cent increase in the import price index (IPI), partly offset by a 7.6 per cent increase in the export price index (EPI). The rise in the IPI reflected a 9.4 per cent increase in fuel prices, as well as a 21.5 per cent increase in the prices of agricultural raw materials. The movement in the EPI was influenced by an increase of 19.2 per cent in the price of alumina and a 2.2 per cent rise in the implicit tourism price index.

⁷ The WTO distinguishes among four modes of supplying services. *Cross-border supply* refers to services flows from the territory of one Member into the territory of another Member (e.g. banking services transmitted via telecommunications or mail). *Consumption abroad* refers to situations where a service consumer (e.g. tourist or patient) moves into another Member's territory to obtain a service; *Commercial presence* implies that a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains); and *presence of natural persons* consists of persons of one Member entering the territory of another Member to supply a service (e.g. accountants, doctors or teachers).

Figure 1



PART II

DOMESTIC MACROECONOMIC DEVELOPMENTS

2. OVERVIEW

Despite significant challenges, the economic performance of the Jamaican economy was positive in 2007. Economic growth decelerated in the review period, reflecting the contraction in agricultural production and mining largely due to the impact of Hurricane Dean in the latter half of the year. The impact of this contraction was offset by strong growth in construction and the financial sector. Inflation rose sharply to 16.8 per cent at December 2007 from 5.7 per cent as at December 2006. The acceleration in inflation was largely the result of the impact of the passage of the hurricane, sharp increases in international commodity prices and depreciation of the exchange rate. Instability in the financial markets, a worsened outlook for inflation and inflation expectations coupled with a more uncertain international environment prompted a tightening of monetary policy by the central bank on a number of occasions. These measures were concentrated in the latter half of the year.

2.1 OUTPUT & EMPLOYMENT

Gross Domestic Product

Real GDP grew by 1.2 per cent during 2007, just below the average growth of 1.4 per cent over the previous eight years (see **Table 10**). The economic expansion in 2007 emanated primarily from Construction & Installation and Financing & Insurance Services, which contributed more than 90.0 per cent to the overall GDP outturn. Growth emanated from the non-tradable sector as there was a contraction in the tradable sector of 1.2 per cent.

The moderate increase in overall economic activity occurred in the context of a relatively unstable macroeconomic environment, characterized by increasing inflation and unstable foreign exchange market conditions, particularly in the latter half of the year. There was also an overall deterioration in external competitiveness. The worsening macro-economic environment was reflected in the Bank of Jamaica/STATIN inflation expectation survey at year-end which showed an increase in inflation expectations and worsened perceptions of present and future economic conditions while suggesting that there was improved perceptions of inflation management relative to 2006. However, according to the Jamaica

Conference Board Confidence Indices, consumer expectations improved while business confidence deteriorated in 2007 relative to 2006.

Within the goods producing sectors, *Construction & Installation* expanded by 5.4 per cent following a decline of 1.3 per cent in 2006. Growth within the sector surpassed the average expansion of 3.0 per cent realized over the last 5 years. Activity in the sector was driven by private sector investment projects, public sector capital projects and residential construction. The improvement in private sector investment reflected the start of construction of eight hotels during the year as well as expansion of the country's telecommunication infrastructure. Increased public spending was indicated by continued work on the North Coast Highway project, renovation of the sea and air port facilities in Kingston and the post-hurricane reconstruction activity. Growth in residential construction was inferred from increases of 36.1 per cent and 1.0 per cent in the National Housing Trust's housing completions and starts, respectively.

Financing & Insurance Services continued to expand in 2007, growing by 3.9 per cent, eclipsing its five year average growth of 2.3 per cent. The expansion in the review year primarily reflected the performance of banking and insurance institutions. Commercial banking activity drove the increase in the value added of the banking institutions. Specifically, a significant increase in their loan portfolio led to a notable expansion in net interest income.

There was moderate growth of 1.5 per cent in *Transport, Storage & Communication* in 2007, falling below average annual growth of 3.3 per cent observed over the previous five years. During the first half of the review year, the sector grew by 3.1 per cent, in line with its trend, but fell significantly below trend in the second half. The performance in the second half of the year was influenced by the passage of Hurricane Dean, which damaged the Island's transport network. The performance in transport was also related to declines of 5.9 per cent, 4.7 per cent and 0.2 per cent in the number of ships calling at Jamaican ports, total visitor arrivals and domestic cargo movements, respectively. These declines were offset by growth of 4.1 per cent in air cargo movement. The growth in communication was inferred from an

estimated increase of 13.6 per cent in the total number of telephone lines in service (mobile and landline).

TABLE 10

GROSS DOMESTIC PRODUCT		
(1996 Prices)		
Growth Rate by Sector (%)		
	2006	2007
GOODS	0.7	0.5
Agriculture, Forestry & Fishing	11.9	-5.0
Mining & Quarrying	1.5	-3.3
Manufacturing	-2.4	0.9
Construction & Installation	-1.3	5.4
SERVICES	3.1	1.9
Basic Services	4.5	1.3
Electricity & Water	3.3	0.6
Transport Storage & Communication	4.8	1.5
Other Services	2.7	2.1
Distributive Trade	1.4	2.6
Financing & Insurance Services	1.5	3.9
Real Estate & Business Services	2.5	2.6
Producers of Government Services	0.1	0.6
Miscellaneous Services	10.4	0.6
Household & Private Non-Profit	0.4	0.4
IMPUTED SERVICE CHARGES	0.6	5.9
TOTAL GDP	2.5	1.2

Source: Statistical Institute of Jamaica

Reflecting the weak performance in tourism, value added in *Miscellaneous Services* expanded by 0.6 per cent in 2007, relative to average growth of 4.4 per cent over the previous five years. The major factor contributing to the poor performance of the tourism industry was a moderate increase of 1.3 per cent in total stop-over arrivals. This low level of growth was influenced by a decline of 0.3 per cent in foreign national arrivals which was offset by an increase of 26.6 per cent in non-resident Jamaican visitor arrivals. In addition, cruise visitor arrivals declined by 11.7 per cent during the year. Against this background, visitor expenditure declined by 1.5 per cent in 2007.

Manufacturing grew marginally by 0.9 per cent in the review year, relative to an average decline of 0.6 per cent over the previous five years. The recovery partially reflected normalization following the closure of the tobacco industry in 2006. The performance of the sector was attributed primarily to growth in *Food, Beverages & Tobacco*, which was partially offset by a marginal decline in *Other Manufacturing*. The decline in *Other Manufacturing* reflected the temporary closure of the petroleum refinery in the year.

Following six consecutive years of growth, *Mining & Quarrying* is estimated to have contracted by 3.3 per cent during the review year. This represented a sharp reversal when compared to an average annual growth of 3.1 per cent over the previous five years. The contraction in the sector was influenced by the impact of Hurricane Dean on the industry. The sector lost approximately five days of production arising from the closure of plants before and after the hurricane. In addition, the seaport of one bauxite/alumina company was significantly damaged by the hurricane, which resulted in the company restricting production to 50.0 per cent of capacity.⁸ Output in the sector was also negatively affected by production setbacks in the bauxite industry during the first half of the year.⁹ Accordingly, the capacity utilisation rate within the alumina and bauxite industries declined to 88.6 per cent and 86.6 per cent, respectively, from 92.1 per cent and 91.0 per cent during 2006. For the year, alumina and crude bauxite production contracted by 3.9 per cent and 2.9 per cent, respectively, while total bauxite production fell by 1.8 per cent.

Agriculture, Forestry & Fishing contracted by 5.0 per cent in 2007, relative to an expansion of 15.9 per cent in 2006. The contraction in the review year reflected declines in both *Domestic* and *Export Agriculture*. The poor performance of the sector was due primarily to the impact of adverse weather on production in the latter half of the year¹⁰. The continuous heavy rains in October 2007 significantly retarded the post-hurricane recovery process, especially for short-term crops in the December quarter. Output was also curtailed by periods of dry spells throughout the first half of the year. In this context, output expanded by 3.9 per cent over the first half of the year but recorded a significant contraction of 14.2 per cent in

⁸ Full production was restored during November 2007.

⁹ This arose from the malfunction of the dryer system that pulls moisture from the bauxite.

¹⁰ Hurricane Dean traversed the Island on 19 August 2007 and was followed by heavy rains in October.

the second half. *Domestic Agriculture* declined by 8.7 per cent while *Export Agriculture* declined by 3.8 per cent in the review period.

Unemployment

Consistent with growth, there was a contraction of 0.6 percentage point in the unemployment rate to 9.7 per cent in 2007. The job-seeking rate, which is the percentage of the labour force actively seeking work, was 5.7 per cent in 2007, a 0.1 percentage point increase when compared to 2006.

All sectors, with the exception of *Manufacturing* and *Wholesale & Retail, Hotels & Restaurants* recorded increased employment in 2007. The sharpest growth occurred in *Mining, Quarrying & Refining* and *Electricity, Gas & Water* which experienced increased employment of 38.9 per cent and 17.2 per cent, respectively. The increased employment in the former sector was consistent with projects aimed at the expansion of capacity in the mining industry. The increased employment in *Electricity, Gas & Water* mainly reflected investments in expansion and rehabilitation projects by Petrojam and the National Water Commission, respectively.

2.2 RELATIVE PRICES, COMPETITIVENESS & MONETARY POLICY

The Real Effective Exchange Rate (REER) index at end 2007 was 1.6 per cent higher than at end 2006, indicative of deterioration in Jamaica's external competitiveness. The increase in the REER mainly reflected a worsening of relative prices, which was partially offset by an improvement in the nominal effective exchange rate (NEER). Domestic inflation of 16.8 per cent was the main impetus behind the weakening of relative prices the impact of which was partially offset by inflation among Jamaica's major trading partners of 4.7 per cent. The significant improvement in the NEER stemmed from the depreciation in the average selling rate of the U.S. dollar vis-à-vis the Jamaica Dollar of 5.8 per cent being partly offset by the average appreciation of 3.4 per cent in the currencies of Jamaica's main trading partners vis-à-vis the U.S. dollar.

Domestic headline inflation in 2007 was influenced by a sequence of adverse domestic and international factors. These included contraction in agricultural supply which was

precipitated by the passage of Hurricane Dean in August, relative instability in the exchange rate and strong increases in international commodity prices. In particular, crude oil prices breached new thresholds in 2007, chiefly spurred by tension in the Middle East, conflict in Nigeria, the increased activity of speculators and strong demand from China and India. The increase in oil drove significant increases in fuel and energy related costs. Chief among these were the prices for household and automotive fuels and electricity. The average prices of electricity, petrol and liquid petroleum gas increased by 27.8 per cent, 24.0 per cent and 20.0 per cent, respectively, in 2007. The passage of the Hurricane in August was followed by extensive rainfall in October and as a consequence there was significant damage to fruits, vegetables and starchy foods. Largely as a consequence of this, the average prices of *Vegetables & Starchy Foods* and *Fruit* in the CPI increased by 37.1 per cent and 22.8 per cent, respectively. Wheat and corn prices on the international market reached record levels, increasing by 40.8 per cent and 34.7 per cent, respectively, over the year. These developments were reflected in *Bread & Cereals* and *Meat*, which increased by 30.9 per cent and 23.7 per cent over the year. There were also adjustments in administered prices including a 14.3 per cent increase in the minimum wage.

A contributor to the inflationary pressure during 2007 was instability in the foreign exchange market. This was evidenced by acceleration in the rate of depreciation in the weighted average selling exchange rate to 4.9 per cent when compared to 3.5 per cent in 2006. Nearly half of this slippage occurred in the last 4 months of the year. The foreign exchange market during the year was characterised by strong demand for foreign currency assets and diminished confidence in the Jamaica Dollar which was exacerbated by the non-reissuance a U.S. dollar indexed bond that matured in August. This demand was facilitated by high Jamaica Dollar liquidity.

All measures of core or underlying inflation rose in 2007, relative to 2006. The CPI excluding agriculture and fuel (CPI-AF) and CPI excluding food and fuel (CPI-FF) rose to 15.6 per cent and 9.3 per cent, respectively, relative to 8.1 per cent and 6.0 per cent in 2006. The trimmed mean measure of underlying inflation increased to 9.4 per cent in 2007 from 3.8 per cent in 2006. This higher level of core inflation occurred in a context of pervasive price impulses as a result of domestic shocks and continuous upward movement in international

commodity prices. These price developments affected the underlying price-setting process resulting in second round effect on a wide range of goods and services in the economy.

The Central Bank offered variable rate certificates of deposit at regular intervals throughout the year to temper the high levels of Jamaica Dollar liquidity in the system. In addition, the Bank sold foreign exchange to the market to augment supplies in the face of the increased demand that was facilitated by the high levels of liquidity in the system. These actions were against the background of unfavourable local macroeconomic conditions, adverse international developments and weakened local and international investor confidence.

2.3 SUMMARY & OUTLOOK

In 2007, the Jamaican economy was negatively affected by adverse weather conditions as well as unfavourable domestic and international factors. These factors impeded economic growth and the post-Dean recovery process as well as led to a sharp increase in inflation and inflation expectations. As a consequence, there was deceleration in economic growth in 2007 to 1.2 per cent as well as significant inflation of 16.8 per cent relative to single digit outturn in the previous year.

More robust economic expansion is projected for 2008. This will be led by the goods producing sectors, in particular construction and mining, as the sectors rebound from the weather-related challenges faced in 2007. It is expected that investments will continue in transport, storage & communication and the tourism sectors. However, given recent trends in imported commodity prices, a return to single digit inflation in 2008 will be challenged. Inflation is however, expected to be lower in 2008, relative to 2007, in the context of continued stability in the foreign exchange market, a moderation in international commodity prices in line with assumptions, and continued application of demand management policy by the Central Bank.

PART III
THE BALANCE OF PAYMENTS

3. SUMMARY

Jamaica's current account deficit widened by US\$560.8 million to US\$1 743.6 million (13.5 per cent of GDP) in 2007 (see Figure 2 and Table 11). The deterioration was evident in all the sub-accounts, with the exception of current transfers. An increase in the deficit on the goods account of US\$619.3 million was the dominant contributor to the overall worsening of the current account balance. This was primarily associated with adverse weather conditions during the year as well as sustained increases in world commodity prices, particularly oil. Net private and official investment inflows were insufficient to finance the current account deficit, resulting in a decline of US\$439.8 million in the NIR of the BOJ.

Figure 2

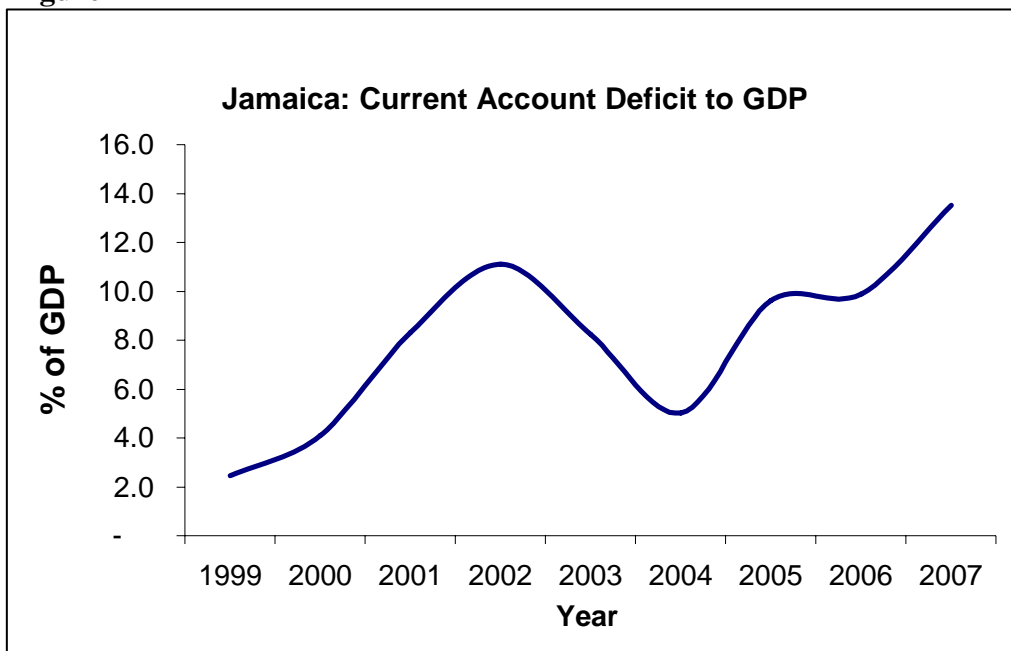


TABLE 11

SUMMARY OF BALANCE OF PAYMENTS (US\$M)			
	2006	2007	Change
CURRENT ACCOUNT	-1182.9	-1743.6	-560.8
A. GOODS BALANCE	-2943.4	-3562.7	-619.3
Exports (f.o.b.)	2133.6	2226.5	92.8
Imports (f.o.b.)	5077.0	5789.1	712.2
B. SERVICES BALANCE	627.6	440.8	-186.8
Transportation	-426.5	-524.9	-98.4
Travel	1596.6	1607.1	10.5
Other Services	-542.6	-641.5	-98.9
GOODS & SERVICES BALANCE	-2315.8	-3121.9	-806.2
C. INCOME	-615.7	-661.6	-45.9
Compensation of employees	96.0	64.8	-31.2
Investment income	-711.7	-726.4	-14.7
D. CURRENT TRANSFERS	1748.6	2039.9	291.3
General Government	145.4	133.0	-12.4
Other Sectors	1603.2	1906.9	303.7
2. CAPITAL & FINANCIAL A/C	1182.9	1743.6	560.8
A. CAPITAL ACCOUNT	-27.7	-35.5	-7.9
General government	4.1	0.7	-3.4
Other Sectors	-31.8	-36.2	-4.5
B. FINANCIAL ACCOUNT	1210.6	1779.2	568.6
Official Investment	564.2	648.6	84.5
Private Investments ^{3/}	876.5	690.7	-185.8
Reserves ^{4/}	-230.1	439.8	

1/ Revised

2/ Estimates

3/ Includes Errors & Omissions

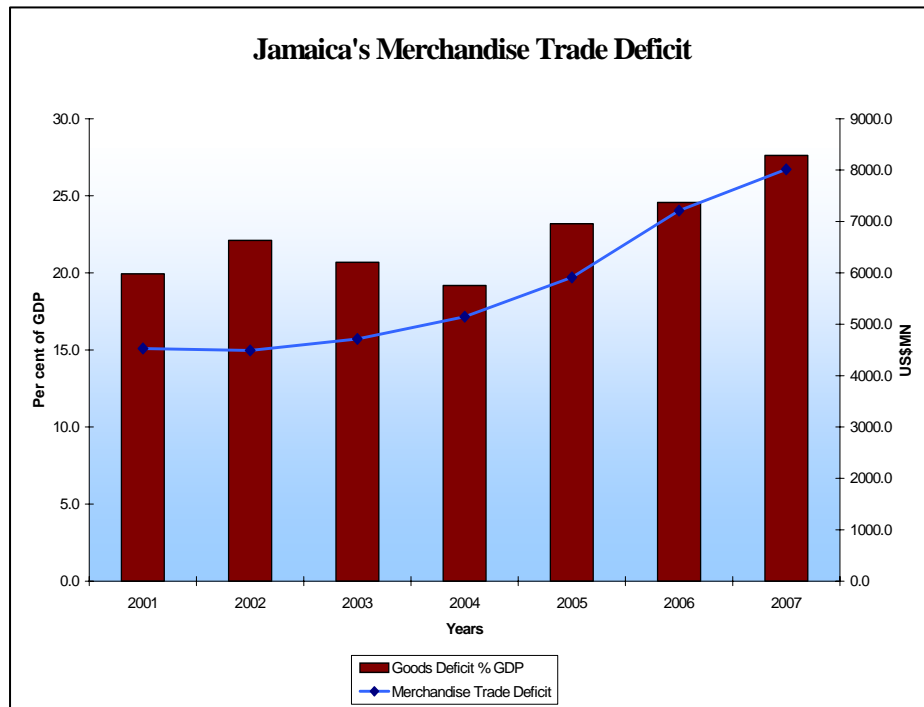
4/ Minus denotes increase

3.1 MERCHANDISE TRADE

Jamaica's total merchandise trade (i.e. exports plus imports (f.o.b.)) increased by US\$805.0 million to US\$8 015.6 million (62.1 per cent of GDP) in 2007(see **Table IV, Appendix**). Total merchandise trade in 2007 was the largest on record.

The goods account recorded a deficit of US\$3 562.7 million (27.6 per cent of GDP) representing an increase of US\$619.3 million (4.8 per cent of GDP) relative to 2006 (see **Figure 3**). The higher trade deficit in 2007 resulted from an expansion of US\$712.2 million in imports (f.o.b.), which was marginally offset by an increase of US\$92.8 million in exports.

Figure 3



Exports

Total goods exports amounted to US\$2 226.5 million (17.3 per cent of GDP) in 2007. *General merchandise exports*, valued at US\$2 066.7 million, continued to account for the largest share of the value of total exports (92.8 per cent) in 2007. *Free zone exports* and *goods procured in ports* by foreign carriers accounted for 2.5 per cent and 4.6 per cent of total exports, respectively (see **Table 12**).

The expansion in the value of goods exports largely reflected growth of US\$124.2 million in earnings from crude material exports associated with a US\$152.6 million increase in the value of alumina. The impact of this was partly offset by declines of US\$43.4 million and US\$22.2 million in mineral fuel and chemical exports, respectively.

TABLE 12

VALUE OF EXPORTS (US\$M)				
SITC SECTIONS	<u>2006</u>	<u>2007</u>	<u>Change</u>	<u>% Change</u>
0. Food	236.5	241.7	5.2	2.2
Bananas	13.4	9.2	-4.2	-31.3
Citrus & citrus products	2.8	2.2	-0.6	-21.1
Sugar & sugar preparations	89.7	100.3	10.6	11.8
Other	119.0	94.6	-24.4	-20.5
1. Beverages & tobacco	90.2	96.8	6.6	7.3
Rum	41.0	44.2	3.2	7.9
Tobacco & tobacco products	0.1	0.1	0.0	0.0
Other	49.2	52.5	3.4	6.8
2. Crude materials	1259.5	1383.8	124.2	9.9
Bauxite	113.3	112.9	-0.3	-0.3
Alumina	1040.5	1193.1	152.6	14.7
Other	105.7	77.7	-28.0	-26.5
3. Mineral fuels	267.6	224.2	-43.4	-16.2
4. Animal & vegetable oils & fats	0.0	0.1	0.1	125.0
5. Chemicals	74.0	51.8	-22.2	-30.0
6. Manufactured goods	14.1	18.0	3.9	27.8
7. Machinery & transport equipment	22.2	33.5	11.4	51.2
8. Misc. manufactured goods	19.3	16.7	-2.6	-13.5
9. Misc. commodities	0.0	0.0	0.0	0.0
A. TOTAL GENERAL EXPORTS	<u>1983.5</u>	<u>2066.7</u>	<u>83.2</u>	<u>4.2</u>
B. FREE ZONE EXPORTS	54.1	56.5	2.4	4.4
C. GOODS PROCURED IN PORTS	96.0	103.3	7.3	7.6
TOTAL EXPORTS (F.O.B.)	2133.6	2226.5	92.8	4.4

Source: Statistical Institute of Jamaica

Owing to an increase in the price of fuel, as well as increased activity at the Island's sea and airports, earnings from goods procured in Jamaican ports by foreign carriers increased by 7.6 per cent relative to 2006. This represented the fifth consecutive year of growth. Free zone exports increased by 4.4 per cent, relative to 2006, and accounted for 2.5 per cent of total exports in 2007.

Major Traditional Exports

TABLE 13

MAJOR TRADITIONAL EXPORT COMMODITIES				
	2006 ^{1/}	2007 ^{2/}	Change	% Change
BAUXITE				
VOLUME ('000 tonnes)	4542.9	4451.6	-91.2	-2.0
VALUE (US\$M)	113.3	112.9	-0.3	-0.3
PRICE (US\$/tonne)	24.9	25.4	0.4	1.7
ALUMINA				
VOLUME ('000tonnes)	4034.5	3884.1	-150.4	-3.7
VALUE (US\$M)	1040.5	1193.1	152.6	14.7
PRICE (US\$/tonne)	257.9	307.2	49.3	19.1
SUGAR				
VOLUME ('000 tonnes)	140.1	153.3	13.1	9.4
VALUE (US\$M)	89.7	100.3	10.6	11.8
PRICE (US\$/tonne)	640.1	654.3	14.2	2.2
BANANA				
VOLUME ('000tonnes)	32.0	17.4	-14.6	-45.7
VALUE (US\$M)	13.4	9.2	-4.2	-31.3
PRICE (US\$/tonne)	418.9	530.3	111.4	26.6

1/ Revised

2/ Estimates

Bauxite & Alumina

Following two consecutive years of expansion, earnings from bauxite exports declined by 0.3 per cent, reflecting a 2.0 per cent fall in volumes, the impact of which was partially offset by a 1.7 per cent increase in the average realized price (ARP) (see **Table 13**). The decline in bauxite export volumes resulted from mechanical problems at the St. Ann Bauxite company in the first half of the year and significant production disruptions caused by Hurricane Dean in August.

The value of alumina exports in 2007 rose by 14.7 per cent, influenced primarily by a 19.1 per cent increase in the ARP of the ore, which was more than sufficient to offset the impact of a 3.7 per cent decline in the export volume. The increase in alumina prices resulted from a reduction in global supply associated with a decline in exports from China. During the review year China became a significant world net importer of the ore, driven primarily by increased demand from the construction industry. The decline in the volume of Jamaica's

alumina exports resulted from disruptions in shipments due to the passage of Hurricane Dean, which caused extensive damage to the port of one of the major exporters.¹¹

Sugar

Earnings from sugar exports increased by 11.8 per cent in 2007, reflecting a 9.4 per cent growth in export volumes as well as a 2.2 per cent rise in the ARP relative to 2006. Increased export volumes resulted from a 14.2 per cent expansion in sugar production, reflecting the impact of various initiatives undertaken by the government in an effort to satisfy an increased EU quota. These initiatives included better field management practices guided by the Sugar Cane Replanting Programme, which was established to provide loan funding to farmers for sugar cane replanting. Jamaica's sugar quota increased by 3 538 tonnes following the redistribution of St. Kitts' quota to producers in the region. However, the volume of sugar exported was constrained by a decline in the quality of sugar cane milled, evidenced by an increase in the tonnes cane to tonnes sugar (TC/TS) ratio to 11.9 in 2007 from 11.7 in 2006. The increase in the ARP of sugar reflected the appreciation of the Euro vis-à-vis the U.S. dollar during 2007. The European Commission (EC) agreement had established a 36.0 per cent reduction in the price paid for raw sugar from African, Caribbean and Pacific (ACP) countries starting with a 5.1 per cent cut in 2006. While there were no price cuts in 2007, cuts are expected over the next two years.

Banana

Total earnings from the export of bananas fell by 31.3 per cent in 2007, relative to 2006. This decline was primarily attributed to a 45.7 per cent fall in export volumes, reflecting the termination of production and export activities following the destruction of the crop by Hurricane Dean. The decline was partly offset by a 26.6 per cent increase in the ARP largely associated with the appreciation of the Euro vis-à-vis the U.S. dollar during 2007.

Other Domestic Exports

Earnings from *other domestic* exports fell by 13.1 per cent in 2007 to US\$600.4 million (see **Table 14**). The major factors contributing to the decline in 2007 were lower earnings from mineral fuel exports, chemicals and crude materials. The decline in the value of mineral fuel

¹¹ There was extensive damage to Jamalco's Rocky Point port due to Hurricane Dean.

exports was due to a reduction in the volumes exported. This primarily resulted from a reduction in demand following the significant increase in prices in the second half of the year. Mineral fuel exports represent Petrojam's supply of petroleum products, including gasoline, to regional and international traders. The decline in earnings from crude material exports was associated with a 25.4 per cent fall in the value of waste and scrap metal exports. This resulted from the increased regulation of the sector in the latter part of the year following concerns about escalating metal theft.

TABLE 14

OTHER DOMESTIC EXPORTS BY S.I.T.C.				
(US\$M)				
	2006	2007	Change	% Change
0. Food	132.6	130.7	-1.9	-1.4
Citrus & citrus products	2.8	2.2	-0.6	-21.1
Other	129.8	128.5	-1.3	-1.0
1. Beverages & Tobacco	90.2	96.8	6.6	7.3
Rum	41.0	44.2	3.2	7.9
Tobacco & tobacco products	0.1	0.1	0.0	0.0
Other	49.2	52.5	3.4	6.8
2. Crude Materials	105.5	77.7	-27.8	-26.3
3. Mineral Fuels	267.1	223.6	-43.5	-16.3
4. Animal & Vegetable Oils & Fats	0.0	0.1	0.0	125.6
5. Chemicals	72.1	49.4	-22.7	-31.4
6. Manufactured Goods	8.2	10.2	1.9	23.7
7. Machinery & Transport Equip.	1.1	1.3	0.2	14.2
8. Miscellaneous Manufactured Goods	14.0	10.5	-3.4	-24.5
9. Miscellaneous Commodities	0.0	0.0	0.0	0.0
TOTAL	690.9	600.4	-90.5	-13.1

Imports

Total imports (c.i.f.) in 2007 were valued at US\$6 614.8 million (51.3 per cent of GDP). General merchandise imports accounted for 97.6 per cent of Jamaica's import bill in 2007, while goods procured in ports by foreign carriers and free zone imports accounted for 2.1 per cent and 0.3 per cent, respectively (see **Table 15**).

The value of total imports in 2007 increased by 14.0 per cent, primarily reflecting higher spending on mineral fuels, chemicals, machinery and transport equipment and food. The expansion in the value of mineral fuel imports was driven by a 9.4 per cent increase in

international oil prices, relative to 2006. Increased expenditure on chemicals was influenced primarily by higher imports of ethanol feedstock and medicinal and pharmaceutical products. Spending on machinery and transport equipment, which exceeded the previous year' level by US\$122.3 million was buoyed by higher motor vehicle imports as well as the importation of six ship-to-shore gantry cranes by the Kingston Container Terminal. Food imports grew by US\$113.9 million or 18.5 per cent, largely due to increased international commodity prices. In particular, the prices of soybeans, corn and wheat rose by 43.0 per cent, 34.7 per cent and 40.8 per cent, respectively (see **International Economic Developments**).

TABLE 15

VALUE OF IMPORTS BY SITC (C.I.F.)				
(US\$M)				
	2006^{1/}	2007^{2/}	Change	% Change
TOTAL GENERAL IMPORTS	5650.4	6459.3	808.8	14.3
0. FOOD	616.8	730.7	113.9	18.5
1. BEVERAGE & TOBACCO	68.4	93.2	24.8	36.2
2. CRUDE MATERIALS	82.4	67.6	-14.9	-18.0
3. MINERAL FUELS	1758.5	2013.0	254.6	14.5
4. ANIMAL & VEGETABLE OIL	25.2	31.6	6.4	25.5
5. CHEMICALS	680.4	831.2	150.8	22.2
6. MANUFACTURED GOODS	696.1	753.4	57.3	8.2
7. MACHINERY & TRANSPORT EQUIPMENT	1130.1	1252.4	122.3	10.8
8. MISCELLANEOUS MANUFACTURED GOODS	510.8	591.2	80.4	15.7
9. MISCELLANEOUS COMMODITIES.	81.8	95.1	13.3	16.3
FREEZONE	19.0	18.5	-0.5	-2.7
GOODS PROCURED IN PORTS	132.0	137.0	5.0	3.8
TOTAL	5801.4	6614.8	813.4	14.0

1/ Revised

2/ Provisional

3.2 DIRECTION OF TRADE (GENERAL MERCHANDISE)

The U.S., UK and Canada remained Jamaica's dominant trading partners in 2007 accounting for US\$4 237.8 million or 49.7 per cent of total merchandise trade, compared with 46.3 per cent in 2006. These countries provided markets for US\$1 271.6 million or 61.5 per cent of Jamaica's total exports in 2007, while supplying US\$2 966.2 million or 45.9 per cent of its imports in that year (see **Tables 16 to 18**).

The U.S., Jamaica's largest trading partner, increased its share of Jamaica's merchandise trade to 40.1 per cent, compared with 36.2 per cent in 2006. Imports from the US, which

included chemicals, manufactured goods, machinery & transport equipment and food, accounted for 41.8 per cent of general merchandise imports. On the other hand, exports to that market, comprising mainly bauxite, alumina and miscellaneous manufactured goods, accounted for 34.9 per cent of general merchandise exports.

The value of Jamaica's general merchandise imports from the U.S. increased by US\$534.5 million to US\$2 699.5 million in 2007, which outweighed the US\$123.4 million increase in exports to that market. In this context, Jamaica's merchandise trade deficit with the U.S. worsened by 26.2 per cent to US\$1 977.2 million in 2007, relative to the previous year

There was a marginal increase in Jamaica's overall trade surplus with Canada in 2007 relative to 2006. The gain in 2007 occurred in a context where exports to this source grew by 7.7 per cent to US\$333.3 million while imports from this source increased by 11.1 per cent to US\$137.4 million. Notwithstanding these increases, the share of Jamaica's total merchandise trade with Canada declined to 5.5 per cent in 2007, from 5.7 per cent the previous year. Exports to this market included alumina, rum and food, while imports comprised mainly machinery & transport equipment, mineral fuels, chemical and food.

Jamaica's merchandise trade balance with China worsened in 2007, moving to a deficit of US\$158.0 million from a surplus of US\$93.9 million in 2006. This out-turn was influenced by a fall in export earnings of US\$231.0 million, in addition to a marginal increase of US\$20.9 million in spending on imports. China accounted for 3.4 per cent of Jamaica's exports in 2007, relative to 15.2 per cent in 2006, while its share of imports declined to 3.5 per cent in 2007 relative to 3.7 per cent in 2006. Exports to China consisted mainly of alumina and scrap metal. A sharp decline in the export of scrap metal in 2007 accounted for the fall in that country's export share. Imports included miscellaneous manufactured articles, manufactured goods and machinery & transport equipment.

TABLE 16

VALUE OF EXPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)						
	2006	% of Total	2007	% of Total	Change	% Change
COUNTRY						
United Kingdom	204.7	10.3	216.0	10.5	11.3	5.5
United States	598.9	30.2	722.3	34.9	123.4	20.6
Canada	309.4	15.6	333.3	16.1	23.9	7.7
European Union	137.9	7.0	376.6	18.2	238.7	173.1
CARICOM	53.0	2.7	56.4	2.7	3.4	6.4
China	300.6	15.2	69.6	3.4	-231.0	-76.8
All other countries	379.0	19.1	292.5	14.2	-86.5	-22.8
TOTAL	1983.5	100.0	2066.7	100.0	83.2	4.2

TABLE 17

VALUE OF IMPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)						
	2006	% of Total	2007	% of Total	Change	% Change
COUNTRY						
United Kingdom	133.1	2.4	129.3	2.0	-3.8	-2.9
United States	2165.0	38.3	2699.5	41.8	534.5	24.7
Canada	123.7	2.2	137.4	2.1	13.7	11.1
European Union	211.7	3.7	323.8	5.0	112.1	53.0
CARICOM	857.3	15.2	1191.2	18.4	333.9	38.9
China	206.7	3.7	227.6	3.5	20.9	10.1
All other countries	1952.9	34.6	1750.5	27.1	-202.4	-10.4
TOTAL	5650.4	100.0	6459.3	100.0	808.9	14.3

TABLE 18

TRADE BALANCE BY PRINCIPAL TRADING PARTNERS (US\$M)				
	2006	2007	Change	% Change
COUNTRY				
United Kingdom	71.6	86.7	15.1	21.1
United States	-1566.1	-1874.8	-308.7	19.7
Canada	185.7	195.9	10.2	5.5
European Union	-73.8	52.8	126.6	-178.3
CARICOM	-804.3	-1134.8	-330.5	41.1
China	93.9	-158.0	-251.9	-268.3
All other countries	-1573.9	-1458.0	115.9	-7.4
TOTAL	-3666.9	-4392.6	-725.7	19.8

Source: Statistical Institute of Jamaica

The UK's share of Jamaica's merchandise trade fell to 4.0 per cent in 2007 from 4.4 per cent in 2006. General merchandise exports to the UK, comprising mainly sugar, banana and rum, increased by 5.5 per cent to US\$216.0 million. Concurrently, the value of imports from the UK declined by 2.9 per cent to US\$129.3 million in the review year. Against the background of the relatively strong growth in exports and fall in imports, the trade surplus with the UK increased in 2007 by US\$15.1 million to US\$86.7 million.

Jamaica ran a merchandise trade surplus of US\$52.8 million with the EU for 2007, relative to a trade deficit of US\$73.8 million in 2006. This improvement was mainly attributed to a US\$238.7 million expansion in exports, which was partially offset by a US\$112.1 million increase in imports. In this context, the share of total merchandise trade accounted for by the EU grew to 8.2 per cent in 2007 from 4.6 per cent in 2006. Exports to this market include sugar, rum and alumina

3.3 CARICOM TRADE

CARICOM's share of Jamaica's merchandise trade increased to 14.5 per cent in 2007 from 12.0 per cent in 2006. This was influenced by a 38.9 per cent increase in imports, partially offset by a 6.4 per cent growth in exports. These changes resulted in an expansion of US\$330.5 million in Jamaica's trade deficit with the region in 2007. The widening of the deficit was influenced primarily by increased imports from Trinidad and Tobago, which remained Jamaica's major regional trading partner in 2007 (see **Table 19**). The trade deficit with Trinidad and Tobago grew to US\$1039.3 million in 2007 from US\$749.0 million in 2006.

TABLE 19

CARICOM TRADE (SELECTED COUNTRIES) (US\$MN)						
Country	2006			2007		
	Exports	Imports	Trade Bal.	Exports	Imports	Trade Bal.
Barbados	10.7	17.9	-7.2	9.8	58.2	-48.4
Guyana	3.7	30.8	-27.1	5.0	35.9	-30.9
Belize	3.8	13.2	-9.4	3.0	6.2	-3.2
St. Kitts	1.9	0.0	1.9	2.1	0.1	2.0
Antigua	3.8	0.1	3.7	4.6	0.5	4.1
Montserrat	0.1	0.0	0.1	0.2	0.0	0.2
Trinidad & Tobago	18.1	767.1	-749.0	20.1	1059.4	-1039.3
Dominica	2.4	12.7	-10.3	2.0	13.0	-11.0
Grenada	1.6	0.6	1.0	1.7	0.7	1.0
St. Lucia	3.8	0.7	3.1	3.6	0.9	2.7
St. Vincent	1.3	0.2	1.1	2.0	0.4	1.6
Suriname	1.8	13.9	-12.1	2.3	15.9	-13.6
TOTAL	53.0	857.3	-804.2	56.4	1191.2	-1134.8

Source: Statistical Institute of Jamaica

3.4 SERVICES

Net earnings from services declined by US\$186.8 million (29.8 per cent) to US\$440.8 million in 2007 (see **Table 20**). The decline in the surplus resulted from expansions of US\$98.4 million and US\$98.9 million in net payments for *transportation services* and *other services*, respectively. Net receipts from *travel* increased marginally by 0.7 per cent, significantly below the annual average expansion of 9.8 per cent over the past five years.

Transportation

The higher deficit on the transportation sub-account largely reflected an increase of US\$93.1 million in payments for freight (see **Table 21**). The growth in freight charges mirrored the expansion in the overall volume of imports in 2007. There was also a fall in receipts from the sale of transportation services, principally associated with a decline in charges for freight, auxiliary and other support services. Revenues from the sale of passenger services, however, increased by US\$7.3 million (3.3 per cent), reflecting the impact of higher oil prices which caused global passenger fares to increase.

TABLE 20

	SERVICES			% Change
	(US\$M)			
	2006	2007	Change	
Services Balance	627.6	440.8	-186.8	-29.8
Inflows	2648.7	2701.8	53.1	2.0
Outflows	2021.1	2261.0	239.9	11.9
Transportation	-426.5	-524.9	-98.4	-23.1
Inflows	459.0	447.2	-11.8	-2.6
Outflows	885.4	972.1	86.7	9.8
Travel	1596.62	1607.13	10.5	0.7
Inflows	1870.05	1905.3	35.3	1.9
Outflows	273.43	298.17	24.7	9.0
Other Services	-542.57	-641.49	-98.9	18.2
Inflows	319.67	349.3	29.6	9.3
Outflows	862.24	990.79	128.6	14.9

Source: Bank of Jamaica

TABLE 21

	TRANSPORTATION			% Change
	(US\$M)			
	2006	2007	Change	
TRANSPORTATION (NET)	-426.5	-524.9	-98.3	23.1
TOTAL RECEIPTS	459.0	447.2	-11.8	-2.6
Passenger fares	224.2	231.5	7.3	3.3
Freight	17.8	15.3	-2.4	-13.7
Other	217.0	200.3	-16.7	-7.7
TOTAL PAYMENTS	885.5	972.0	86.5	9.8
Passenger fares	41.5	41.7	0.1	0.4
Freight	666.4	759.5	93.1	14.0
Other	177.6	170.8	-6.7	-3.8

Source: Bank of Jamaica

Travel

Following two consecutive years of double-digit growth, net foreign exchange earnings from the tourism industry amounted to US\$1 905.3 million (14.8 per cent of GDP) in 2007, representing an increase of US\$10.5 million or 1.9 per cent, relative to 2006. This moderation in net earnings emanated from a marginal increase in gross travel receipts of

US\$35.3 million, which was partially offset by higher gross payments of US\$24.7 million (see **Table 20**).

The moderation in gross travel earnings in 2007 was largely influenced by a 10.2 per cent decline in the average daily spending by cruise passengers. This influenced an overall decline of 3.0 per cent in the average daily spending of total visitors, relative to 2006. There was also a contraction of 4.5 per cent in total visitor arrivals. This contraction was associated with an 11.7 per cent reduction in cruise passenger arrivals which outweighed the 1.3 per cent increase in total stopover visitor arrivals (see **Table 22**).¹² The growth in stopover arrivals mainly reflected a 26.6 per cent increase in arrivals of non-resident Jamaicans, as foreign national stopover arrivals declined by 0.3 per cent. Within the stopover category, arrival of long-stay foreign nationals accounted for 55.0 per cent of total visitor arrivals during the year (see **Figure 4**).¹³

TABLE 22

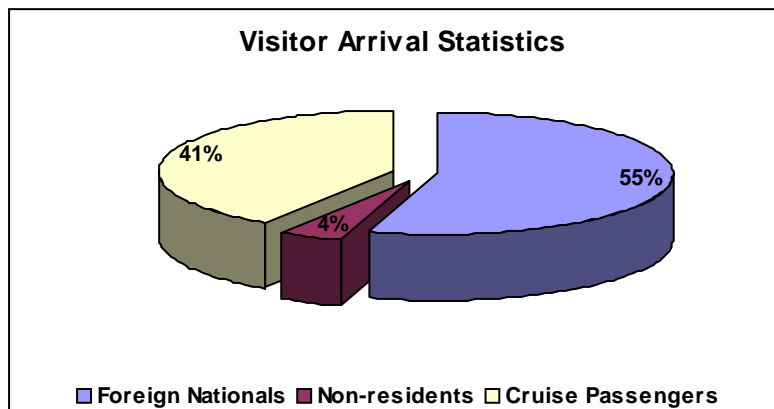
VISITOR ARRIVAL STATISTICS (000s)				
	2006	2007	Change	% Change
Total Stopovers	1,678.9	1,700.8	21.9	1.3
Foreign National Stopovers	1,578.2	1,573.3	-4.9	-0.3
Long Stay	1526.5	1507.6	-18.9	-1.3
Short Stay	51.7	65.6	13.9	27.7
Non-resident Jamaican stopovers	100.7	127.5	26.8	26.6
Cruise Passengers & Armed Forces	1,337.0	1,179.5	-157.5	-11.7
Total Visitors	3,015.9	2,880.0	-135.6	-4.5
Average Daily Expenditure (US\$)	117.6	114.1	-3.5	-3.0
Gross Estimated Expenditure (US\$M)	1,870.1	1,905.3	35.3	1.9

Source: Jamaica Tourist Board

¹² Visitor arrivals were at record levels for both stopover and cruise visitors in 2006. The previous record was in 2005.

¹³ Long-stay visitors represent visitors who stay in excess of three nights.

Figure 4



Source: Jamaica Tourist

The decline in total visitor arrivals in 2007 largely reflected a normalization following the recovery of competing destinations that were affected by severe weather conditions in 2006. In addition, the relative attractiveness of Jamaica's tourism product was negatively affected by adverse weather conditions. Travel disruptions were also caused by the Western Hemisphere Travel Initiative, which came into effect in January 2007 and required Americans travelling by air between the U.S. and the Caribbean as well as Mexico, South America and Canada to have a passport for re-entry into the U.S. There was also the impact of Hurricane Dean on the island in August which resulted in the closure of the Norman Manley and Sangster's International Airports for one day as well as the diversion of some cruise ships.

Stopover Arrivals

Source Markets

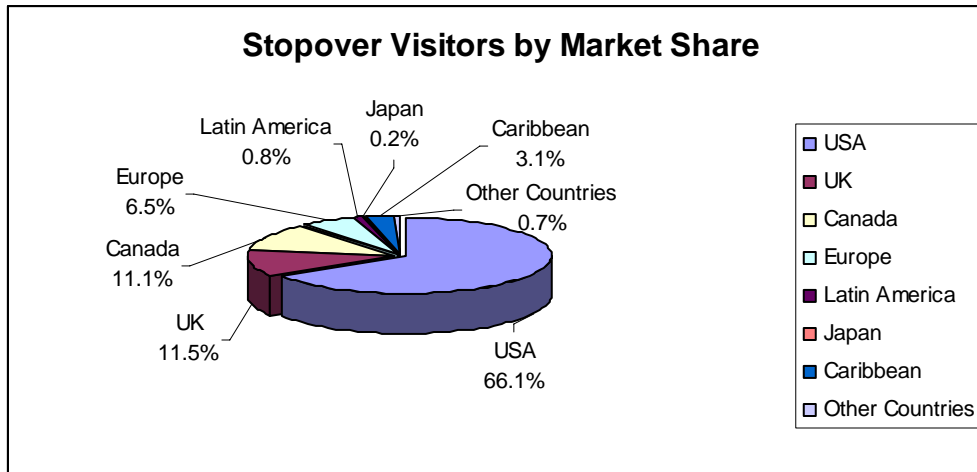
Stopover arrivals from all the major source markets increased in 2007, with the exception of arrivals from the U.S. and Japan (see **Table 23**). The U.S. remained the main source for stopover arrivals in 2007, despite a 4.9 per cent decline in arrivals from this market. In this context, there was a reduction in its market share to 66.1 per cent relative to 70.9 per cent in 2006 (see **Figure 5**).

TABLE 23

STOPOVER ARRIVALS BY COUNTRY OF ORIGIN												
	Foreign Nationals				Non-Resident Jamaicans				Total Stop-overs			
	2006	2007	Change	% Change	2006	2007	Change	% Change	2006	2007	Change	% Change
USA	1117274	1040515	-76759	-6.9	73447	92017	18570	25.3	1190721	1132532	-58189	-4.9
Canada	146232	180846	34614	23.7	7337	9804	2467	33.6	153569	190650	37081	24.1
UK	168073	175415	7342	4.4	7290	10242	2952	40.5	175363	185657	10294	5.9
Germany	19601	19656	55	0.3	67	239	172	256.7	19668	19895	227	1.2
Other Europe	60797	82963	22166	36.5	246	379	133	54.1	61043	83342	22299	36.5
Latin America	10996	12053	1057	9.6	105	116	11	10.5	11101	12169	1068	9.6
Japan	3707	3001	-706	-19.0	48	48	0	0.0	3755	3049	-706	-18.8
Caribbean	43916	48481	4565	10.4	12032	14486	2454	20.4	55948	62967	7019	12.5
Other Countries	7611	10337	2726	35.8	126	187	61	48.4	7737	10524	2787	36.0
TOTAL	1578207	1573267	-4940	-0.3	100698	127518	26820	26.6	1678905	1700785	21880	1.3

Source: Jamaica Tourist Board

Figure 5



Source: Jamaica Tourist Board

The decline in total stopover visitor arrivals from the U.S. reflected reductions from all regions ranging from 11.9 per cent in the Midwest (Chicago) to 2.1 per cent in the Northeast (New York). The decline in the Midwest was attributed to a reduction in the number of charter services from this region. While there was an increase in charter service from Boston to Montego Bay during February to April and scheduled service by Delta airlines from June, the increase in arrivals did not compensate for the fall-out from the other areas. The overall weak performance of the U.S. market largely resulted from the impact of the Western

Hemisphere Travel Initiative, which affected arrivals to the island from this source market. In addition, lower economic growth in the U.S. influenced a reduction in consumer spending.

Visitor arrivals from the Canadian market totalled 190,650 in 2007, representing an increase of 62.4 per cent, relative to 2006. In this context, the share of stopover arrivals from this source market increased to 11.1 per cent from 9.1 per cent in the preceding year. The increase from the Canadian market reflected expansions from almost all regions in that country was influenced primarily by economic growth associated with higher oil prices on the international market. The strengthening of the Canadian dollar vis-à-vis the U.S. dollar also provided Canadians with increased purchasing power during the year. In addition, travel from Canada was boosted by the introduction of weekly charter services from Edmonton and Hamilton.

Growth of 36.5 per cent in foreign national stopover arrivals from European countries (excluding the UK) reflected expansions in stopover visitors from all regions except Italy, which declined by 1.0 per cent. In particular, there were increased stopover arrivals from Portugal and Spain due to additional airlifts from these destinations. Growth in visitors from Europe could also be attributed to the appreciation of the Euro vis-à-vis the U.S. dollar during the review period.

Visitor arrivals from Latin America grew by 44.0 per cent, influenced largely by the South American sub-region. In particular, there was notable growth in stopover arrivals from Colombia and Argentina.

There was also growth of 19.8 per cent in stopover arrivals from the Caribbean in 2007 relative to the increase of 9.6 per cent in 2006. Of note, there were increases in stopover visitors of 11.1 per cent and 23.9 per cent from the Commonwealth Caribbean and Other Caribbean regions, respectively. The Cayman Islands and Trinidad and Tobago continued to be the main source of visitors from the region, with respective increases of 16.5 per cent and 15.5 per cent for the review year.

Seasonal Distribution

Stopover visitor arrivals for the summer months (May to December) grew by 4.1 per cent in 2007, following the exceptional 12.4 per cent expansion recorded in 2006. This deceleration occurred in the context of adverse weather conditions and the restoration of Cancun, Mexico, as a tourism destination following the devastation caused by hurricanes in 2005. For the winter period (January to April) stopover arrivals fell by 3.7 per cent, in contrast to the 15.7 per cent increase recorded for the previous year (see **Table 24**). The decline in arrivals during the winter period was principally attributed to the imposition of the Western Hemisphere Travel Initiative.

TABLE 24

	No. of Visitors		% of total			
	2006	2007	Change	%	2006	2007
				Change		
Winter	599834	577813	-22021	-3.7	35.7	34.0
Summer	1079071	1122972	43901	4.1	64.3	66.0
Total	1678905	1700785	21880	1.3	100.0	100.0

Source: Jamaica Tourist Board (JTB)

Visitor Accommodation & Length of Stay

During 2007, the number of available rooms increased by 3.4 per cent to 27 580, while the number of beds rose by 2.3 per cent to 56 980 (see **Table 25**). All resort areas showed increases in available rooms and beds. Montego Bay accounted for the largest share of the overall expansion in visitor accommodation. This primarily reflected the opening of the 366-room Iberostar hotel in that parish.

The average length of stay for foreign national visitors was 9.8 days in 2007, the same as in 2006 (see **Table 26A**). With the exception of Latin America and the Caribbean which increased marginally, the average length of stay of visitors from the major source countries declined, reflecting the continued tendency toward shorter vacations by visitors (see **Table 26B**). With regard to the average rate of hotel room occupancy, there was a marginal increase of 0.6 percentage point to 63.2 per cent in 2007, relative to 2006.

TABLE 25

VISITOR ACCOMMODATION STATISTICS				
(By Resort Area)				
	2006	2007	Change	% Change
No. of Rooms	26675	27580	905	3.4
Kingston	2108	2327	219	10.4
Montego Bay	7922	8315	393	5.0
Ocho Rios	7986	8093	107	1.3
Negril	6449	6469	20	0.3
Port Antonio	979	995	16	1.6
South Coast	1231	1381	150	12.2
No. of Beds	55183	56980	1253	2.3
Kingston	4219	4663	444	10.5
Montego Bay	16361	17125	764	4.7
Ocho Rios	17185	17416	231	1.3
Negril	13018	13050	32	0.2
Port Antonio	1960	1992	32	1.6
South Coast	2440	2734	294	12.0

Source: Jamaica Tourist Board

TABLE 26A

AVERAGE LENGTH OF STAY		
By Country of Residence		
	(Days)	
Country	2006	2007
US	8.3	8.0
Canada	11.8	10.8
UK	17.2	16.5
Europe	11.7	10.7
Latin America	8.6	8.9
Caribbean	9.3	9.5
Other Countries	17.6	15.0
TOTAL	9.8	9.6

Source: Jamaica Tourist Board

TABLE 26B

AVERAGE LENGTH OF STAY				
By Type of Accommodation				
	2006		2007	
	Foreign Nationals	Non Resident Jamaicans	Foreign Nationals	Non Resident Jamaicans
Hotel	6.9	7.8	7.0	8.5
Non-Hotel	9.3	11.6	9.5	11.8
Private Homes	17.7	17.8	16.3	18.1
Other	12.3	17.2	12.9	13.9
TOTAL	9.8	17.3	9.8	17.3

Source: Jamaica Tourist Board

Cruise Passengers

For the fifth consecutive year cruise passenger arrivals to Jamaica surpassed one million in 2007 (see **Table 22**). However, total cruise visitor arrivals declined by 11.7 per cent in 2007, principally reflecting respective contractions of 12.3 per cent and 10.9 per cent in the number of passengers disembarking at the Montego Bay and Ocho Rios ports.

The fall in cruise visitor arrivals reflected the reduction in the number of ship calls to the island notwithstanding the arrival of three new vessels to the Montego Bay port for the year.¹⁴ Lower cruise passenger arrival was largely attributed to the rerouting of ships to the Mediterranean which was perceived to be a more lucrative route, as well as diversion of cruise ships due to adverse weather conditions in August. For the review period, the number of calls to the Montego Bay and Ocho Rios ports declined by 30.1 per cent and 16.2 per cent, respectively. A total of 435 calls were made to the Island, relative to 563 calls in 2006.

Tourist Expenditure

Gross earnings from tourism increased by US\$25.3 million in 2007 to US\$1 728.9 million (13.4 per cent of GDP), principally reflecting an increase of 1.5 per cent in spending by foreign nationals (see **Table 27**). On average, each foreign national tourist spent US\$114.53 daily, which represented an increase of 3.5 per cent relative to 2006. However, the average daily spending by cruise passengers declined by 10.2 per cent during the review period.

¹⁴ Three ships made their maiden calls to the Island during the latter half of 2007.

With respect to payments, the expenditure of Jamaican seasonal workers overseas rose by 12.7 per cent during 2007 (see **Table 27**).

TABLE 27

TOURIST EXPENDITURE (US\$M)				
	2006	2007	Change	% Change
Foreign National Stop-over Expenditure	1703.6	1728.9	25.3	1.5
Winter Expenditure	583.3	597.5	14.2	2.4
Summer Expenditure	1120.4	1131.5	11.1	1.0
Non-resident Jamaican Expenditure	48.8	62.3	13.4	27.5
Cruise passengers & Armed Forces	117.6	114.1	-3.5	-3.0
Total Expenditure	1870.1	1905.3	35.3	1.9
Less Jamaican Expenditure Overseas	221.5	239.7	18.1	8.2
Less Exp. of Resident Workers Overseas	51.9	58.5	6.6	12.7
Net Expenditure	1596.6	1607.1	10.5	0.7
<i>Memo</i>				
<i>Stopover visitor average daily expenditure</i>	110.6	114.5	3.93	3.5
<i>Cruise Passenger average daily expenditure</i>	88.3	97.3	9.0	10.2

Source: Jamaica Tourist Board

Other Services

The deficit on the *other services* account increased by US\$98.9 million to US\$641.5 million in 2007. This deterioration stemmed from an expansion of US\$128.6 million in gross payments, which was partly offset by an increase of US\$29.7 million in gross receipts (see **Table 28**).

Higher gross payments were principally influenced by expansions of US\$114.4 million and US\$7.6 million in expenditure on other business and insurance services, respectively. The growth in other business services stemmed from a rise in commissions to travel agents as well as the increased marketing activities of the JTB during the year. Higher payments for insurance services were attributed to freight insurance due to the growth in imports in 2007. Increased inflows from the provision of other services to foreigners in 2007 principally reflected growth in receipts from royalties, leases and licence fees at the ports.

TABLE 28

OTHER SERVICES (US\$M)				
	2006	2007	Change	% Change
OTHER SERVICES (NET)	-542.6	-641.5	-98.9	18.2
RECEIPTS	319.7	349.4	29.7	9.3
Insurance	13.8	12.4	-1.4	-10.1
Computer & Information	28.8	27.3	-1.5	-5.2
Other Business	241.9	272.7	30.8	12.7
Government	35.2	37.0	1.8	5.1
PAYMENTS	862.2	990.8	128.6	14.9
Insurance	168.2	175.8	7.6	4.5
Computer & Information	23.7	25.8	2.1	8.9
Other Business	618.7	733.1	114.4	18.5
Government	51.6	56.1	4.5	8.7

Source: Bank of Jamaica

3.5 INCOME

The income account recorded a deficit of US\$661.6 million in 2007, which was US\$45.9 million higher than in 2006. This outturn reflected a fall of US\$31.2 million in net inflows from compensation to employees, supported by an expansion of US\$14.7 million in net investment income outflows (see **Table 29**).

The growth in net investment income outflows was influenced primarily by an expansion of US\$157.0 million in estimated profit remittances by the direct investment companies. The estimated growth in profit remittances reflected higher earnings from the export of alumina. In addition to the increase in imputed profit outflows, there was an increase of US\$56.9 million in official interest payments, associated with the increase in the Government's external debt stock.

TABLE 29

	INCOME US\$M			
	2006	2007	Change	% Change
INCOME ACCOUNT (NET)	-615.7	-661.6	-45.9	7.5
INFLOWS	378.3	520.7	142.3	37.6
OUTFLOWS	994.1	1182.3	188.2	18.9
Compensation to Employees	96.0	64.8	-31.2	-32.5
Inflows	154.3	157.8	3.4	2.2
Outflows	58.4	93.0	34.6	59.3
Investment Income (net)	-711.7	-726.4	-14.7	2.1
Inflows	224.0	362.9	138.9	62.0
Direct Investment	-0.3	9.6	9.9	-3300.0
Portfolio Investment	73.8	176.7	102.9	139.4
Other Investment Income	150.5	176.6	26.1	17.3
- Central Government	0.0	0.0	0.0	0.0
- BOJ	105.9	128.6	22.7	21.4
- Private	44.7	48.1	3.4	7.6
- Commercial Banks	44.7	48.1	3.4	7.6
- Insurance Companies	0.0	0.0	0.0	0.0
- Other Interest	0.0	0.0	0.0	0.0
Outflows	935.7	1089.3	153.6	16.4
Direct Investment	375.6	532.6	157.0	41.8
Portfolio Investment	42.3	27.1	-15.2	-35.9
Other Investment Income	517.8	529.6	11.8	2.3
- Central Government	382.2	439.1	56.9	14.9
- BOJ	0.2	0.1	-0.1	-50.0
- Govt. Guaranteed	15.1	16.0	0.9	6.0
- Private	120.3	74.4	-45.9	-38.2
- Commercial Banks	63.8	71.1	7.3	11.4
- Other Interest	56.5	3.3	-53.2	-94.2
- Insurance Companies	0.0	0.0	0.0	0.0

Source: Bank of Jamaica

The net outflow in compensation to employees was due to a US\$34.6 million increase in payments by local entities to non-resident employees. These higher payments were associated with the ICC World Cup and the ongoing expansion in the tourism sector.

3.6 CURRENT TRANSFERS

Net inflows from current transfers amounted to US\$2 039.9 million in 2007, representing an expansion of US\$291.3 million (16.7 per cent), relative to 2006 (see **Table 30**). This improvement was attributed to an increase of US\$308.0 million (15.9 per cent) in gross inflows to the private sector.

Gross private remittance inflows increased to US\$2 244.4 million (17.4 per cent of GDP) in 2007, while outflows rose by 1.7 per cent to US\$345.8 million in 2007. The major share of private transfer inflows in 2007 continued to be sent through remittance companies, which accounted for 52.0 per cent of total inflows in 2007, relative to 53.8 per cent in 2006. The share of inflows through financial institutions fell to 35.5 per cent in 2007 from 37.5 per cent in 2006, while the share attributed to other agencies increased to 12.5 per cent from 8.6 per cent in 2006. However, the share through the postal system remained the same as the previous year.

TABLE 30

CURRENT TRANSFERS (US\$M.)				
	2006^{1/}	2007^{2/}	Change	% Change
TOTAL RECEIPTS	2088.5	2385.7	297.2	14.2
General Government	152.1	141.2	-10.9	-7.1
Private Sector	1936.4	2244.4	308.0	15.9
Postal System	0.1	0.1	0	0.0
Financial System	726.7	797.6	70.9	9.8
Remittance Companies	1042.6	1166.4	123.8	11.9
Other	167.0	280.3	113.3	67.9
TOTAL PAYMENTS	339.9	345.8	5.9	1.7
General Government	6.7	8.3	1.6	23.9
Private Sector	333.2	337.5	4.3	1.3
Financial System	299.6	303.2	3.6	1.2
Other	33.6	34.3	0.7	2.1
NET CURRENT TRANSFERS	1748.6	2039.9	291.3	16.7

1/ Revised

2/ Estimates

3.7 CAPITAL AND FINANCIAL ACCOUNTS

Overview

The capital account recorded a deficit of US\$35.5 million in 2007, reflecting a deterioration of US\$7.9 million relative to 2006 (see **Table 31**). The financial account registered a surplus of US\$1 779.2 million, representing an increase of US\$568.6 million or 47.0 per cent when compared to the previous year. Net private and official investment inflows were insufficient to finance the deficits on the current and capital accounts. As a result, there was a decline of US\$439.8 million in the net international reserves of the country.

TABLE 31

CAPITAL AND FINANCIAL ACCOUNT				
(US\$M)				
	2006	2007	Change	% Change
CAPITAL & FINANCIAL ACCOUNT (NET)	1182.9	1743.6	560.8	47.4
A. CAPITAL ACCOUNT	-27.7	-35.5	-7.9	28.4
Capital Transfers	-27.7	-35.5	-7.9	28.4
General Government	4.1	0.7	-3.4	-83.1
Other Capital Transfers	-31.8	-36.2	-4.5	14.0
Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	1210.6	1779.2	568.6	47.0
Other Official Investment	564.2	648.6	84.5	15.0
Other Private Investments ^{1/}	876.5	690.7	-185.8	-21.2
Change in Reserves (increase = minus)	-230.1	439.8	670.0	-291.1

1/ Include errors & omissions

Source: Bank of Jamaica

Capital Account

The higher deficit on the capital account in 2007 mainly reflected an expansion in net private sector outflows of US\$4.5 million and a decline in net official inflows of US\$3.4 million. The growth in private sector outflows emanated from an increase in emigration by Jamaican residents while the reduction in official inflows was attributed to a decline in grants.

Financial Account

Within the financial account net official investment inflows of US\$648.6 million, exceeded the level in 2006 by US\$84.5 million (see **Table 32**). Gross official investment inflows of

US\$1 497.2 million reflected increased Government borrowing on the international bond market. These inflows included Eurobonds of US\$350.0 million in March 2007 and US\$150.0 million in October 2007. Gross official outflows of US\$848.6 million, was US\$135.3 million higher than in 2006, reflecting an increase in Government amortization of external debt.

TABLE 32

OTHER OFFICIAL INVESTMENT FLOWS				
(US\$M)				
	2006 ^{1/}	2007 ^{2/}	Change	% Change
NET OFFICIAL INVESTMENTS	564.2	648.6	84.5	15.0
GROSS OFFICIAL INFLOWS	1277.5	1497.2	219.8	17.2
Project Loan	76.6	90.2	13.6	17.8
Other Assistance	1200.8	1407.0	206.2	17.2
GROSS OFFICIAL OUTFLOWS	713.3	848.6	135.3	19.0
Government Direct	271.2	484.9	213.7	78.8
Bank of Jamaica	239.4	262.3	22.9	9.5
Other Official	202.6	101.4	-101.2	-50.0

Source: Bank of Jamaica

1/ Revised

2/ Provisional

Net private investment inflows (comprised primarily of foreign direct and portfolio investment flows) declined by 21.2 per cent to US\$690.7 million in 2007, relative to 2005. In this regard gross FDI inflows declined by US\$15.7 million to US\$866.5 million (6.7 per cent of GDP) in 2007. This was largely influenced by a reduction in investments in the mining sector associated with the completion of major projects in 2006 (see **Table 33**). The expansion in investment flows in information technology and communication emanated primarily from expansionary activities by new entrants in the industry.

TABLE 33

FOREIGN DIRECT INVESTMENT INFLOWS BY SECTOR (US\$M)				
SECTORS	2006	2007	% Share	Change
Agricultural/Manufacturing/Distribution	40.8	46.7	5.4	5.9
Information Technology/Communication	58.2	164.5	19.0	106.3
Insurance	0.0	0.0	0.0	0.0
Minerals & Chemicals	11.6	5.2	0.6	-6.4
Mining	335.8	216.6	25.0	-119.2
Tourism	185.7	196.9	22.7	11.2
Other	118.1	59.3	6.8	-58.8
Sub-total	750.1	689.2	79.5	-60.9
Retained Earnings	132.1	177.3	20.5	45.2
Divestment	0.0	0.0	0.0	0.0
TOTAL	882.2	866.5	100.0	-15.7

Source: Bank of Jamaica

Net official and private investment inflows of US\$648.6 million and US\$690.7 million were insufficient to finance the deficits on the current and capital accounts. As a consequence, the net foreign assets of the country contracted by US\$493.4 million to US\$1 883.2 million at end 2007 (see **Table 34**). At end-December 2007, Jamaica's gross foreign assets amounted to US\$1 905.7 million, representing an estimated 10.5 weeks of projected imports of goods and services.

TABLE 34

BANK OF JAMAICA: GROSS AND NET FOREIGN EXCHANGE RESERVES				
(AS AT 31 DECEMBER 2007)				
(US\$M)				
	2006 ^{1/}	2007 ^{2/}	Change	% Change
NET FOREIGN ASSETS	2376.6	1883.2	-493.4	-20.8
GROSS FOREIGN EXCHANGE ASSETS	2399.1	1905.7	-493.4	-20.6
Other Bank of Jamaica	2281.2	1779.9	-501.3	-22.0
Supplementary Fund	117.6	125.5	7.9	6.7
Holdings of SDR's	0.3	0.3	0.0	0.0
GROSS FOREIGN LIABILITIES	22.5	22.5	0.0	0.0
IMF liabilities	0.0	0.0	0.0	
Iraq	22.5	22.5	0.0	0.0
Weeks of estimated imports of Goods/Services	15.5	10.5		

Source: Bank of Jamaica

1/ Revised

2/ Provisional

3.8 BALANCE OF PAYMENTS OUTLOOK

Jamaica's current account balance in 2008 will be conditioned by the path of global commodity prices, as well as the projected moderation in global economic growth. This moderation should occur despite an anticipated loosening of monetary policy in advanced economies. Confidence in international financial markets is also likely to be eroded as market conditions continue to be affected by the U.S. credit crisis.

The deficit on the goods balance should widen in 2008, driven by continued increase in expenditure on imports. The forecast for imports primarily reflects rising oil prices and consumer goods imports. The projected increase in oil prices is informed by the continued weakening of the US dollar against its main trading partners which should enhance the appeal of oil as an investment. Tensions between Iran and Israel and continuing attacks on oil facilities in Africa may also result in less fuel being supplied to the market. Jamaica's exports are also expected to be negatively impacted by forecast for higher oil price, in that world growth will be adversely affected and consequently, the market for alumina and bauxite. However, following adverse weather in 2007, banana exports are expected to resume in the final quarter of 2008.

Earnings from services should decline in 2008, influenced by a reduction in visitor arrivals due to the slowing of the global economy, particularly the US. Higher fuel costs are also expected to continue to influence an increase in airline ticket costs. It is envisaged that the industry should, however, benefit from new investments from European hotel chains.

Private remittances are expected to increase in 2008, albeit at a slower pace. The growth in remittances is expected to be constrained by the expected moderation in growth in the world economy, particularly in the US, as well as the non-repetition of inflows associated with adverse weather in 2007. The deficit on the income account is expected to narrow in 2008. This is based on an assumption of reduced income outflows from the direct investment companies in the context of an expected decline in the profitability of mining companies. The impact of this improvement should be partially offset, however, by an expected rise in interest payments by the Government. Within the financial account, private capital inflows should decline in the context of the completion of major capital projects, particularly in the mining sector in the latter half of 2007.

The main downside risks to this outlook are a sharper-than-expected down-turn in the U.S. economy, possible adverse weather conditions and a slower-than-expected recovery of our major exports following adverse weather in 2007.

APPENDIX
STATISTICAL TABLES

FIVE-YEAR BOP SERIES BASED ON THE FIFTH EDITION

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	IX.	Capital and Financial Account (2003 – 2007)

BOP SUMMARY					
	(US\$MN)				
	2003	2004	2005	2006 ^{1/}	2007 ^{2/}
CURRENT ACCOUNT	-772.6	-501.9	-1071.5	-1182.9	-1743.6
GOODS BALANCE	-1942.6	-1943.5	-2581.3	-2943.4	-3562.7
Exports (f.o.b.)	1385.6	1601.6	1664.3	2133.6	2226.5
Imports (f.o.b.)	3328.2	3545.1	4245.6	5077.0	5789.1
SERVICES BALANCE	552.3	578.2	607.3	627.6	440.8
Transportation	-143.6	-143.6	-266.6	-426.5	-524.9
Travel	1102.7	1151.5	1295.7	1596.6	1607.1
Other Services	-406.7	-429.7	-421.8	-542.6	-641.5
INCOME	-571.4	-582.7	-675.9	-615.7	-661.6
Compensation of Employees	70.7	84.5	88.5	96.0	64.8
Investment Income	-642.1	-667.2	-764.4	-711.7	-726.4
CURRENT TRANSFERS	1189.1	1446.1	1578.4	1748.6	2039.9
Official	105.2	159.9	137.0	145.4	133.0
Private	1083.9	1286.2	1441.4	1603.2	1906.9
CAPITAL & FINANCIAL A/C	772.6	512.9	1071.5	1182.9	1743.6
CAPITAL ACCOUNT	0.1	13.2	-18.3	-27.7	-35.5
Capital Transfers	-0.3	13.2	-18.3	-27.7	-35.5
Official	0.1	13.8	0.3	4.1	0.7
Private	-0.4	-0.6	-18.6	-31.8	-36.2
ACQUISITION/DISPOSAL OF NON- PRODUCTIVE, NON FINANCIAL ASSETS	0.4	0.0	0.0	0.0	0.0
FINANCIAL ACCOUNT	772.5	499.7	1089.8	1210.6	1779.2
Other Official Investment	-367.2	507.5	436.0	564.2	648.6
Other Private Investments 1/ Reserves	707.6	685.8	882.7	876.5	690.7
	432.1	-693.6	-228.9	-230.1	439.8

Source: Bank of Jamaica

1/ Revised

2/Provisional

TABLE II

BALANCE OF PAYMENTS STANDARD PRESENTATION (US\$MN)										
	2003		2004		2005		2006 ^{1/}		2007 ^{2/}	
	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr
		-772.6		-508.5		-1071.5		-1182.9		-1743.5
1. CURRENT ACCOUNT	5265.0	6037.6	6060.4	6568.9	6257.5	7329.0	7249.2	8432.1	7834.9	9578.4
A. Goods & Services	3523.9	4914.2	3898.7	5270.6	3993.8	5967.8	4782.4	7098.1	4928.4	8050.2
1. Goods	1385.6	3328.2	1601.6	3545.3	1664.3	4245.6	2133.6	5077.1	2226.5	5789.1
1.1 General Merchandise	1195.9	3176.7	1404.5	3387.1	1531.5	4130.8	1983.5	4939.9	2066.7	5647.2
1.2 Goods procured in ports by carriers	48.0	72.3	70.3	101.9	76.0	101.7	96.0	121.2	103.3	126.4
1.3 Freezone Trade	141.7	79.2	126.8	56.0	56.8	13.1	54.1	16.0	56.5	15.5
2. Services										
2.1 Transportation	474.3	617.9	497.3	647.6	451.1	717.7	459.0	885.4	447.2	972.0
2.1.1 Passenger	266.2	17.4	295.2	31.7	237.8	40.8	224.2	41.5	231.5	41.7
2.1.2 Freight	3.6	467.1	7.6	506.2	14.6	572.1	17.8	666.4	15.3	759.5
2.1.3 Other	204.5	133.4	194.5	109.7	198.7	104.9	217.0	177.5	200.3	170.8
2.2 Travel	1355.1	252.4	1438.0	286.5	1545.0	249.3	1870.1	273.4	1905.3	298.2
2.3 Other Services										
2.3.1 Insurance Services	8.4	97.1	9.1	124.2	14.2	133.8	13.8	168.2	12.4	175.8
2.3.2 Communication Services	144.6	45.9	192.8	48.3	148.4	47.2	147.8	79.6	157.2	72.4
2.3.3 Financial Services	26.3	16.3	27.7	31.9	50.4	34.2	40.4	42.7	66.9	54.9
2.3.4 Computer & Information Services	36.0	20.4	33.1	75.0	34.5	17.2	28.8	23.7	27.3	25.8
2.3.5 Royalties & License Fees	12.0	10.8	9.7	9.0	12.5	11.0	12.0	11.2	14.9	60.4
2.3.6 Other Business Services	26.4	469.5	26.4	447.2	9.6	458.5	10.5	476.1	4.7	538.5
2.3.7 Personal, Cultural & Rec. Services	20.4	2.4	28.4	2.4	29.6	2.0	31.2	4.4	29.1	2.2
2.3.8 Government Services	34.8	48.4	34.6	48.1	34.1	46.4	35.2	51.6	37.0	56.1
2.3.9 Construction Services	0.0	4.8	0.0	4.7	0.0	4.8	0.0	4.8	0.0	4.8
B Income	217.6	789.0	269.6	852.3	328.2	1004.1	378.3	994.1	520.8	1182.4
3. Compensation of Employees	110.1	39.4	135.5	51.0	140.3	51.8	154.3	58.4	157.8	93.0
4. Investment Income	107.5	749.6	134.1	801.3	187.9	952.3	224.0	935.7	363.0	1089.4
C. Current Transfers	1523.5	334.4	1892.1	446.0	1935.5	357.1	2088.5	339.9	2385.7	345.8
5. Official	110.0	4.8	163.5	3.6	141.8	4.8	152.1	6.7	141.2	8.3
6. Private	1413.5	329.6	1728.6	442.4	1793.7	352.3	1936.4	333.2	2244.4	337.5
2. CAPITAL & FINANCIAL ACCOUNT	3562.0	2816.3	3982.6	3459.4	4754.5	3745.4	4053.8	2999.7	5736.5	4042.3
D. Capital Account	19.3	19.2	35.8	33.6	22.5	40.8	26.8	54.5	22.2	57.7
7. Government Capital Transfers	0.5	0.0	13.8	0.0	0.3	0.0	4.1	0.0	0.7	0.0
8. Other Sectors Transfers	18.8	19.2	22.0	33.6	22.2	40.8	22.7	54.5	21.5	57.7
E. Financial Account	3542.7	2797.1	3946.8	3425.8	4732.0	3704.6	4027.0	2945.3	5714.3	3984.6
9. Direct Investment	720.7	116.3	601.6	60.0	682.5	101.0	882.2	85.4	866.5	115.0
10. Other Investment	2375.2	2666.1	3345.2	2672.2	4049.5	3374.7	3144.8	2629.8	4408.0	3869.6
10.1 Trade Credits	108.0	97.5	99.3	119.1	165.8	149.6	150.6	300.6	260.6	194.8
10.2 Loans	654.2	714.1	1556.5	810.5	1733.3	1217.1	1845.9	842.0	1812.9	1239.9
10.2.1 Government	117.4	479.7	961.6	481.4	601.8	498.1	343.3	271.2	590.7	484.9
10.2.2 Other sectors	536.8	234.4	594.9	329.1	1131.5	719.0	1502.6	570.8	1222.2	755.0
10.3 Currency & Deposits	735.8	748.1	408.4	608.1	820.3	599.9	718.0	978.4	1154.1	662.9
10.4 Other Assets	877.2	1106.4	1281.0	1134.5	1330.1	1408.1	430.3	508.8	1180.5	1772.1
11. Reserves	446.8	14.7	0.0	693.6	0.0	228.9	0.0	230.1	439.8	0.0
11.1 Liabilities	0.0	14.7	0.0	8.0	0.0	0.9	0.0	0.0	0.0	0.0
11.2 Assets	446.8	0.0	0.0	685.6	0.0	228.0	0.0	230.1	439.8	0.0
11.2.2 Special Drawing Rights	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.2.4 Bank of Jamaica	446.2	0.0	0.0	685.6	0.0	228.0	0.0	230.1	439.8	0.0
F. Net Errors & Omissions	27.9	0.0	0.0	21.3	23.0	0.0	128.8	0.0	49.4	0.0

Source: Bank of Jamaica

TABLE III

BALANCE OF PAYMENTS ANALYTIC SUMMARY					
(US\$M)					
	2003	2004	2005	2006^{1/}	2007^{2/}
Balance of Trade	-1942.6	-1943.5	-2581.3	-2943.4	-3562.7
Services	552.3	578.2	607.3	627.6	440.8
Net Goods & Services	-1390.3	-1365.3	-1974.0	-2315.8	-3121.9
Income	-571.4	-582.7	-675.9	-615.7	-661.6
Private Current Transfers (net)	1083.9	1286.2	1441.4	1603.2	1906.9
Official Current Transfers (net)	105.2	159.9	137.0	145.4	133.0
Capital Transfers	0.1	13.2	-18.3	-27.7	-35.5
Financial Account	772.5	499.7	1089.8	1210.6	1779.2
Net Errors & Omissions	27.9	-21.3	23.0	128.8	49.4

Source: Bank of Jamaica

1/ Revised

2/ Provisional

TABLE IV

SELECTED BALANCE OF PAYMENTS INDICATORS					
	2003	2004	2005	2006^{1/}	2007^{2/}
Current Account/GDP	-8.2	-5.0	-9.6	-9.9	-13.5
NIR	1165	1858.5	2087.4	2317.5	1877.7
Gross Reserves (Central Bank)	1196.3	1881.9	2169	2399.1	1905.8
Gross Foreign Liabilities (Central Bank)	31.4	23.4	81.6	81.6	28.1
Gross Reserves in Wks of Imports of Goods & Services	12.7	18.6	18.9	17.6	12.3
Goods Imports/GDP	35.4	35.0	38.1	42.4	44.9
Goods & Services Imports/GDP	52.3	51.9	53.6	59.2	62.4
Goods Exports/GDP	14.8	15.8	14.9	17.8	17.3
Goods & Services Exports/GDP	37.5	38.5	35.9	39.9	38.2
Merchandise Trade/GDP	-20.7	-19.2	-23.2	-24.6	-27.6
FDI/GDP	7.7	5.9	6.1	7.4	6.7
Debt Service/Exports	23.6	35.3	22.7	29.9	22.3
Private Remittances/GDP	15.0	17.1	16.1	16.2	16.8

Source: Bank of Jamaica

1/ Revised

2/ Provisional

TABLE V

SERVICES ACCOUNT					
(US\$M)					
	2003	2004	2005	2006^{1/}	2007^{2/}
Services (Net)	552.3	578.2	607.3	627.6	440.8
Inflows	2138.3	2297.2	2329.4	2648.7	2701.8
Outflows	1586.0	1719.0	1722.1	2021.1	2261.0
1. Transportation	-143.6	-143.6	-266.6	-426.5	-524.9
Inflows	474.3	497.3	451.1	459.0	447.2
Outflows	617.9	640.9	717.7	885.4	972.1
2. Travel	1102.7	1151.5	1295.7	1596.6	1607.1
Inflows	1355.1	1438.0	1545.0	1870.1	1905.3
Outflows	252.4	286.5	249.3	273.4	298.2
3. Other Services	-406.7	-429.7	-421.8	-542.6	-641.5
Inflows	308.9	361.9	333.3	319.7	349.3
Outflows	715.6	791.6	755.1	862.2	990.8

Source: Bank of Jamaica

1/ Revised

2/ Provisional

TABLE VI

OTHER SERVICES					
(US\$M)					
	2003	2004	2005	2006	2007
Inflows	308.9	361.9	333.3	319.7	349.3
Construction Services	0.0	0.0	0.0	0.0	0.0
Communication Services	144.6	192.8	148.4	147.8	157.2
Insurance Services	8.4	9.1	14.2	13.8	12.4
Financial Services	26.3	27.7	50.4	40.4	66.9
Computer & Information Services	36.0	33.1	34.5	28.8	27.3
Royalties & License Fees	12.0	9.7	12.5	12.0	14.9
Other Business Services	26.4	26.4	9.6	10.5	4.7
Personal, Cultural & Recreational Services	20.4	28.4	29.6	31.2	29.1
Government Services	34.8	34.6	34.1	35.2	37.0
Outflows	715.6	791.3	755.1	862.2	990.8
Construction Services	4.8	4.8	4.8	4.8	4.8
Communication Services	45.9	48.4	47.2	79.6	72.4
Insurance Services	97.1	124.3	133.8	168.2	175.8
Financial Services	16.3	32.0	34.2	42.7	54.9
Computer & Information Services	20.4	75.1	17.2	23.7	25.8
Royalties & License Fees	10.8	9.1	11.0	11.2	60.4
Other Business Services	469.5	446.9	458.5	476.1	538.5
Personal, Cultural & Recreational Services	2.4	2.5	2.0	4.4	2.2
Government Services	48.4	48.2	46.4	51.6	56.1
Other Services (net)	-406.7	-429.5	-421.7	-542.6	-641.5

Source: Bank of Jamaica

TABLE VII

INCOME ACCOUNT					
(US\$M)					
	2003	2004	2005	2006	2007
A. Compensation of Employees	70.7	84.5	88.6	96.0	64.8
Inflows	110.1	135.4	140.4	154.3	157.8
Outflows	39.4	50.9	51.8	58.3	93.0
B. Investment Income	-642.1	-667.0	-764.8	-711.7	-726.4
Inflows	107.5	134.2	187.5	224.0	363.0
Direct Investment	8.4	24.9	24.4	-0.3	9.6
Portfolio Investment	14.8	35.9	56.3	73.8	176.7
Other Investment	84.3	73.3	106.9	150.6	176.7
- Central Government	1.2	0.0	0.0	0.0	0.0
- Bank of Jamaica	37.5	42.9	72.7	105.9	128.6
- Other	45.6	30.4	34.2	44.7	48.1
Outflows	749.6	801.1	952.4	935.7	1089.4
Direct Investment	326.3	361.6	453.7	375.6	532.6
Portfolio Investment	25.2	18.6	35.2	42.3	27.1
Other Investment	398.1	421.0	463.5	517.8	529.7
- Central Government	308.5	299.5	352.5	382.2	439.1
- Bank of Jamaica	1.1	0.4	0.7	0.2	0.1
- Government Guaranteed	2.1	1.8	17.6	15.1	16.0
- Other	86.4	119.3	92.8	120.4	74.5
Net Income	-571.4	-582.7	-675.9	-615.7	-661.6

Source: Bank of Jamaica

TABLE VIII

CURRENT TRANSFERS					
(US\$M)					
	2003	2004	2005	2006	2007
Total Receipts	1523.1	1892.1	1935.5	2088.5	2385.7
A. General government	109.6	163.5	141.8	152.1	141.2
B. Other Sectors	1413.5	1728.6	1793.7	1936.4	2244.4
Remittance thru' postal system	1.2	1.2	1.2	0.1	0.1
Remittance thru' Financial system	591.3	701.2	658.1	726.7	797.6
Remittance companies	677.0	763.4	961.9	1042.6	1166.4
Other	144.0	262.8	172.4	167.0	280.3
Total Payments	334.6	446.0	357.1	339.9	345.8
A. General Government	4.8	3.6	4.8	6.7	8.3
B. Other Sectors	329.8	442.4	352.3	333.2	337.5
Remittance thru' Financial system	283.0	339.9	316.9	299.6	303.2
Other	46.8	102.4	35.3	33.6	34.3
Net Current Transfers	1188.5	1446.1	1578.4	1748.6	2039.9

Source: Bank of Jamaica

TABLE IX

CAPITAL ACCOUNT					
(US\$M)					
	2003	2004	2005	2006	2007
CAPITAL ACCOUNT	0.1	2.2	-18.3	-27.7	-35.5
CAPITAL TRANSFERS	-0.3	2.2	-18.3	-27.7	-35.5
GENERAL GOVERNMENT	0.1	13.8	0.3	4.1	0.7
INFLOWS	0.1	13.8	0.3	4.1	0.7
OUTFLOWS	0.0	0.0	0.0	0.0	0.0
OTHER SECTORS	-0.4	-11.6	-18.6	-31.8	-36.2
INFLOWS	18.8	22.0	22.2	22.7	21.5
OUTFLOWS	19.2	33.6	40.8	54.5	57.7
ACQ. /DISP. OF NON-PROD. NON-FIN. ASSETS	0.4	0.0	0.0	0.0	0.0
INFLOWS	0.4	0.0	0.0	0.0	0.0
OUTFLOWS	0.0	0.0	0.0	0.0	0.0

Source: Bank of Jamaica