



News Release
23 November 2006

Jamaica Balance of Payments (June 2006)¹

- *Provisional data for June 2006 showed that the deficit on the current account of the balance of payments widened relative to June 2005, due to deterioration of the deficit on the merchandise trade account.*
- *In the capital and financial account, net inflows from official and private transactions were insufficient to offset the deficit on the current account. In this context, the net international reserves (NIR) declined for the month.*
- *Also influenced by an expansion in the merchandise trade deficit, the current account deficit for the period January to June 2006 increased during the month.*
- *Net official and private investment inflows were more than sufficient to finance the deficits on the current and capital accounts, resulting in a build-up in the NIR over the period.*

June 2006

Provisional data for June 2006 indicate that the current account deficit worsened by US\$17.3 million to US\$126.8 million relative to June 2005 (see **Table**). **This deterioration stemmed from an expansion in imports, with respective increases of US\$48.3 million (44.2 per cent) and US\$30.3 million (80.1 per cent) in payments for fuel and chemicals, contributing to this growth.** The increase in spending on fuel imports partly reflected a 25.9 per cent rise in the price of oil on the international market. Partly offsetting the impact of the growth in imports were respective expansions of US\$25.2 million and US\$15.7 million in earnings from exports of mineral fuel and food². There were also partial offsetting increases in net inflows from the travel sector and current transfers, as well as a reduction in net outflows on the income account. Growth in earnings from travel was primarily attributed to respective increases of 18.8 per cent and 20.3 per cent in stopover and cruise visitor arrivals. An increase of US\$26.0 million in net inflows to the private sector was responsible for the rise in the surplus in current transfers. The lower deficit on the income account was associated with a reduction in the imputed profit remittance of direct investment companies.

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

² The growth in value of fuel exports reflected the normalisation of activities at PETROJAM, which was closed during the similar period of 2005.

Within the capital and financial accounts, net official and private investment inflows were insufficient to finance the deficit on the current account. As a result, the NIR of the Bank of Jamaica declined by US\$52.7 million for the month.

January – June 2006

For the period January – June 2006, the current account deficit was estimated at US\$466.6 million, which was US\$3.7 million higher than the deficit in the comparable period of 2005. The marginal increase in the deficit was influenced by an expansion in the deficit on the goods account, the impact of which was partly offset by increased surpluses on the services and current transfers accounts, as well as a reduction in the deficit on the income account.

The deterioration on the trade account stemmed from an expansion in payments for fuel imports, the effect of which was partially offset by an increase in earnings from non-traditional exports. The higher surplus on the services account reflected growth of 17.0 per cent and 10.5 per cent in stopover and cruise passenger arrivals, respectively. An increase of 6.5 per cent in gross private remittance inflows accounted for the expansion in current transfers. With regard to the income account, the reduction in the deficit stemmed from a decline in the imputed profit remittances of the direct investment companies.

Within the capital and financial accounts, net official and private investment inflows were more than sufficient to finance the deficits on the current and capital accounts. In this context, there was a build-up of US\$22.8 million in the NIR over the period. At end June 2006, the gross reserves stood at US\$2 293.3 million, representing 17.2 weeks of projected imports of goods and services.

BALANCE OF PAYMENTS SUMMARY

US\$MN

	1/			1/		
	Jun 2005	Jun 2006	Change	Jan-Jun 2005	Jan-Jun 2006	Change
1. CURRENT ACCOUNT	-109.5	-126.8	-17.3	-462.9	-466.6	-3.7
A. GOODS and SERVICES	-152.7	-210.0	-57.3	-881.2	-974.3	-93.1
a. GOODS BALANCE	-212.4	-281.1	-68.7	-1223.2	-1421.8	-198.6
Exports (f.o.b.)	124.3	170.1	45.8	820.3	1053.9	233.6
Imports (f.o.b.)	336.7	451.2	114.5	2043.5	2475.7	432.2
b. SERVICES BALANCE	59.7	71.1	11.4	342.0	447.5	105.5
Transportation	-21.7	-31.2	-9.5	-118.6	-136.2	-17.6
Travel	121.4	144.5	23.1	669.4	822.8	153.4
Other Services	-40.0	-42.2	-2.2	-208.8	-239.1	-30.3
B. INCOME	-74.2	-60.4	13.8	-354.6	-322.6	32.0
Compensation of employees	5.7	9.8	4.1	20.3	24.0	3.7
Investment Income	-79.9	-70.2	9.7	-374.9	-346.6	28.3
C. CURRENT TRANSFERS	117.4	143.6	26.2	772.9	830.3	57.4
Official	10.4	10.6	0.2	75.1	67.7	-7.4
Private	107.0	133.0	26.0	697.8	762.6	64.8
2. CAPITAL & FINANCIAL ACCOUNT	109.5	126.8	17.3	462.9	466.6	3.7
A. CAPITAL ACCOUNT	-0.3	1.5	1.8	-1.6	-0.5	1.1
a. Capital Transfers	-0.3	1.5	1.8	-1.6	-0.5	1.1
Official	0.1	1.6	1.5	0.3	2.1	1.8
Private	-0.4	-0.1	0.3	-1.9	-2.6	-0.7
b. Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	109.8	125.3	15.5	464.5	467.1	2.6
Other official investment	9.5	33.2	23.7	5.9	204.5	198.6
Other private investment 2/	182.6	39.4	-143.2	756.9	285.4	-471.5
Reserves	-82.3	52.7	-298.3	-298.3	-22.8	

1/ Provisional

2/ Includes errors & omissions

BANK OF JAMAICA

14-Nov-06