



BALANCE OF PAYMENTS OF JAMAICA 2006



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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 2006. 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 2006 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

Jamaica's balance of payments was significantly influenced by developments in the global economy in 2006, particularly in respect of changes in international commodity prices. The current account deficit widened by US\$111.4 million to US\$1 182.9 million (11.4 per cent of GDP), representing the second consecutive year of deterioration. The deterioration in the external accounts reflected a higher deficit on the goods account, influenced primarily by increases in world commodity prices, in particular fuel. This was supported by a significant increase in imports of machinery and transport equipment. The worsening in the goods account was, however, partially offset by significant increases in remittance flows and tourism receipts, which coincided with the acceleration in world growth and dislocations in other tourist destinations. Additionally, the weakening of the U.S. dollar against the major currencies served to reduce the effective price of Jamaica's tourism product, particularly for Canadian and European visitors. The current account deficit was more than financed by substantial net private and official investment inflows. In this context, the net international reserves (NIR) of the Bank of Jamaica (BOJ) increased by US\$230.1 million in 2006.

Growth in world output accelerated to 5.4 per cent in 2006 from 4.9 per cent in 2005. This was attributable to increased economic activity in both the developed and developing economies. For the developed economies, the Euro area, in particular Germany, recorded the most significant rate of increase in output. Growth in the developing economies continued to reflect advances in China, as well as the Western Hemisphere economies, driven by Brazil and the Caribbean region.

There was a general increase in commodity prices in 2006, relative to 2005. The growth in prices was mainly evident for fuel, metals and food. 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 condition on several grains.

For the Jamaican economy, real growth accelerated to 2.5 per cent in 2006, following seven consecutive years of marginal growth, averaging 1.3 per cent. The economic

expansion emanated primarily from a rebound in agriculture and tourism. Further, the acceleration in growth reflected the impact of foreign direct investments on the economy, improvements in productivity in some sectors as well as post hurricane recovery. Growth was, however, negatively affected by supply constraints in the construction industry. With regard to inflation, consumer prices in Jamaica in 2006 were influenced by a sequence of favourable domestic factors. These included strong expansions in agricultural supply which was reinforced by an uneventful hurricane season and relative stability in the exchange rate. Adjustments in administered prices such as the minimum wage and upward movements in the prices of beef and fish were the main sources of pressures during the year. Nonetheless, the predominance of positive developments facilitated annual inflation of 5.5 per cent in 2006, the lowest out-turn over the past 25-years.

PART I

INTERNATIONAL ECONOMIC DEVELOPMENTS

1.0 OVERVIEW

Growth in world output accelerated to 5.4 per cent in 2006 from 4.9 per cent in 2005. The faster rate of growth was attributable to both the developed and developing economies. For the developed economies, the Euro area, in particular Germany, recorded the most significant acceleration. Growth in the developing economies reflected advances in China as well as the Western hemisphere economies, the latter driven by Brazil and the Caribbean region.

Influenced by a slower rate of increase in energy prices, relative to 2005, and restrictive monetary policy stances by most central banks, inflation moderated in the developing economies in 2006. Annual average inflation in the advanced economies, however, remained constant when compared to 2005.

Trade negotiators at the World Trade Organisation (WTO) were unable to come to agreement on matters relating to market access and domestic support. Disagreement revolved around the formulae for cutting tariffs and subsidies in agriculture, as well as a discussion on small economies. With regard to the Caribbean Basin Economic Recovery Act (CBERA), a request for an extension of the existing waiver, by the United States of America (U.S.A.) was denied by the WTO. On a positive note, Jamaica and five other CARICOM member states (Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad & Tobago) officially approved the establishment of the Caribbean Single Market (CSM) on 30 January 2006.

1.1 OUTPUT, INFLATION & UNEMPLOYMENT

1.1.1 Advanced Economies

1.1.1.1 *Output*

GDP growth among advanced economies accelerated to 3.1 per cent in 2006, relative to 2.5 per cent in 2005 (see **Table 1**). With the exception of Canada, which recorded a deceleration in output growth, all the advanced economies recorded stronger economic growth in 2006, relative to 2005.

The U.S. economy expanded by 3.4 per cent in 2006, which was 0.2 percentage point higher than the growth in 2005. This acceleration mainly reflected growth of 4.8 per cent in the first quarter, which compared favourably to growth of 3.1 per cent in the first quarter of 2005. The first quarter performance of the U.S. economy was influenced by a rebound in consumption, recording growth of 4.4 per cent compared to 2.4 per cent in 2005.¹ There was also robust growth in investments. During the final three quarters of the year, there was a slowdown in output growth, which was attributed to a decline in residential investment, arising from the emergence of problems in the U.S. housing sector.

GDP growth in the Euro area accelerated to 2.6 per cent in 2006 from 1.4 per cent in 2005. Most of this expansion reflected increased investment and consumer spending in Germany, principally associated with the hosting of the 2006 Fédération Internationale de Football Association (FIFA) world cup in that country. Consumer spending was also influenced by expectations of an increase in the value-added tax (VAT) in early 2007.

The UK's economy expanded by 2.7 per cent in 2006, representing an increase of 0.8 percentage point relative to 2005. This expansion reflected increases in private consumption and investment expenditure. The increase in private consumption mainly reflected growth in the second quarter in the context of the FIFA world cup, while growth in domestic investments resulted from the continued expansion in the housing market.

Japan's economy grew at an annual rate of 2.2 per cent in 2006, which compared favourably to the 1.9 per cent growth recorded in 2005. The expansion in the Japanese economy continued to reflect gains in exports propelled by a weaker Japanese Yen. There was also a notable expansion in private investments during the review period.

¹ Consumer spending decelerated in 2005 in the context of a falloff in auto sales, associated the conclusion of a number buyer incentive programmes, as well as sharp increases in gasoline prices following the passage of Hurricane Katrina.

TABLE 1

	Real GDP, Consumer Prices, Unemployment Rates (Annual per cent change and per cent of labour force)								
	REAL GDP			CONSUMER PRICES			UNEMPLOYMENT RATES		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
ADVANCED ECONOMIES	3.2	2.5	3.1	2.0	2.3	2.3	6.3	6.0	5.5
United States	3.9	3.2	3.4	2.7	3.4	3.2	5.5	5.1	4.6
Japan	2.3	1.9	2.2	0.0	-0.6	0.3	4.7	4.4	4.1
Euro area	2.1	1.4	2.6	2.1	2.2	2.2	8.9	8.6	7.7
Germany	1.2	0.9	2.7	1.7	1.9	1.8	9.2	9.1	8.1
France	2.0	1.2	2.0	2.3	1.9	2.2	9.6	9.7	9.0
Italy	1.1	0.1	1.9	2.3	2.2	2.2	9.5	7.7	6.8
UK	3.3	1.9	2.7	1.3	2.0	2.3	4.8	4.8	5.4
Canada	3.3	2.9	2.7	1.8	2.2	1.8	7.2	6.8	6.3

Source: World Economic Outlook - April 2007

In contrast to other major developed economies, GDP growth in the Canadian economy decelerated to 2.7 per cent from 2.9 per cent in 2005. The slower rate of growth was attributed to a contraction in exports in the context of a decline in the price of oil and a slowdown in the U.S. economy during the second half of the year.

1.1.1.2 Inflation

Inflation among the advanced economies, as measured by the annual point-to-point increase in consumer price indices (CPIs), remained unchanged at 2.3 per cent in 2006, relative to 2005 (see **Table 1**). The U.S., Euro area and Canada recorded lower rates of price increases in 2006, while inflation accelerated in Japan and the UK.

The U.S. recorded inflation of 3.2 per cent in 2006, compared to 3.4 per cent in 2005, primarily reflecting a deceleration in the rate of increase in the energy sub-index of the U.S. CPI. This was attributable to the slower rate of increase in oil prices in 2006. The energy sub-index rose by 11.2 per cent in 2006, relative to an increase of 18.1 percent in 2005, while oil prices increased by 17.0 per cent in 2006, relative to 36.2 per cent in 2005. Prices in the US

were also affected by the tightening of monetary policy by the Federal Reserve (Fed) during the year.

Inflation in Canada for 2006 was 0.4 percentage point below the inflation rate in 2005. This resulted from a deceleration in the increase in energy related costs to 5.1 per cent from 9.7 per cent in 2005. The rate of increase in prices was also constrained by the monetary policy actions of the Bank of Canada (BoC).

For the UK, inflation accelerated by 0.3 percentage point in 2006, relative to 2005. This acceleration principally reflected the impact of increases in the prices of energy related goods and tuition fees, which were accommodated by higher than targeted growth in money supply. In the Euro Area, prices increased by 2.3 per cent, 0.1 percentage point higher than the inflation rate in 2005. The acceleration in prices reflected higher domestic demand, as well as higher than targeted expansion in money supply.

For Japan, inflation accelerated by 0.9 percentage point in 2006, relative to 2005. The significant acceleration in prices in Japan was mainly attributed to higher energy prices in the first half of the year. There was, however, a deceleration in prices from August 2006 to the end of the year, mainly reflecting a significant fall in oil prices.

1.1.1.3 Unemployment

Consistent with the improvement in economic conditions in 2006, the unemployment rate among the advanced economies declined to 5.5 per cent at end-2006, from 6.0 per cent at end-2005. In the US, unemployment fell to 4.6 per cent at end-2006, compared to 5.1 per cent at end-2005, mainly reflecting growth in employment in the services sector. There were, however, significant job losses in the manufacturing and construction sectors arising from the worsening conditions in the housing sector. For the Euro area, the rate of unemployment at end-2006 fell to 7.7 per cent from 8.6 per cent at end-2005. This improvement was influenced primarily by robust growth in Germany. Notwithstanding the significant improvement in employment, the Euro area continued to register the highest rates of unemployment amongst the major developed economies.

1.1.1.4 Interest Rate and Exchange Rate Developments

The central banks in the major advanced economies all tightened monetary policy in response to inflationary pressures during 2006. The most notable increases in interest rates were recorded in the USA, Canada and the Euro area. For the USA, the Fed increased the target Fed Fund rate on four occasions by 25 basis points (bps), respectively, to end the year at 5.25 per cent. In this context, short-term interest rates averaged 4.8 per cent in 2006, relative to 3.2 per cent in 2005. Similarly, the BOC increased interest rates four times by 25 bps on each occasion to end the year at 4.25 per cent. For the Euro area, the European Central Bank (ECB) increased rates five times throughout the year, while the Bank of England increased rates on two occasions. The general tightening of monetary conditions in the advanced economies was also reflected in a general increase in long-term market interest rates among these economies (see **Table 2**).

TABLE 2

ADVANCED ECONOMIES						
	Interest Rates (%)					
	Short-term¹			Long-term²		
	2004	2005	2006	2004	2005	2006
ADVANCED ECONOMIES	1.7	2.5	3.5	3.7	3.5	4.1
United States	1.4	3.2	4.8	4.3	4.3	4.8
Japan	0.0	0.3	0.6	1.5	1.4	1.7
Euro area	2.1	2.2	3.1	3.8	3.3	4.0
U.K.	4.6	4.7	4.8	4.8	4.3	4.5
Canada	2.2	2.7	4.0	4.6	4.1	4.2

Source: World Economic Outlook - April 2007.

1. Period averages. For the USA, three month Treasury Bill yield; for Japan, three-month bond yield on repurchase agreement; for the Euro area, a weighted average of the national three month money market interest rates and three-month EURIBOR; for the UK, three-month London inter-bank offered rate; for Canada, three month Treasury Bill yield.

2. Period averages. For the USA, ten-year bond yield; for Japan, ten-year bond yield; for Euro area, a weighted average of the national ten-year Euro bond yield; for the UK, ten-year government bond yield; and for Canada, government bond yields of ten years and above.

Developments in the foreign exchange markets during 2006 were dominated by declines in the U.S. dollar against the other major currencies, with the exception of the Japanese Yen. The largest declines of 6.36 per cent and 1.26 per cent were observed against the Canadian dollar and the Great Britain Pound (GBP), respectively (see **Table 3**). The depreciation of the

U.S. dollar against the Canadian dollar reflected the impact of adverse terms of trade shocks for the U.S., stemming from increases in oil prices. The appreciation in the GBP and Euro against the U.S. dollar reflected the impact of rising concerns about macroeconomic imbalances in the US, as well as narrowing interest rate differentials. The depreciation of the Japanese Yen against the US dollar reflected increased private capital outflows in response to the relatively high interest rate differentials.

TABLE 3

ADVANCED ECONOMIES: EXCHANGE RATES					
	US Dollar Nominal Exchange Rates			Real Effective Exchange Rates¹	
	National Currency Units per U.S. dollar			Annual Per Cent change	
	2005	2006	% change	2005	2006
Canadian Dollar	1.21	1.13	6.36	5.75	7.90
Japanese Yen	110.00	116.30	-5.73	-4.64	-7.50
Pound Sterling ²	1.82	1.84	1.26	-0.30	3.14
Euro ²	1.25	1.26	0.80	0.08	0.00

Source: World Economic Outlook, April 2007

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

1.2.1 Output

Economic growth among the developing economies accelerated by 0.4 percentage point to 7.9 per cent in 2006, relative to 2005 (see Table 4). With the exception of Africa, all the regional groups recorded an acceleration in growth rate.

Asia continued to record the fastest rate of growth among the developing economies. Most of this expansion was attributed to China and India, despite the implementation of administrative and monetary controls by the authorities to slow the rate of expansion in these economies. The Chinese and Indian economies grew by 10.7 per cent and 9.2 per cent in 2006, respectively, compared with growth rates of 10.5 per cent and 9.2 per cent in 2005. The acceleration in GDP growth in China was influenced primarily by investments in

construction and manufacturing, as well as a significant expansion in exports. GDP growth in India resulted from continued increases in exports, as well as investments in the financial sector.

TABLE 4

DEVELOPING COUNTRIES: REGIONAL GROUPS						
Real GDP, Consumer Prices (Annual per cent change)						
	REAL GDP			CONSUMER PRICES		
	2004	2005	2006	2004	2005	2006
DEVELOPING COUNTRIES	7.7	7.5	7.9	5.6	5.4	5.3
Africa	5.5	5.6	5.5	8.0	8.4	9.5
Asia	8.8	8.7	8.9	3.9	3.5	3.7
Middle East	5.5	5.4	5.7	7.6	7.1	7.9
Western Hemisphere	5.7	4.6	5.5	6.5	6.3	5.4

Source: World Economic Outlook - April 2007

The expansion in real output in the Middle East and Africa during 2006 primarily reflected higher oil production, particularly in the first half of the year. The oil-exporting countries in the region increased fuel output to take advantage of higher oil prices. In Africa, GDP growth decelerated by 0.1 per cent in 2006, relative to 2005, principally reflecting the continued decline in economic activity in Zimbabwe.

Economic output in the developing economies of the Western Hemisphere increased by 5.5 per cent in 2006, relative to 4.6 per cent in 2005.² This acceleration in real GDP growth for the region reflected increased economic activities in Colombia, Brazil and Mexico. Venezuela had the highest growth rate for the region due to significant increases in exports, particularly fuel, as well as high levels of government spending.

With the exception of Barbados, there was a general acceleration in economic activity in the Caribbean economies in 2006, relative to 2005 (see **Table 5**). Most of the Caribbean economies benefited from increased activity in the construction sector in preparation for the

² The countries of the Western Hemisphere are of particular importance to Jamaica in light of efforts to establish the Free Trade Area of the Americas in 2006.

hosting of the 2007 International Cricket Council (ICC) world cup, as well as recovery from flooding and the adverse effects of an over-active hurricane season in 2005. In the case of Trinidad and Tobago, GDP growth accelerated by 4.1 percentage points to 12.0 per cent in 2006, stemming from increased fuel output and higher exports.

TABLE 5

SELECTED COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN				
Real GDP, Consumer Prices				
(Annual per cent change)				
Caribbean	REAL GDP		Consumer Prices	
	2005	2006	2005	2006
Antigua and Barbuda	5.3	8.0	2.1	2.0
Bahamas	2.7	4.0	2.2	1.9
Barbados	4.1	3.5	6.0	7.2
Belize	3.5	5.0	3.7	4.3
Grenada	12.1	2.1	3.5	3.8
Guyana	-1.9	4.8	6.9	6.6
Jamaica	1.4	2.5	15.3	5.8
St. Kitts and Nevis	4.1	4.6	3.6	6.8
St. Lucia	5.8	4.2	3.9	2.5
St. Vincent and the Grenadines	2.2	4.1	3.7	3.0
Suriname	5.5	5.8	9.9	11.3
Trinidad and Tobago	7.9	12.0	6.9	8.3
Latin America				
Argentina	9.2	8.5	9.6	10.9
Bolivia	4.1	4.5	5.4	4.3
Brazil	2.9	3.7	6.9	4.2
Chile	5.7	4.0	3.1	3.4
Dominican Republic	9.3	10.7	4.2	7.6
Ecuador	4.7	4.2	2.1	3.3
El Salvador	2.8	4.2	3.7	4.6
Uruguay	6.6	7.0	4.7	6.4
Venezuela	10.3	10.3	15.9	13.6

Source: World Economic Outlook - April 2007

1.2.2 Inflation

Consumer price inflation among the developing countries was marginally lower in 2006, relative to 2005 (see **Table 4**). This fall was principally attributed to the economies in the Western Hemisphere. All other regions recorded higher inflation in 2006 relative to 2005.

Inflation in the Western Hemisphere decelerated by 0.9 percentage point to 5.4 per cent in 2006, relative to 2005. The slower rate of increase in consumer prices reflected significant monetary tightening within the constituent economies in the context of the implementation of formal inflation targeting regimes in some Latin American countries. Brazil experienced the most significant decline in inflation in the region. With the exception of Jamaica, inflation accelerated for most countries in the Caribbean reflecting higher commodity prices, in particular oil prices.

The most significant increase in inflation was evident among the economies of Africa, reflecting a rise of 1.1 percentage points to 9.5 per cent in 2006. This acceleration largely reflected higher prices in Zimbabwe. Inflation in Developing Asia accelerated slightly, reflecting double-digit inflation in the ASEAN-4 region, arising from a sharp increase in administered fuel prices in Indonesia.³

1.2.3 Unemployment

Middle East and North Africa remained the region with the highest unemployment rate in the world in 2006. The region reported an unemployment rate of 12.2 per cent in 2006, a slight fall relative to 12.3 per cent in 2005. This relatively high rate of unemployment in 2006 was reflective of limited opportunities for women in the region. For Latin America and the Caribbean, the unemployment rate approximated 8.0 per cent in 2006, representing a marginal decline of 0.1 percentage point relative to 2005. In Asia, the unemployment rate remained at 4.9 per cent in 2006, similar to 2005.

³ The ASEAN-4 are the four least developed countries (LDCs) and economies in market-based transition in South-East Asia –Cambodia, Lao People’s Democratic Republic (PDR), Myanmar and Vietnam

For selected CARICOM countries, there was a fall in the unemployment rate in 2006, relative to 2005 (see **Table 6**). Generally, the non-tradable sectors, particularly construction, were the major sources of new jobs in the Caribbean. The construction sector benefited from increased investments, mainly associated with activities related to the staging of the 2007 ICC World Cup. In the context of continued strong GDP growth, the unemployment rate in Trinidad and Tobago declined to 6.2 per cent in 2006 from 8.0 per cent in 2005. This reduction reflected increased employment in the energy sector. The unemployment rate in Trinidad & Tobago in 2006 remained the lowest among the selected Caribbean countries.

TABLE 6

SELECTED COUNTRIES IN THE CARIBBEAN		
Unemployment Rate		
(Annual per cent change)		
Countries	Unemployment Rate	
	2005	2006
Barbados	9.1	8.7
Belize	11.0	9.4
Jamaica	11.6	10.3
Trinidad and Tobago	8.0	6.2

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

1.3 COMMODITY PRICES

The International Monetary Fund's (IMF) index of primary commodity prices (IPCP) increased by 22.0 per cent in 2006 (see Table 7). This represented a 7.2 percentage point deceleration relative to the growth rate recorded in 2005. The movement in the IPCP primarily reflected respective increases of 28.5 per cent and 19.3 per cent in the non-fuel and energy sub-indices.

The movement in energy sub-index reflected a 20.5 per cent increase in petroleum prices, which occurred in the context of a 17.0 per cent increase in West Texas Intermediate crude oil prices. The increase in fuel prices was primarily influenced by growth in U.S. demand as well as continued supply uncertainty because of geopolitical tensions in the Middle East and Nigeria. Oil prices reached a record high of US\$77.03 per barrel on 14 July 2006. However easing of geopolitical tensions, slowing economic growth and expectations of favourable winter temperatures contributed to oil prices falling by 14.9 per cent in the fourth quarter of

2006. This prompted the Organization of Petroleum Exporting Countries (OPEC) to announce production cuts of 1.2 million barrels per day (bpd) and 0.5 million bpd in October and December, respectively.

The increase in the non-fuel index was principally attributed to a 56.5 per cent increase in metal prices. Within the metals sub-group, the increase in prices was largely associated with growth in the prices of zinc and nickel, reflecting robust demand from China, as well as supply concerns, in the context of low inventory levels and deterioration in ore quality. Aluminium prices also rose by 35.4 per cent in 2006, mainly reflecting rising demand for the ore.

TABLE 7

WORLD COMMODITY PRICES		
(Annual per cent change)		
	<u>2005</u>	<u>2006</u>
Terms of Trade		
Advanced Economies	1.4	-1.3
Developing countries	5.5	4.1
All Primary Commodities	29.2	22.0
Non- fuel primary commodities	10.3	28.5
Food	1.6	9.5
Beverages	-0.4	9.9
Agricultural raw materials	1.5	10.1
Metals	26.4	56.5
Energy	38.7	19.3
Petroleum ¹	41.3	20.5
Natural Gas	42.0	12.7
Coal	-11.3	4.5

Source: IMF Primary Commodity Prices Indices
1. Average of U.K., Brent, Dubai and West Texas Intermediate crude oil spot prices

The food sub-index of the non-fuel group increased by 9.9 per cent in 2006, mainly associated with a significant rise in the price of grains. The annual average price of wheat, which rose by 26.4 per cent in 2006, was influenced primarily by the worst drought to affect Australia in a century. Unfavourable weather in the U.S. Midwest, in addition to strong demand for corn as an input into ethanol production, led to a rise of 23.5 per cent in corn prices.

1.4 INTERNATIONAL TOURISM

The World Tourism Organisation reported an increase of 5.4 per cent in international tourist arrivals in 2006 (see **Table 8**). This, however, represented a deceleration in the growth in arrivals, relative to the 5.5 per cent expansion observed in 2005. The increase in tourism arrivals was primarily influenced by robust global economic growth. The industry was, however, negatively affected by terrorism, health concerns arising from the avian flu epidemic and higher oil prices. Notwithstanding these concerns, the industry recorded strong growth in arrivals to all regions, with Africa experiencing the highest growth rate.

Tourist arrivals to Europe increased by 5.0 per cent in 2006. This was influenced by the hosting of several international events such as the Winter Olympics and FIFA World Football Cup. There was also an increase in the number of low cost carriers that provide service to the region. However, renewed terrorist threats and flooding in several parts of Europe continued to have negative effects on tourism.

Asia and the Pacific recorded growth in tourist arrivals of 7.5 per cent in 2006. This reflected the recovery of Thailand and Maldives from the December 2004 tsunami. Northeast Asia continued to reflect the strong performance of 2005, the result of increased access of low cost carriers to the region. Visitor arrivals to Macao's (China) grew by 18.5 per cent due primarily to an increase in the number of new hotels and casinos in the region.

The Americas experienced a 2.0 per cent growth in tourist arrivals in 2006. This reflected a significant deceleration in the growth rate in arrivals to North America as a result of a 25.6 per cent decline in arrivals to Cancun. The destination experienced damage to several hotels following Hurricane Wilma and rising fuel prices. For South America, strong economic growth in these countries promoted increased intra-regional travel and a consequent 3.0 per cent rise in tourist arrivals.

Tourist arrivals to Africa rose by 9.1 per cent in 2006, dominated by growth in arrivals to both North and Sub-Saharan Africa. The growth in visitor arrivals reflected the liberalisation

of air travel and continuing investments in tourism infrastructure by Governments and foreign investors.

TABLE 8

WORLD TOURIST ARRIVALS				
	(Millions)			
	2005	2006	Change	% Change
World	803	846	43	5.4
Europe	438.7	460.8	22.1	5.0
Americas	133.2	135.9	2.7	2.0
Asia & Pacific	155.3	167.2	11.9	7.7
Africa	37.3	40.7	3.4	9.1
Middle East	38.3	41.8	3.5	9.0

Source: World Tourism Organization (WTO)

Stopover Visitor Arrivals to the Caribbean

Preliminary estimates by the Caribbean Tourist Organisation (CTO) show that stopover arrivals to selected Caribbean destinations rose by 2.5 per cent in 2006, following an increase of 3.6 per cent in 2005 (see **Table 9**). The deceleration in the growth in visitor arrivals was principally influenced by declines in arrivals to Cuba and The Bahamas. Among the selected countries, Jamaica recorded an increase of 13.5 per cent, associated with the diversion of tourists due to adverse weather conditions in other destinations.

Cruise Visitor Arrivals to the Caribbean

There was a 1.0 per cent increase in cruise arrivals to selected Caribbean countries in 2006, which compared favourably with the 0.5 per cent growth recorded in 2005. This acceleration in the growth in cruise visitor arrivals reflected the diversion of scheduled calls away from Mexico and Belize, which had been affected by Hurricane Wilma. The industry also experienced some recovery from the effects of an active hurricane season in 2005.

TABLE 9

STOPOVER VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2005	2006	% Change
Dominican Republic	3691.0	3965.0	7.4
Cuba	2319.0	2221.0	-4.2
Bahamas	1515.0	1492.0	-1.5
Jamaica	1479.0	1679.0	13.5
Puerto Rico	1465.0	1485.0	1.4
Aruba	733.0	694.0	-5.3
US Virgin Islands	697.0	671.0	-3.7
Barbados	548.0	563.0	2.7
St Maarten	468.0	468.0	0.0
TOTAL	12915.0	13238.0	2.5

Source: Caribbean Tourism Organization (CTO)

TABLE 10

CRUISE VISITOR ARRIVALS ('000s)			
Selected Caribbean Destinations			
Country	2005	2006	% Change
Bahamas	3076	3078	0.1
US Virgin Islands	1913	1901	-0.6
Puerto Rico	1164	1165	-0.1
Cayman Islands	1799	1930	6.8
St. Maarten	1488	1438	-3.5
Jamaica	1136	1315	13.6
Belize	800	656	-22
Barbados	564	539	-4.5
Aruba	553	591	6.5
Total	12493	12613	1.0

Source: Caribbean Tourism Organization (CTO)

1.5 TRADE RELATIONS

Jamaica and five other CARICOM member states brought the Caribbean Single Market (CSM) into effect on 30 January 2006. However, trade talks in the World Trade Organisation (WTO) Doha Development Round broke down in mid-July, as members failed to agree on issues related to agriculture. A request for an extension of the waiver regarding the Caribbean Basin Economic Recovery Act (CBERA) by the USA was also denied by the WTO.

Caribbean Single Market

Jamaica and five other CARICOM member states (Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad & Tobago) officially approved the establishment of the Caribbean

Single Market (CSM) on 30 January 2006. Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines joined on 3 July. The benefits of the CSM include the creation of a single economic space among the participating member states which will provide more opportunities to produce and sell the region's goods and services, as well as attract investment. The Caribbean Single Market and Economy (CSME) is expected to be established on 1 January 2009.

World Trade Organization

A meeting of the Trade Negotiations Committee was held in Geneva from 28 June to 1 July 2006 at the WTO headquarters to discuss "modalities" in agriculture and industrial products. These included formulas for cutting tariffs and subsidies in agriculture. Also on the agenda was a discussion on "Small Economies" which sought to address trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system. At the end of July, the talks were suspended as G-6 countries were unable to agree on matters relating to market access and domestic support. This threatened the benefits expected to accrue to the Caribbean and other developing countries from involvement in this round, including the reduction of agricultural distortions, the duty-free/quota-free package for least-developed countries' exports and "aid for trade".

There was a request by the U.S. for a further extension of the Caribbean Economic Basin Recovery Act (CBERA) which was denied by the WTO's Council for Trade in Goods.⁴ In addition, the European Union's request for an extension of the waiver for the tariff rate quota for bananas of the African, Caribbean and Pacific (ACP) countries was blocked because of diverging views on the issue among Latin American countries. However, an extension for the CARIBCAN Initiative was granted until 31 December 2011.

The reform of the EU-ACP Sugar Regime began on 1 July 2006. The reform process involves, inter-alia, a 39.0 per cent price cut over four years, with a 5.0 per cent reduction in 2006. ACP producers were granted €40.0 million in 2006 and are to receive an additional

⁴ The Caribbean Basin Economic Recovery Act and the Caribbean Basin Trade Partnerships Act (CBTPA) were collectively known as the Caribbean Basin Initiative (CBI). A request for the extension of the waiver regarding the CBERA, which expired in 2005, was denied in 2006. The CBTPA will expire in 2008.

€165.0 million in 2007 to assist in cushioning the impact of the reforms. The ACP and LDCs have, however, called for a longer horizon for the reform process, as well as for more assistance.

PetroCaribe Initiative

The PetroCaribe Agreement, which was signed on 6 September 2005, was updated on 14 August 2006, when Jamaica and Venezuela signed several bilateral development loans agreements. These loans include funding for the construction of a leg of Highway 2000 and the expansion of Petrojam's oil refinery. The original agreement was also amended to reflect the supply of an additional 2 500 bpd of fuel to Air Jamaica.

Cement Tariff

On 8 March 2006, the Government of Jamaica (GOJ) announced a reduction of duties on the importation of cement to the Common External Tariff (CET) rate of 15.0 per cent.⁵ This decision was influenced by the shortage of cement on the domestic market as a result of production difficulties and quality issues at the Carib Cement Company's local plant, as well as growing demand for the product in the construction sector. The GOJ subsequently removed all duties until June 2007. The Trade Board had projected the annual shortfall in the industry at approximately 300 000 metric tonnes.

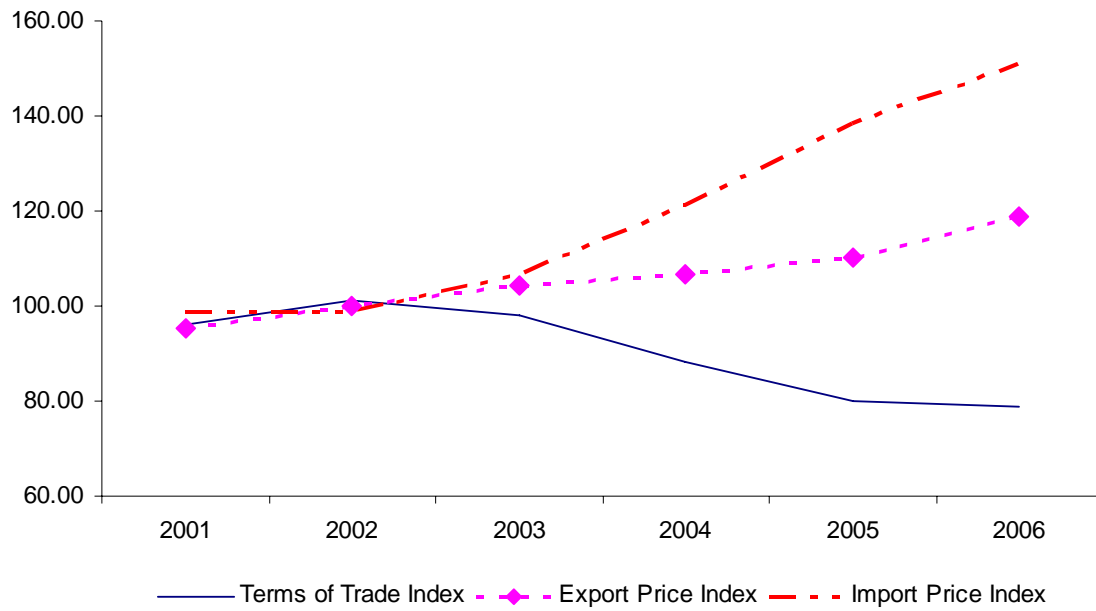
1.6 JAMAICA'S TERMS OF TRADE

Jamaica's terms of trade index fell by 1.4 per cent in 2006, relative to 2005 (see Figure 1). The deterioration in the index was attributed to a 9.1 per cent increase in the import price index (IPI), partly offset by a 7.7 per cent increase in the export price index (EPI). The rise in the IPI reflected a 17.1 per cent increase in fuel prices as well as a 6.9 per cent increase in the prices of raw materials. The increase in the EPI was influenced by respective increases of 3.2 per cent and 16.8 per cent in the tourism implicit price index for Jamaica and the price of alumina.

⁵ In 2004, the Government imposed safeguard duties of 25.8 per cent, in addition to the 15.0 per cent common external tariff on cement imports, to ensure a US\$100.0 million investment in Carib Cement Company Limited.

Figure 1

Terms of Trade Index Jamaica



PART II

DOMESTIC MACROECONOMIC DEVELOPMENTS

2.0 OVERVIEW

All the economic performance indicators for the Jamaican economy were generally positive in 2006. Economic growth accelerated as agricultural production rebounded, the economy continued to attract foreign direct investment and there was strong growth in tourist arrivals. Inflation declined sharply to 5.8 per cent at December 2006 from 12.9 per cent at December 2005. Overall stability in the financial markets, an improved outlook for inflation coupled with a more favourable international environment provided the opportunity for a gradual easing of monetary policy by the central bank.

2.1 OUTPUT & EMPLOYMENT

Gross Domestic Product

Real GDP grew by 2.5 per cent during 2006, following average growth of 1.3 per cent over the previous seven years (see **Table 11**). The economic expansion in 2006 emanated primarily from agriculture and tourism, which contributed approximately 75.0 per cent to the overall GDP outturn. The increased activity occurred in the context of a stable macroeconomic environment, characterised by declining inflation, stable financial markets, relatively strong external demand and an improvement in external competitiveness. Further, the expansion in growth reflected the impact of foreign direct investments on the economy, improvements in productivity in some sectors as well as post hurricane recovery in the context of favourable weather conditions. Growth was, however, negatively affected by supply constraints in the construction industry.

Within the goods producing sectors, Agriculture, Forestry & Fishing expanded by 15.9 per cent and was the largest single contributor to the growth in GDP. Growth occurred in both the domestic and export agriculture sub-sectors. Activity in the sector was driven by improved labour productivity and increased banking system credit. Productivity, as measured by output per hectare, surpassed levels obtained in 2005, driven largely by improved farming practices, such as the introduction of green house farms, hydroponics and better irrigation systems. Local currency commercial bank credit to agriculture & fishing expanded by \$4.2

billion or 20.7 per cent in 2006, while foreign currency loans to the sector more than doubled.

TABLE 11

GROSS DOMESTIC PRODUCT		
(1996 Prices)		
Growth Rate by Sector (%)		
	2005	2006
GOODS	1.0	1.1
Agriculture, Forestry & Fishing	-7.2	15.9
Mining & Quarrying	3.4	1.7
Manufacturing	-1.3	-2.4
Construction & Installation	7.3	-2.2
SERVICES	1.4	3.2
Basic Services	1.9	4.4
Electricity & Water	4.1	3.7
Transport Storage & Communication	1.2	4.7
Other Services	1.3	2.8
Distributive Trade	1.1	1.4
Financing & Insurance Services	0.4	2.1
Real Estate & Business Services	1.9	2.4
Producers of Government Services	0.3	0.1
Miscellaneous Services	3.0	10.4
Household & Private Non-Profit	0.4	0.4
IMPUTED SERVICE CHARGES	-1.2	2.3
TOTAL GDP	1.4	2.5

Source: Bank of Jamaica

Reflecting the performance in tourism, value added in *Miscellaneous Services* expanded significantly by 10.4 per cent in 2006, relative to average growth of 2.4 per cent over the previous five years. The major factor contributing to the performance of the tourism industry was an increase of 13.5 per cent in total stopover arrivals, led by an expansion of 13.8 per cent in foreign national arrivals. Cruise visitor arrivals also grew by 17.7 per cent during the year. Against this background, visitor expenditure increased by 16.1 per cent in 2006.

There was a moderate increase of 1.7 per cent in *Mining & Quarrying* during the review year, representing a deceleration in growth when compared to the growth in the previous year. This slower rate of growth was partly associated with the marginal expansion of 0.3 per cent in alumina production, compared to 1.6 per cent growth in 2005. The lower output growth was influenced by prolonged labour disputes during the first half of the year and technical problems at one of the alumina plants during the third quarter. As a result, the capacity utilisation rate for alumina declined marginally to 92.5 per cent compared to 92.8 per cent during 2005. The impetus for growth within the sector therefore emanated from bauxite production. For the year, crude bauxite production grew considerably by 12.3 per cent, reflective of an increase of approximately 11.0 per cent in capacity. Concomitantly, the capacity utilisation rate for bauxite expanded marginally to 91.0 per cent from 90.0 per cent in 2005.

There was continued robust growth in *Transport, Storage & Communication* in 2006, a trend that has been evident since the early 1990's. The sector recorded consistent growth in all quarters, reflecting the demand for sea and air transport. The on-going expansion of the Island's ports facilitated increased transshipment activities during the year, given Jamaica's strategic location and competitive advantage. Additionally, the introduction of new airline carriers to the Island facilitated an increase in demand for air transport-related services. This contributed to an improvement of 15.4 per cent in visitor arrivals when compared to 2005.

Construction & Installation contracted by 2.2 per cent in 2006, relative to an expansion of 7.3 per cent in 2005. Activity in the sector for the first three quarters of the year was negatively affected by the shortage of cement on the domestic market stemming from internal problems at the sole cement plant. The situation was exacerbated by a shortage of cement on the international market and lengthy delays in importation to meet the shortfall.

Manufacturing contracted for the second consecutive year in 2006, registering a decline of 2.4 per cent. The outturn was attributed to a significant decline in *Food, Beverages & Tobacco*, which offset moderate growth in *Other Manufacturing*. The weak performance of

the sector was partly attributed to the non-competitive nature of some industries, which resulted in the relocation of a number of manufacturing companies out of Jamaica.

Unemployment

Consistent with the acceleration in growth, there was a contraction of 0.9 percentage point in the unemployment rate to 10.3 per cent in 2006. However, the job-seeking rate, which is the percentage of the labour force actively seeking work, was 5.6 per cent in 2006, a 0.2 percentage point increase when compared to 2005.

All sectors recorded increased employment, with the largest growth of 5.4 per cent and 3.8 per cent occurring in *wholesale & retail, hotels & restaurants* and *construction & installation*, respectively. The increased employment in the former sector was consistent with the growth in the hotel and the distributive trade sectors. However, the increased employment in construction & installation reflected a fall in productivity given that output fell in the sector.

2.2 RELATIVE PRICES, COMPETITIVENESS & MONETARY POLICY

The Real Effective Exchange Rate (REER) index at end 2006 was 3.4 per cent lower than at end 2005, indicative of an improvement in Jamaica's competitiveness. The decline in the REER mainly reflected depreciation of the Jamaica Dollar and appreciation of the currencies of Jamaica's major trading partners, relative to the US dollar. The average selling rate of the US dollar vis-à-vis the Jamaica Dollar depreciated by 3.5 per cent for the year, while the currencies of Jamaica's main trading partners vis-à-vis the US dollar appreciated by an average of 2.0 per cent. These movements outweighed the impact of an increase of 2.1 per cent in relative prices. Inflation among Jamaica's major trading partners of 3.6 per cent was offset by domestic inflation of 5.5 per cent.

Domestic headline inflation in 2006 was influenced by a sequence of favourable domestic and international factors. These included strong expansions in agricultural supply which was reinforced by an uneventful hurricane season and relative stability in the exchange rate. There were also strong increases in international oil prices with sharp reversals in the latter

part of the year. Adjustments in administered prices such as the minimum wage and upward movements in the prices of beef and fish were the main sources of pressures during the year. Nonetheless, the predominance of positive developments facilitated the realization of a 25-year low in annual inflation.

The increased use of new technology such as greenhouses and hydroponics positively affected agricultural production. In this context, there was increased output of tubers and vegetables which resulted in lower prices of these commodities. As a consequence, the average prices of *Starchy Foods* and *Vegetables & Fruits* in the CPI decreased by 3.7 per cent and 9.3 per cent, respectively, in 2006.

Core inflation declined to 3.4 per cent in 2006, relative to 5.2 per cent in 2005. This lower level of core inflation was achieved in a context of lower price impulses as a result of positive supply shocks to agriculture and lower increases in oil prices. The resulting expansion in output was not inflationary as monetary policy assisted in the containment of growth in aggregate demand in line with this supply growth.

An important contributor to the moderation in inflation was continued stability in the foreign exchange market during 2006. This was evidenced by a slowing in the rate of depreciation in the weighted average selling rate to 3.5 per cent when compared to 4.4 per cent in 2005. The stability in the market was underpinned by a confluence of factors including judicious intervention by the Bank, the decline in world oil prices in the last quarter of the year that tempered the US dollar demand for fuel-related imports, as well as strong foreign currency inflows from tourism, remittances and foreign direct investments.

During the year, the Bank of Jamaica eased its policy stance on six occasions. The Central Bank reduced interest rates on four occasions, removed the 270-day and 365-day tenors from the spectrum of open market instruments and eliminated the remaining 1.0 per cent Special Deposit Requirement, which had been in effect since January 2003. These actions were against the background of favourable local macroeconomic conditions, supportive international developments and growing local and international investor confidence.

Economic confidence was improved during 2006, despite the challenges encountered in the construction industry. This largely related to the fact that all indicators of the health of the domestic financial system remained strong in 2006. In that context, business and consumer confidence, as measured by the Jamaica Conference Board Business and Consumer Confidence Indices, respectively, showed strong increases, relative to the previous year. Specifically, business confidence was up by 3.8 per cent at the end of 2006 while consumer confidence increased by 33.3 per cent, relative to 2005. The Bank of Jamaica/STATIN inflation expectation survey at December 2006 also reflected declining inflation expectations, improved perceptions of inflation management and enhanced perception of present and future economic conditions relative to 2005.

2.3 SUMMARY & OUTLOOK

In 2006, the path of inflation was positively affected by benign weather conditions as well as favourable domestic and international factors. These factors also aided the economic growth and the post-Ivan recovery process. As a consequence, there was acceleration in economic expansion in 2006.

Continued economic expansion is projected for 2007. This will be led by the goods producing sectors, in particular construction, as the sector rebounds from the supply constraints faced in 2006. Headline inflation should remain in single digits, provided that there is continued stability in the foreign exchange market, a mild hurricane season and reduced imported inflation from international commodity prices, particularly oil and grains.

PART III
THE BALANCE OF PAYMENTS

3.0 SUMMARY

Jamaica's current account deficit widened by US\$111.4 million to US\$1 182.9 million (11.4 per cent of GDP) during 2006 (see **Figure 2 and Table 12**). This represented the second consecutive year of deterioration, following improvements in 2003 and 2004. The deterioration in the current account balance reflected higher deficits on the goods and income accounts, partly offset by an expansion in net receipts from services and current transfers. An increase in world commodity prices, particularly oil, was the main factor behind the increase in the merchandise trade deficit. This was supported by a significant increase in machinery and transport equipment imports. The current account deficit was more than financed by net private and official investment inflows, facilitating a build up of US\$230.1 million in the NIR of the BOJ.

Figure 2

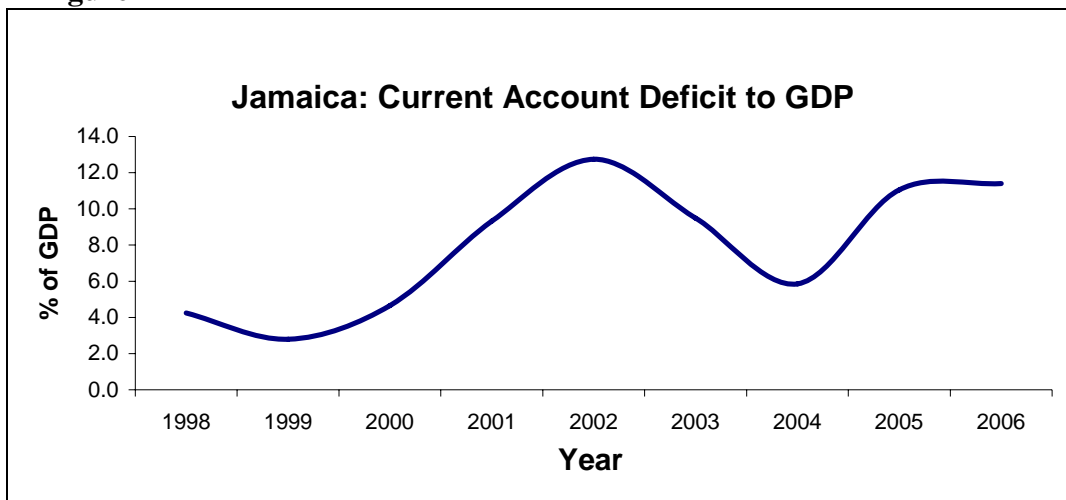


TABLE 12

SUMMARY OF BALANCE OF PAYMENTS (US\$M)			
	2005 ^{1/}	2006 ^{2/}	Change
CURRENT ACCOUNT	-1071.5	-1182.9	-111.4
A. GOODS BALANCE	-2581.3	-2943.5	-362.2
Exports (f.o.b.)	1664.3	2133.6	469.3
Imports (f.o.b.)	4245.6	5077.0	831.5
B. SERVICES BALANCE	607.3	627.6	20.3
Transportation	-266.6	-426.5	-159.8
Travel	1295.7	1596.6	300.9
Other Services	-421.8	-542.6	-120.8
GOODS & SERVICES BALANCE	-1974.0	-2315.8	-341.8
C. INCOME	-675.9	-615.7	60.2
Compensation of employees	88.5	96.0	7.5
Investment income	-764.4	-711.7	52.7
D. CURRENT TRANSFERS	1578.4	1748.6	170.2
General Government	137.0	145.4	8.4
Other Sectors	1441.4	1603.2	161.8
2. CAPITAL & FINANCIAL A/C	1071.5	1182.9	111.4
A. CAPITAL ACCOUNT	-2.7	-0.1	2.6
General government	0.3	4.1	3.8
Other Sectors	-3.0	-4.2	-1.2
B. FINANCIAL ACCOUNT	1074.2	1183.0	108.8
Official Investment	396.6	633.0	236.4
Private Investments ^{3/}	906.5	780.1	-126.4
Reserves ^{4/}	-228.9	-230.1	-1.2

1/ Revised

2/ Estimates

3/ Includes Errors & Omissions

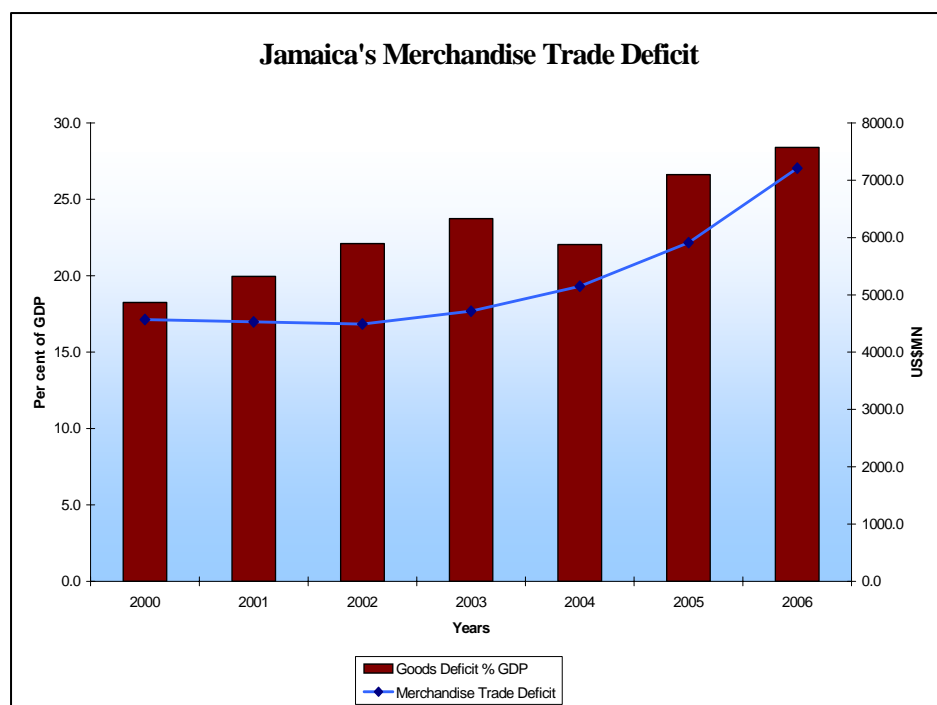
4/ Minus denotes increase

3.1 MERCHANDISE TRADE

Jamaica's total merchandise trade (i.e. exports plus imports (f.o.b.)) amounted to US\$7 210.7 million (69.5 per cent of GDP) in 2006, representing an increase of US\$1 300.8 million relative to 2005 (see **Table IV, Appendix**). Total merchandise trade in 2006 was the largest on record.

The goods account recorded a deficit of US\$2 943.5 million (28.4 per cent of GDP), representing an increase of US\$362.2 million relative to 2005 (see **Figure 3**). The higher trade deficit in 2006 resulted from an expansion of US\$831.5 million in imports (f.o.b.), which was partially offset by a US\$469.3 million increase in exports.

Figure 3



Exports

Total goods exports amounted to US\$2 133.6 million (20.6 per cent of GDP) in 2006. *General merchandise exports*, valued at US\$1 983.5 million, continued to account for the largest share of the value of total exports (93.7 per cent) in 2006, largely dominated by earnings from crude materials. *Free zone exports* and *goods procured in ports* by foreign carriers totalled US\$54.1 million and US\$96.0 million, respectively (see **Table 13**).

There was an increase of US\$469.3 million in the value of goods exports, relative to 2005. This expansion largely reflected growth of US\$219.7 million and US\$156.2 million in the value of crude material exports and mineral fuel exports, respectively. The growth in the

value of crude material exports reflected increases in the export values of both alumina and bauxite. For mineral fuels exports, the expansion reflected increases in both the volume and price of fuel exported.

TABLE 13

VALUE OF EXPORTS (US\$M)				
SITC SECTIONS	<u>2005</u>	<u>2006</u>	<u>Change</u>	<u>% Change</u>
0. Food	193.5	236.5	43.0	22.2
Bananas	4.7	13.4	8.7	185.8
Citrus & citrus products	1.6	2.8	1.2	77.8
Sugar & sugar preparations	76.8	89.7	12.9	16.8
Other	110.4	130.6	20.1	18.2
1. Beverages & tobacco	78.9	90.2	11.3	14.4
Rum	34.3	41.0	6.7	19.6
Tobacco & tobacco products	0.4	0.1	-0.4	-83.4
Other	44.1	49.2	5.0	11.4
2. Crude materials	1039.8	1259.5	219.7	21.1
Bauxite	98.8	113.3	14.5	14.7
Alumina	920.3	1040.5	120.3	13.1
Other	20.8	105.7	84.9	408.9
3. Mineral fuels	111.4	267.6	156.2	140.3
4. Animal & vegetable oils & fats	0.1	0.0	-0.1	-66.4
5. Chemicals	57.2	74.0	16.8	29.3
6. Manufactured goods	11.0	14.1	3.1	27.8
7. Machinery & transport equipment	18.2	22.2	4.0	21.9
8. Misc. manufactured goods	21.3	19.3	-2.0	-9.6
9. Misc. commodities	0.0	0.0	0.0	0.0
A. TOTAL GENERAL EXPORTS	<u>1531.5</u>	<u>1983.5</u>	<u>452.0</u>	<u>29.5</u>
B. FREE ZONE EXPORTS	56.8	54.1	-2.7	-4.7
C. GOODS PROCURED IN PORTS	76.0	96.0	20.0	26.3
TOTAL EXPORTS (F.O.B.)	1664.3	2133.6	469.3	28.2

Source: Statistical Institute of Jamaica

Earnings from goods procured in Jamaican ports by foreign carriers, which accounted for 4.8 per cent of total exports in 2006, increased by 26.3 per cent. This represented the fourth consecutive year of growth. The expansion in earnings resulted from an increase in the price of fuel, as well as increased activity at the Island's sea and airports. Free zone exports

continued its downward trend and accounted for 2.7 per cent of total exports in 2006. The contraction in free zone exports partially reflected the continued fallout in the local garment industry.

Major Traditional Exports

TABLE 14

MAJOR TRADITIONAL EXPORT COMMODITIES				
	2005 ^{1/}	2006 ^{2/}	Change	% Change
BAUXITE				
VOLUME ('000 tonnes)	4058.7	4542.9	484.1	11.9
VALUE (US\$M)	98.8	113.3	14.5	14.7
PRICE (US\$/tonne)	24.3	24.9	0.6	2.4
ALUMINA				
VOLUME ('000tonnes)	4166.9	4034.5	-132.3	-3.2
VALUE (US\$M)	920.3	1040.5	120.3	13.1
PRICE (US\$/tonne)	220.9	257.9	37.1	16.8
SUGAR				
VOLUME ('000 tonnes)	112.9	140.1	27.3	24.1
VALUE (US\$M)	76.8	89.7	12.9	16.8
PRICE (US\$/tonne)	680.5	640.1	-40.4	-5.9
BANANA				
VOLUME ('000tonnes)	11.7	32.0	20.3	173.4
VALUE (US\$M)	4.7	13.4	8.7	185.8
PRICE (US\$/tonne)	400.7	418.9	18.2	4.6

1/ Revised

2/ Estimates

Bauxite & Alumina

The increase in earnings from bauxite exports in 2006 was largely attributed to respective increases of 11.9 per cent and 2.4 per cent in export volume and the average realized price (ARP). The growth in bauxite export volumes resulted primarily from capacity expansion and improved productivity at the St Ann Bauxite Company, associated with investment in new haulage machinery.

The value of alumina exports in 2006 rose by 13.1 per cent, influenced primarily by a 16.8 per cent increase in the ARP of the ore, which was more than sufficient to offset the impact of a 3.2 per cent decline in the export volume (see **Table 14**). The movement in alumina

prices largely reflected strong growth in aluminium consumption in China which buoyed global demand (see **International Economic Developments**). Notwithstanding the growth in demand for the ore on the international market, the local industry was unable to maximize the potential benefits due to production disruptions arising from an unstable industrial relations climate in the first half of 2006.

Sugar

Earnings from sugar exports increased by 16.8 per cent in 2006, influenced primarily by a 24.1 per cent growth in export volumes, relative to 2005. The growth in exports reflected the normalization in production activities following damages to the 2004/05 crop by adverse weather conditions. However, the volume of sugar exported was affected 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 11.7 in 2006 from 11.0 in 2005. The decline in the ARP mainly reflected the impact of increased supply of sugar on the world market in 2006, as sugar producers sought to capitalize on the higher world market prices during the past two years.

Banana

Total earnings from the export of bananas rose by 185.8 per cent in 2006, relative to 2005. This growth was primarily attributed to a 173.4 per cent increase in export volumes, reflecting the normalization in production activities following the destruction of most of the crop by adverse weather conditions in 2004 and 2005. The increase in earnings also resulted from a 4.6 per cent increase in the ARP largely associated with the depreciation of the US dollar against the Euro in 2006.

TABLE 15

OTHER DOMESTIC EXPORTS BY S.I.T.C.				
(US\$M)				
	2005	2006	Change	% Change
0. Food	111.6	132.6	21.0	18.8
Citrus & citrus products	1.6	2.8	1.2	77.8
Other	110.0	129.8	19.8	18.0
1. Beverages & Tobacco	78.8	90.2	11.4	14.5
Rum	34.3	41.0	6.7	19.6
Tobacco & tobacco products	0.4	0.1	-0.4	-83.4
Other	44.1	49.2	5.0	11.4
2. Crude Materials	20.7	105.5	84.8	409.7
3. Mineral Fuels	110.6	267.1	156.5	141.5
4. Animal & Vegetable Oils & Fats	0.1	0.0	-0.1	-66.9
5. Chemicals	54.8	72.1	17.3	31.6
6. Manufactured Goods	5.3	8.2	2.9	55.0
7. Machinery & Transport Equip.	0.8	1.1	0.3	38.4
8. Miscellaneous Manufactured Goods	18.4	14.0	-4.4	-24.0
9. Miscellaneous Commodities	0.0	0.0	0.0	0.0
TOTAL	401.1	690.9	289.8	72.2

Other Domestic Exports

Total earnings from *other domestic* exports expanded by 72.2 per cent in 2006 (see **Table 15**). The major factors contributing to this increase were higher earnings from crude materials and mineral fuels, which were partially offset by lower earnings from miscellaneous manufactured goods.

The significant growth in earnings from crude material exports was associated with a US\$86.3 million increase in the value of waste and scrap metal exports. This growth reflected the response of the local industry to increases in global metal prices. The increase in the value of mineral fuels exports resulted from the higher average price of oil in 2006, relative to 2005. Mineral fuel exports represent Petrojam's supply of petroleum products, including gasoline, to regional and international traders.

Imports

Total imports (c.i.f.) in 2006 were valued at US\$5 801.4 million or 56.0 per cent of GDP. General merchandise imports accounted for 97.4 per cent of Jamaica import bill in 2006,

while goods procured in ports by foreign carriers and free zone imports accounted for 2.3 per cent and 0.3 per cent, respectively (see **Table 16**).

The value of total imports in 2006 increased by 19.2 per cent, relative to 2005, primarily reflecting expansion in spending on general merchandise imports. Growth in the expenditure on general merchandise imports was largely influenced by increases in mineral fuels, machinery and transport equipment and chemicals. The expansion in the value of mineral fuel imports was driven by the increase in oil prices, relative to 2005.

TABLE 16

VALUE OF IMPORTS BY SITC (C.I.F.)				
(US\$M)				
	2005^{1/}	2006^{2/}	Change	% Change
TOTAL GENERAL IMPORTS	4739.4	5650.4	911.0	19.2
0. FOOD	602.9	616.8	13.9	2.3
1. BEVERAGE & TOBACCO	55.9	68.4	12.4	22.2
2. CRUDE MATERIALS	79.2	82.4	3.3	4.1
3. MINERAL FUELS	1360.1	1758.5	398.4	29.3
4. ANIMAL & VEGETABLE OIL	27.7	25.2	-2.5	-8.9
5. CHEMICALS	555.3	680.4	125.1	22.5
6. MANUFACTURED GOODS	637.8	696.1	58.3	9.1
7. MACHINERY & TRANSPORT EQUIPMENT	870.0	1130.1	260.1	29.9
8. MISCELLANEOUS MANUFACTURED GOODS	477.2	510.8	33.6	7.1
9. MISCELLANEOUS COMMODITIES.	73.3	81.8	8.4	11.5
FREEZONE	15.5	19.0	3.5	22.3
GOODS PROCURED IN PORTS	111.2	132.0	20.8	18.7
TOTAL	4866.2	5801.4	935.2	19.2

1/ Revised

2/ Provisional

3.2 DIRECTION OF TRADE (GENERAL MERCHANDISE)

The US, Canada and the UK remained Jamaica's dominant trading partners in 2006 accounting for US\$3 534.8 million or 46.3 per cent of total merchandise trade, compared with 48.1 per cent in 2005. These countries provided markets for US\$1 113.0 million or 56.1 per cent of Jamaica's total exports, while supplying US\$2 421.8 million or 42.9 per cent of its imports (see **Tables 17 to 19**).

The US maintained its position as Jamaica's largest trading partner during 2006. Notwithstanding, there was a marginal decline in the country's share of Jamaica's merchandise trade to 36.2 per cent, compared with 37.2 per cent in 2005. Imports from the US, which include chemicals, manufactured goods, machinery & transport equipment and food, accounted for 38.3 per cent of general merchandise imports. On the other hand, exports to that market, comprising mainly bauxite, alumina and miscellaneous manufactured goods, accounted for 30.2 per cent of general merchandise exports.

The value of Jamaica's general merchandise imports from the US increased by US\$225.7 million to US\$2 165.0 million in 2006, which outweighed the US\$203.8 million increase in exports to that market. The growth in imports largely reflected the higher cost of processed fuel and other fuel related products, mainly associated with rising fuel prices. In this context, Jamaica's general merchandise trade deficit with the US worsened by 1.4 per cent to US\$1 566.1 million in 2006, relative to the previous year.

There was a marginal decline in Jamaica's overall trade surplus with Canada in 2006 relative to 2005. This was in the context where imports from this source increased at a faster rate than exports. The value of imports from Canada rose by 12.9 per cent to US\$123.7 million, while exports to this market expanded by 4.9 per cent to US\$309.4 million. Notwithstanding these increases, the share of Jamaica's total merchandise trade with Canada declined to 5.7 per cent in 2006, from 6.5 per cent the previous year. Exports to this market include alumina, rum and food, while imports comprise mainly machinery & transport equipment, mineral fuels, chemical and food.

Jamaica's merchandise trade balance with China improved in 2006, moving to a surplus of US\$93.7million from a deficit of US\$33.8 million in 2005. This was influenced by an increase in export earnings of US\$192.9 million, relative to a marginal increase in spending on imports of US\$65.4 million. China accounted for 15.1 per cent of Jamaica's exports in 2006, relative to 7.0 per cent in 2005, while its share of imports rose marginally to 3.7 per cent in 2006 relative to 3.0 per cent in 2005. Exports to China consist mainly of alumina and

scrap metal, while imports include miscellaneous manufactured articles, manufactured goods and machinery & transport equipment.

TABLE 17

VALUE OF EXPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)						
	2005	% of Total	2006	% of Total	Change	% Change
COUNTRY						
United Kingdom	163.4	10.7	204.7	10.3	41.3	25.3
United States	395.1	25.8	598.9	30.2	203.8	51.6
Canada	295.0	19.3	309.4	15.6	14.4	4.9
European Union	294.1	19.2	278.1	14.0	-16.0	-5.4
CARICOM	50.0	3.3	53.0	2.7	3.0	6.0
China	107.5	7.0	300.4	15.1	192.9	179.4
All other countries	226.4	14.8	239.0	12.0	12.6	5.6
TOTAL	1531.5	100.0	1983.5	100.0	452.0	29.5

TABLE 18

VALUE OF IMPORTS BY PRINCIPAL TRADING PARTNERS (US\$M)						
	2005	% of Total	2006	% of Total	Change	% Change
COUNTRY						
United Kingdom	112.4	2.4	133.1	2.4	20.7	18.4
United States	1939.3	40.9	2165.0	38.3	225.7	11.6
Canada	109.6	2.3	123.7	2.2	14.1	12.9
European Union	237.2	5.0	345.5	6.1	108.3	45.7
CARICOM	752.2	15.9	857.3	15.2	105.1	14.0
China	141.3	3.0	206.7	3.7	65.4	46.3
All other countries	1447.4	30.5	1819.1	32.2	371.7	25.7
TOTAL	4739.4	100.0	5650.4	100.0	911.0	19.2

TABLE 19

TRADE BALANCE BY PRINCIPAL TRADING PARTNERS (US\$M)				
	2005	2006	Change	% Change
COUNTRY				
United Kingdom	51.0	71.6	20.6	40.4
United States	-1544.2	-1566.1	-21.9	1.4
Canada	185.4	185.7	0.3	0.2
European Union	56.9	-67.4	-124.3	-218.5
CARICOM	-702.2	-804.3	-102.1	14.5
China	-33.8	93.7	127.5	377.2
All other countries	-1221.0	-1580.1	-359.1	29.4
TOTAL	-3207.9	-3666.9	-459.0	14.3

Source: Statistical Institute of Jamaica

Despite growth in the values of both exports and imports, the UK's share of Jamaica's merchandise trade remained constant at 4.4 per cent in 2006, relative to 2005. General merchandise exports to the UK, comprising mainly sugar, banana and rum, increased by 25.3 per cent to US\$204.7 million. The value of imports from the UK expanded by 18.4 per cent to US\$133.1 million buoyed by increased imports of machinery and transport equipment. Against the background of the relatively strong growth in exports, the trade surplus with the UK increased in 2006 by US\$20.6 million to US\$71.6 million.

Jamaica ran a merchandise trade deficit of US\$67.4 million with the EU for 2006, relative to a trade surplus of US\$56.9 million in 2005. This deterioration was mainly attributed to a 45.7 per cent expansion in imports, while exports fell by 5.4 per cent. In this context, the share of total merchandise trade accounted for by the EU fell to 8.2 per cent in 2006 from 9.2 per cent in 2005.

3.3 CARICOM TRADE

CARICOM's share of Jamaica's merchandise trade declined to 12.6 per cent in 2006 from 13.6 per cent in 2005. Notwithstanding this decline in share, there was a US\$105.1 million expansion in imports from the region, which was partly offset by a US\$3.0 million increase in exports. These changes resulted in an expansion of US\$102.0 million in Jamaica's trade deficit with the region in 2006. The widening of the deficit was influenced primarily by

increased imports from Trinidad and Tobago, which remained Jamaica's major regional trading partner in 2006 (see **Table 20**). Imports from Trinidad, which is principally fuel, accounted for 93.1 per cent of the Island's total imports from CARICOM, relative to 91.6 per cent in 2005.

TABLE 20

CARICOM TRADE (SELECTED COUNTRIES) (US\$MN)						
Country	2005			2006		
	Exports	Imports	Trade Bal.	Exports	Imports	Trade Bal.
Barbados	10.0	18.0	-8.0	10.7	17.9	-7.2
Guyana	2.8	37.4	-34.6	3.7	30.8	-27.1
Belize	3.3	13.4	-10.1	3.8	13.2	-9.4
St. Kitts	1.8	0.0	1.8	1.9	0.0	1.9
Antigua	3.5	0.1	3.4	3.8	0.1	3.7
Montserrat	0.1	0.0	0.1	0.1	0.0	0.1
Trinidad & Tobago	17.6	660.5	-642.9	18.1	767.1	-749.0
Dominica	2.4	9.4	-7.0	2.4	12.7	-10.3
Grenada	2.0	0.7	1.3	1.6	0.6	1.0
St. Lucia	4.1	0.6	3.5	3.8	0.7	3.1
St. Vincent	1.3	0.3	1.0	1.3	0.2	1.1
Suriname	1.1	11.7	-10.6	1.8	13.9	-12.1
TOTAL	50.0	752.2	-702.2	53.0	857.3	-804.2

Source: Statistical Institute of Jamaica

3.4 SERVICES

Net earnings from services increased by US\$20.6 million (3.4 per cent) to US\$627.6 million in 2006 (see **Table 21**). The improvement in the services balance emanated from an expansion of US\$301.1 million in net receipts from *travel*, which was partly countered by increased net payments for *transportation* and *other services*.

Transportation

The deficit on the transportation sub-account worsened by US\$159.8 million (59.9 per cent) in 2006, largely reflecting respective increases of US\$94.3 million and US\$72.7 million in payments for freight and other transportation services (see **Table 22**). This growth was partly associated with an increase in the volume of imports in 2006. Higher payments for transportation services were partly offset by a US\$7.9 million (1.6 per cent) increase in receipts, principally associated with the growth in charges for freight, auxiliary and other

support services, which occurred against the background of the expansion in exports. There was, however, a decline of US\$13.6 million (4.6 per cent) in revenues from the sale of passenger services, reflecting the impact of increased competition for the domestic carrier from new and chartered airlines, relative to 2005.

TABLE 21

	SERVICES (US\$M)			% Change
	2005	2006	Change	
Services Balance	607.1	627.6	20.6	3.4
Inflows	2329.4	2648.7	319.3	13.7
Outflows	1722.3	2021.1	298.7	17.3
Transportation	-266.7	-426.5	-159.8	59.9
Inflows	451.1	459.0	7.9	1.7
Outflows	717.7	885.5	167.7	23.4
Travel	1295.6	1596.6	301.0	23.2
Inflows	1545.1	1870.1	325.0	21.0
Outflows	249.5	273.5	23.9	9.6
Other Services	-421.8	-542.5	-120.7	28.6
Inflows	333.3	319.7	-13.6	-4.1
Outflows	755.1	862.2	107.1	14.2

Source: Bank of Jamaica

TABLE 22

	TRANSPORTATION (US\$M)			% Change
	2005	2006	Change	
TRANSPORTATION (NET)	-266.7	-426.5	-159.8	59.9
TOTAL RECEIPTS	451.1	459.0	7.9	1.6
Passenger fares	237.8	224.2	-13.6	-4.6
Freight	14.6	17.8	3.2	42.2
Other	198.7	217.0	18.2	9.4
TOTAL PAYMENTS	717.7	885.5	167.7	25.9
Passenger fares	40.8	41.5	0.7	2.2
Freight	572.1	666.4	94.3	18.6
Other	104.9	177.6	72.7	66.3

Source: Bank of Jamaica

Travel

Net foreign exchange earnings from the tourism industry amounted to US\$1 596.6 million (18.0 per cent of GDP) in 2006, representing an increase of US\$301.0 million (23.2 per cent), relative to 2005. This performance was attributed to an increase of US\$325.0 million in gross travel earnings, partly offset by a rise in gross payments (see **Table 21**). Gross travel inflows for 2006 surpassed the previous record in 2005, and represent the fourth consecutive year of expansion.

The expansion in gross travel earnings in 2006 was largely influenced by respective increases of 17.7 per cent and 13.5 per cent in cruise passenger and stopover visitor arrivals (see **Table 23**).⁶ There was also an 8.5 per cent increase in the average daily spending of visitors, relative to 2006. Within the stopover category, arrival of long-stay foreign nationals accounted for 53.0 per cent of total visitor arrivals during the year (see **Figure 5**).⁷

TABLE 23

VISITOR ARRIVAL STATISTICS (000s)				
	2005^{1/}	2006^{2/}	Change	% Change
Total Stopovers	1478.7	1678.9	200.2	13.5
Foreign National Stopovers	1387.0	1578.2	191.2	13.8
Long-stay	1341.6	1526.5	184.9	13.8
Short-stay	45.4	51.7	6.3	13.8
Non-resident Jamaican stopovers	91.7	100.7	9.0	9.9
Cruise Passengers & Armed Forces	1135.8	1337.0	200.6	17.7
Total Visitors	2614.5	3015.9	401.4	15.3

Source: Jamaica Tourist Board

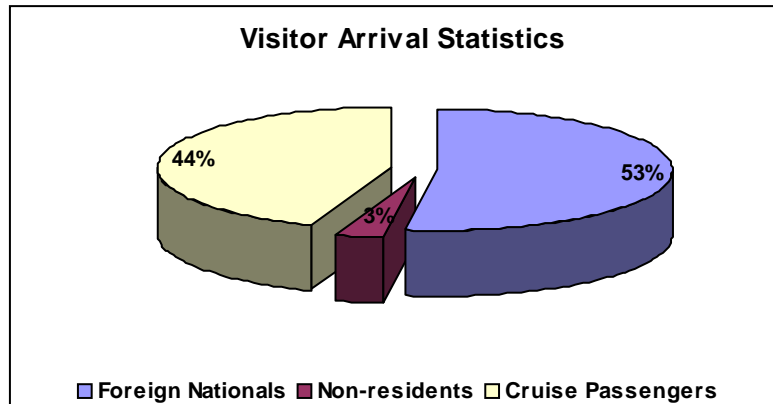
1/ Revised

2/ Provisional

⁶ Visitor arrivals were at record levels for both stopover and cruise visitors in 2006. The previous record was in 2005.

⁷ Long-stay visitors represent visitors who stay in excess of three nights.

Figure 5



Source: Jamaica Tourist

The significant growth in visitor arrivals occurred in the context of the aggressive marketing initiatives of both the Jamaica Tourist Board (JTB) and some hotel chains, the redeployment of cruise vessels from Cancun, Mexico due to the devastation caused by Hurricane Wilma and a relatively inactive hurricane season. Visitor arrivals were also influenced by the addition of 549 rooms at the Bahia Principe Hotel in St. Ann and the completion of refurbishing work at the Sunset Jamaica Grande hotel during the year. The local travel industry also benefited from the acceleration of economic growth in the major source countries. Additionally, the weakening of the US dollar against the major currencies served to reduce the effective price of Jamaica's tourism product, particularly for Canadian and European visitors.⁸ The growth in visitor arrivals was facilitated by additions to airlift capacity, which included flights by Jet X, Jet Airfly, Monarch Air, National Jets and Pace Airlines from Iceland, Brussels, London Gatwick, Managua, Chicago and Los Angeles, respectively.

Stopover Arrivals

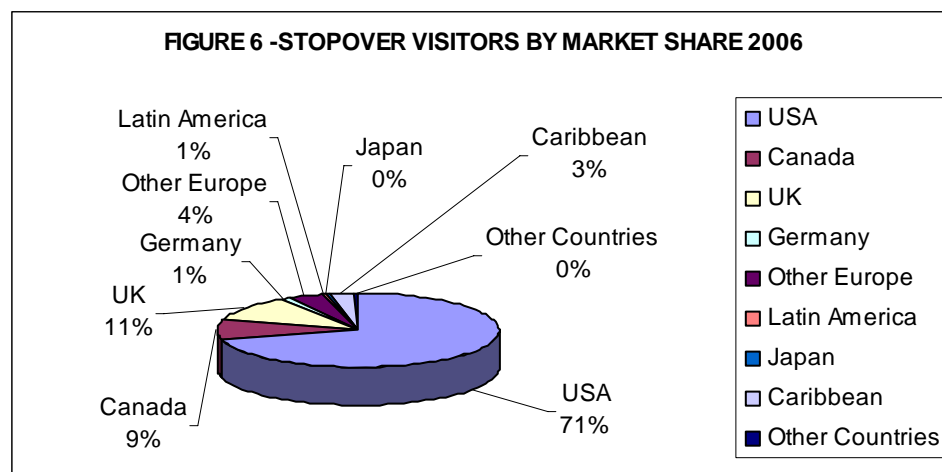
Source Markets

With the exception of Europe (excluding the UK) and Japan, all major source markets recorded double digit increases in stopover arrivals in 2006, relative to 2005. The U.S. remained the main source market for stopover arrivals in 2006, supplying in excess of one

⁸ Jamaica's tourism product is priced in US dollars.

million visitors for the second consecutive year. Visitor arrival from this source market grew by 12.5 per cent and accounted for a market share of 71.0 per cent of stopover tourists during the review period (see **Figure 6**). There were also notable increases of 31.7 per cent and 31.4 per cent in arrivals from Latin America and Canada, respectively (see **Table 24**).

Figure 6



Source: Jamaica Tourist Board

TABLE 24

	STOPOVER ARRIVALS BY COUNTRY OF ORIGIN											
	Foreign Nationals				Non-Resident Jamaicans				Total			
	2005	2006	Change	% Change	2005	2006	Change	% Change	2005	2006	Change	% Change
USA	990809	1117274	126465	12.8	67508	73447	5939	8.8	1058317	1190721	132404	12.5
UK	142643	168073	25430	17.8	7130	7290	160	2.2	149773	175363	25590	17.1
Canada	110086	146232	36146	32.8	6776	7337	561	8.3	116862	153569	36707	31.4
Europe	83774	80398	-3376	-4.0	332	313	-19	-5.7	103966	100379	-3587	-3.5
Latin America	8347	10996	2649	31.7	81	105	24	29.6	8428	11101	2673	31.7
Japan	4274	3707	-567	-13.3	30	48	18	60.0	4304	3755	-549	-12.8
Caribbean	40526	43916	3390	8.4	9713	12032	2319	23.9	50239	55948	5709	11.4
Other Countries	6537	7611	1074	16.4	97	126	29	29.9	6634	7737	1103	16.6
TOTAL	1386996	1578207	191211	13.8	91667	100698	9031	9.9	1478663	1678905	200242	13.5

Source: Jamaica Tourist Board

*Excludes UK

Growth in stopover visitor arrivals from the US reflected expansions from all regions. In particular, there were respective increases of 20.2 per cent and 13.8 per cent in arrivals from the southern region (Miami) and western region (Los Angeles). The overall growth in visitor

arrivals from the US largely reflected the promotional activities of the JTB and new airlift out of some major US destinations.

Total stopover arrivals from the UK, Jamaica's second largest source market grew by 17.1 per cent in 2006 relative to a decline of 5.7 per cent in 2005. Growth in arrivals from this market was influenced by increased marketing efforts by the JTB, as well as the commencement of service by Virgin Airlines on 3 July 2006. In contrast, arrivals from the other European countries (excluding the UK) declined by 5.0 per cent, due largely to respective contractions of 28.1 per cent and 1.4 per cent in arrivals from Italy and Germany.

Visitor arrivals from the Canadian market totalled 153 569 in 2006, representing an increase of 31.4 per cent, relative to 2005. In this context, the share of stopover arrivals from this source market increased to 9.1 per cent from 7.9 per cent in the preceding year. The performance of the Canadian market was influenced primarily by respective expansions of 31.4 per cent and 31.3 per cent from Quebec and Ontario and reflected the impact of the depreciation of the US dollar vis-à-vis the Canadian dollar as well as the introduction of new airlift and charter flights from Toronto and Halifax.

Influenced by the Central American sub-region, visitor arrivals from Latin America increased by 31.7 per cent in 2006, the first time since 2001. With the exception of Honduras and Nicaragua, there were increases in tourist arrivals from all countries in this sub-region. In particular, arrivals from Mexico, Panama and Belize recorded notable increases. The improved performance from this market may be attributed to the diversion of visitors from Cancun and Cozumel, which were affected by hurricanes in the second half of the year.

Growth of 11.4 per cent was recorded for stopover arrivals from the Caribbean in 2006. This compares favourably with the decline of 2.5 per cent in the preceding year and reflected notable increases from all countries except Grenada and St. Lucia. The Cayman Islands and Trinidad and Tobago continued to be the main source of visitors from the region, recording respective increases of 6.8 per cent and 11.5 per cent.

Seasonal Distribution

Visitor arrivals for the summer months (May to December) grew by 12.4 per cent in 2006, more than double the 4.6 per cent rise recorded in 2005. The diversion of visitors from Mexico in the aftermath of Hurricane Wilma, bolstered by increased accommodation and airlift during the summer period, accounted for the improved performance. Arrivals for the winter period (January to April) grew by 15.7 per cent, outstripping the 4.3 per cent increase recorded for the previous year (see **Table 25**). The increase in arrivals during the winter period was also attributed to the diversion of visitors from other destinations that were adversely affected by hurricanes in 2005.

TABLE 25

	SEASONAL DISTRIBUTION OF STOPOVER VISITOR ARRIVALS				%	
	No. of Visitors				% of total	
	2005	2006	Change	Change	2005	2006
Winter	518547	599834	81287	15.7	35.1	35.7
Summer	960116	1079071	118955	12.4	64.9	64.3
Total	1478663	1678905	200242	13.5	100.0	100.0

Source: Jamaica Tourist Board (JTB)

Visitor Accommodation & Length of Stay

During 2006, the number of available rooms went up by 2.4 per cent to 26 675, while the number of beds rose by 2.3 per cent to 55 183 (see **Table 26**). With the exception of Montego Bay, which recorded a marginal decline, all resort areas showed increases in available rooms and beds. The growth in visitor accommodation primarily reflected the opening of the 549-room Gran Bahia Principe hotel in Pear Tree Bay, St. Ann in November 2006.

The average length of stay for foreign national visitors was 9.8 days in 2006, the same level as in 2005 (see **Table 26A**). While the length of stay of visitors from the UK and Europe increased marginally, there were declines for Latin America and the USA reflecting the emerging tendency toward shorter vacations by both foreign nationals and non-resident Jamaicans (see **Table 26B**). With regard to the average rate of hotel room occupancy, there was an increase of 1.5 percentage points to 62.8 per cent in 2006, relative to 2005.

TABLE 26

VISITOR ACCOMMODATION STATISTICS				
(By Resort Area)				
	2005	2006	Change	% Change
No. of Rooms	26039	26675	636	2.4
Kingston	2085	2108	23	1.1
Montego Bay	7950	7922	-28	-0.4
Ocho Rios	7406	7986	580	7.8
Negril	6426	6449	23	0.4
Port Antonio	967	979	12	1.2
South Coast	1205	1231	26	2.2
No. of Beds	53940	55183	1243	2.3
Kingston	4155	4219	64	1.5
Montego Bay	16434	16361	-73	-0.4
Ocho Rios	16014	17185	1171	7.3
Negril	13009	13018	9	0.1
Port Antonio	1938	1960	32	1.1
South Coast	2390	2440	50	2.1

Source: Jamaica Tourist Board

TABLE 26A

AVERAGE LENGTH OF STAY		
By Country of Residence		
	(Days)	
Country	2005	2006
US	8.5	8.3
Canada	11.8	11.8
UK	16.6	17.2
Europe	11.5	11.7
Latin America	9.0	8.6
Caribbean	9.1	9.3
Other Countries	13.0	17.6
TOTAL	9.8	9.8

Source: Jamaica Tourist Board

TABLE 26B

AVERAGE LENGTH OF STAY By Type of Accommodation				
	2005		2006	
	Foreign Nationals	Non Resident Jamaicans	Foreign Nationals	Non Resident Jamaicans
Hotel	6.9	8.6	6.9	7.8
Non-Hotel	9.3	18.0	9.3	11.6
Private Homes	20.0	28.3	17.7	17.8
Other	13.3	26.3	12.3	17.2
TOTAL	9.9	27.7	9.8	17.3

Source: Jamaica Tourist Board

Cruise Passengers

Cruise passenger arrivals to Jamaica surpassed one million for the fourth consecutive year in 2006 (see **Table 22**). Total cruise arrivals increased by 17.7 per cent in 2006, principally reflecting respective expansions of 48.4 per cent and 4.5 per cent in the number of passengers to the Montego Bay and Ocho Rios ports. For the review period, the number of calls to the Montego Bay and Ocho Rios ports increased by 21.0 per cent and 2.8 per cent, respectively. A total of 563 calls were made to the Island, relative to 508 calls in 2005.

The growth in visitor arrivals to the Island was facilitated by the introduction of new and larger ships, particularly in the second half of the year.⁹ The increase in both the number of calls and passengers was influenced largely by the arrival of the *Freedom of the Seas* which commenced calls in June and continued with weekly scheduled visits.¹⁰ A relatively inactive hurricane season, as well as the diversion of business from Cancun and Cozumel, which were adversely affected by hurricanes in 2006, also contributed to the growth in cruise visitor arrivals.

Tourist Expenditure

Gross earnings from tourism expanded by US\$325.0 million in 2006 to US\$1 870.1 million (18.0 per cent of GDP), principally reflecting an increase of 21.3 per cent in spending by foreign nationals (see **Table 27**). On average, each foreign national tourist spent US\$110.64

⁹ Three ships made their maiden calls to the Island during the latter half of 2006.

¹⁰ *Freedom of the Seas* was the largest ship in the world in 2006.

daily, which represented an increase of 6.9 per cent relative to 2005. The average daily spending by cruise passengers also increased during the review period.

With respect to payments, the expenditure of Jamaican seasonal workers overseas rose by 24.8 per cent during 2006 (see **Table 27**). This reflected the normalisation in the number of seasonal workers travelling abroad, following a decline in 2005 partly associated with the passage of Hurricane Katrina.

TABLE 27

TOURIST EXPENDITURE (US\$M)				
	2005	2006	Change	% Change
Foreign National Stop-over Expenditure	1404.0	1703.6	299.6	21.3
Winter Expenditure	476.6	583.3	106.7	22.4
Summer Expenditure	927.5	1120.4	192.9	20.8
Non-resident Jamaican Expenditure	44.9	48.8	3.9	8.7
Cruise passengers & Armed Forces	96.1	117.6	21.5	22.4
Total Expenditure	1545.0	1870.1	325.0	21.0
Less Jamaican Expenditure Overseas	207.9	221.5	13.6	6.6
Less Exp. of Resident Workers Overseas	41.6	51.9	10.3	24.8
Net Expenditure	1295.6	1596.6	301.0	23.2
<i>Memo</i>				
Stopover visitor average daily expenditure	103.5	110.6	7.1	6.9
Cruise Passenger average daily expenditure	85.2	88.9	3.7	4.4

Source: Jamaica Tourist Board

Other Services

The deficit on the *other services* account expanded by US\$120.8 million to US\$542.6 million in 2006. This deterioration stemmed from an expansion of US\$107.1 million in gross payments, which was exacerbated by a reduction of US\$13.6 million in gross receipts (see **Table 28**).

The increase in gross payments resulted mainly from expansions of US\$61.1 million and US\$34.4 million in expenditure on other business and insurance services, respectively. Increased spending on other business services were attributed to a rise in commissions to the travel sector, associated with the increased marketing activities of the JTB during the year. Higher payments for insurance services were attributed to increased insurance rates.

Lower inflows from the provision of other services to foreigners in 2006, principally reflected a fall in receipts from royalties, leases and licence fees at the ports. There was also a notable decline in inflows from computer & information services arising from the reduction in international call settlements.

TABLE 28

	OTHER SERVICES (US\$M)			%
	2005	2006	Change	
OTHER SERVICES (NET)	-421.6	-542.6	-120.8	28.6
RECEIPTS	333.3	319.7	-13.6	-4.1
Insurance	14.2	13.8	-0.4	-2.8
Computer & Information	34.5	28.8	-5.7	-16.5
Other Business	250.6	241.9	-8.7	-3.5
Government	34.1	35.2	1.1	3.2
PAYMENTS	755.1	862.2	107.1	14.2
Insurance	133.8	168.2	34.4	25.7
Computer & Information	17.2	23.7	6.5	37.8
Other Business	557.6	618.7	61.1	11.0
Government	46.4	51.6	5.2	11.2

Source: Bank of Jamaica

3.5 INCOME

The income account recorded a deficit of US\$615.7 million in 2006, which was US\$60.2 million lower than in 2005. This outturn reflected a contraction of US\$52.7 million in net investment income outflows, supported by an increase of US\$7.5 million in net inflows from compensation to employees (see **Table 29**).

The decline in net investment income outflows was influenced primarily by a contraction of US\$78.1 million in estimated profit remittances by the direct investment companies. In addition, there was an increase of US\$36.1 million in gross inflows, despite a decline of US\$24.7 million in profit remitted to Jamaica by local companies abroad. With regard to payments, lower outflows by the direct investment companies reflected a fall in profits in the context of higher oil prices, which inflated production costs. The growth in inflows was mainly associated with higher interest income on the BOJ's foreign assets, due to the higher level of reserves held by the Bank.

TABLE 29

	INCOME (US\$M)			% Change
	2005	2006	Change	
INCOME ACCOUNT (NET)	-675.9	-615.7	60.2	-8.9
INFLOWS	328.2	378.3	50.1	15.3
OUTFLOWS	1004.1	994.1	-10.0	-1.0
1. Compensation to employees	88.5	96.0	7.5	8.5
Inflows	140.3	154.3	14.0	10.0
Outflows	51.8	58.4	6.6	12.6
2. Investment income (net)	-764.4	-711.7	52.7	-6.9
 Inflows	187.9	224.0	36.1	19.2
Direct Investment	24.4	-0.3	-24.7	-101.2
Portfolio investment	56.3	73.8	17.5	31.1
Other investment	107.2	150.5	43.3	40.4
Central government	0.0	0.0	0.0	0.0
Bank of Jamaica	72.7	105.9	33.2	45.7
Other	34.5	44.6	10.1	29.3
 Outflows	952.3	935.7	-16.6	-1.7
Direct Investment	453.7	375.6	-78.1	-17.2
Portfolio investment	35.2	42.3	7.1	20.2
Other investment	463.4	517.8	54.4	11.7
Central government	352.5	382.2	29.7	8.4
Bank of Jamaica	0.7	0.2	-0.5	-71.4
Government guaranteed	17.6	15.1	-2.5	-14.2
Other	92.6	120.3	27.7	29.9

Source: Bank of Jamaica

Total earnings by Jamaicans working abroad rose by US\$14.0 million in 2006, due primarily to an estimated increase in income by seasonal workers. Local entities had an increase in payments of US\$6.6 million to non-resident employees during the year, associated with preparatory work for the ICC world cup and the ongoing expansion in the tourism sector.

3.6 CURRENT TRANSFERS

Net inflows from current transfers amounted to US\$1 748.6 million in 2006, representing an increase of US\$170.2 million, relative to 2005 (see **Table 30**). This improvement was attributed to respective increases of US\$142.7 million and US\$10.3 million in gross inflows to the private and official sectors. There was also a reduction of US\$19.1 million in gross outflows due to private activity, reflecting the decline in reinsurance flows from Jamaica to clients in other Caribbean Islands following the inactive hurricane season in 2006. The improvement in private inflows may be attributed to the increase in world growth, while the growth in current official transfer inflows reflected increased grant flows, as well as higher receipts from travel taxes associated with tourist arrivals.

Gross private remittance inflows increased by 8.0 per cent to US\$1 936.4 million (18.7 per cent of GDP) in 2006, while outflows declined by 5.4 per cent to US\$333.2 million in 2006. The major share of private transfer inflows in 2006 was sent through remittance companies which accounted for 54.0 per cent of total inflows in 2006, relative to 53.6 per cent in 2005. The share of inflows through financial institutions increased to 37.6 per cent in 2006 from 36.7 per cent in 2005. However, the share through the postal system and other agencies declined by 7.1 per cent and 13.3 per cent, respectively.

TABLE 30

CURRENT TRANSFERS				
(US\$M)				
	2005	2006	Change	% Change
NET CURRENT TRANSFERS	1578.4	1748.6	170.2	10.8
TOTAL RECEIPTS	1935.5	2088.5	153.0	7.9
GENERAL GOVERNMENT	142.1	152.1	10.3	7.3
OTHER SECTOR	1793.7	1936.4	142.7	8.0
Remittances thru' the postal system	1.2	0.1	-1.2	-93.9
Remittances thru' the financial system	658.1	726.7	68.6	10.4
Remittance companies	961.9	1042.6	80.8	8.4
Other	172.4	167.0	-5.4	-3.2
TOTAL PAYMENTS	357.1	339.9	-17.2	-4.8
GENERAL GOVERNMENT	4.8	6.7	1.9	40.0
OTHER SECTOR	352.3	333.2	-19.1	-5.4
Remittances thru' the financial system	316.9	299.6	-17.4	-5.5
Other	35.3	33.6	-1.7	-4.7

Source: Bank of Jamaica

3.7 CAPITAL AND FINANCIAL ACCOUNTS

Overview

The capital account recorded a deficit of US\$0.1 million in 2006, representing an improvement of US\$2.6 million relative to 2005 (see **Table 31**). The financial account registered a surplus of US\$1 183.0 million, an increase of US\$108.8 million when compared with the previous year. Net private and official investment inflows were more than sufficient to finance the deficits on the current and capital accounts. As a result, there was a build up of US\$230.1 million in the net international reserves of the country.

TABLE 31

CAPITAL AND FINANCIAL ACCOUNT				
(US\$M)				
	2005	2006	Change	% Change
CAPITAL & FINANCIAL ACCOUNT (NET)	1071.5	1182.9	111.4	10.4
A. CAPITAL ACCOUNT	-2.7	-0.1	2.6	-97.0
Capital Transfers	-2.7	-0.1	2.6	-97.0
General Government	0.3	4.1	3.2	1263.3
Other Capital Transfers	-3.0	-4.2	-1.2	39.0
Acq./disposal of non-prod. non-fin'l assets	0.0	0.0	0.0	0.0
B. FINANCIAL ACCOUNT	1074.2	1183.0	108.8	10.1
Other Official Investment	396.5	633.0	236.4	59.6
Other Private Investments ^{1/}	906.5	780.1	-126.4	-13.9
Change in Reserves (increase = minus)	-228.9	-230.1	-1.2	0.5

1/ Include errors & omissions

Source: Bank of Jamaica

Capital Account

The lower deficit on the capital account in 2006 reflected an increase of US\$3.2 million in net official inflows, which was partly offset by a US\$1.2 million expansion in net private sector outflows, relative to 2005. Higher official inflows were attributed to increased receipts of international assistance, while the growth in private sector outflows reflected a rise in emigration by Jamaican residents.

Financial Account

Within the financial account, net official investment inflows of US\$633.0 million was US\$236.4 million higher than in 2005. Gross official investment inflows of US\$1 346.3 million included US\$450.0 million from the Government and Clarendon Alumina Partners successful debt raising activities on the international capital market. Official inflows also reflected a US\$130.0 million loan from Venezuela, as well as inflows from the PetroCaribe Initiative. Project loan receipts increased by US\$9.2 million to US\$76.6 million (see **Table 32**). Gross official outflows of US\$713.3 million, which was the major factor behind the lower net inflows, was US\$320.4 million less than in 2005, reflecting reductions in Government amortization on the international capital market.

TABLE 32

OTHER OFFICIAL INVESTMENT FLOWS				
(US\$M)				
	2005^{1/}	2006^{2/}	Change	% Change
NET OFFICIAL INVESTMENTS	396.5	633.0	236.5	59.6
GROSS OFFICIAL INFLOWS	1430.2	1346.3	-83.9	-5.9
Project Loan	67.4	76.6	9.2	13.7
Other Assistance	1362.8	1269.6	-93.2	-6.8
GROSS OFFICIAL OUTFLOWS	1033.7	713.3	-320.4	-31.0
Government Direct	498.1	271.2	-226.9	-45.5
Bank of Jamaica	386.4	239.4	-147.0	38.0
Other Official	149.1	202.6	53.5	35.9

Source: Bank of Jamaica

1/ Revised

2/ Provisional

Net private investment inflows (comprised primarily of foreign direct and portfolio investment flows) declined by 15.3 per cent to US\$767.6 million in 2006, relative to 2005. Gross FDI flows, however, expanded by US\$199.7 million to US\$882.2 million (8.5 per cent of GDP) in 2006, influenced largely by investments in tourism and mining (see **Table 33**). The expansion in the tourism sector stemmed from an increase of US\$229.1 million in expenditure on hotel construction during the review year (see **Travel**). Growth in the mining sector reflected capacity expansion at St. Ann Bauxite Company.

TABLE 33

FOREIGN DIRECT INVESTMENT INFLOWS BY SECTOR				
SECTORS	2005	2006	% Share	% Change
Agricultural/Manufacturing/Distribution	118.9	40.8	4.6	-78.1
Information Technology/Communication	55.0	58.2	6.6	3.2
Insurance	0.0	11.6	1.3	11.6
Minerals & Chemicals	12.8	0.0	0.0	-12.8
Mining	111.6	185.7	21.0	74.1
Tourism	106.7	335.8	38.1	229.1
Other	75.9	118.1	13.4	42.2
Sub-total	480.9	750.1	85.0	269.2
Retained Earnings	201.6	132.1	15.0	-69.5
Divestment	0.0	0.0	0.0	0.0
TOTAL	682.5	882.2	100.0	199.7

Source: Bank of Jamaica

Net official and private investment inflows of US\$633.0 million and US\$780.1 million were more than sufficient to finance the deficits on the current and capital accounts. As a consequence, the net foreign assets of the country expanded by US\$230.1 million to US\$2 376.6 million at the end 2006 (see **Table 34**). The value of Jamaica's gross foreign assets at end-December was US\$2 399.1 million, representing an estimated 17.6 weeks of imported goods and services.

TABLE 34

BANK OF JAMAICA: GROSS AND NET FOREIGN EXCHANGE RESERVES				
(AS AT 31 DECEMBER 31)				
(US\$M)				
	2005^{1/}	2006^{2/}	Change	% Change
NET FOREIGN ASSETS	2146.6	2376.6	230.0	10.7
GROSS FOREIGN EXCHANGE ASSETS	2169.1	2399.1	230.0	10.6
Other Bank of Jamaica	2125.9	2281.2	155.3	7.3
Supplementary Fund	43.2	117.6	74.4	172.2
Holdings of SDR's	0.0	0.3	0.3	0.0
GROSS FOREIGN LIABILITIES	22.5	22.5	0.0	0.0
IMF liabilities	0.0	0.0	0.0	0.0
Iraq	22.5	22.5	0.0	0.0
Weeks of estimated imports of Goods/Services	18.9	17.6		

Source: Bank of Jamaica

1/ Revised

2/ Provisional

3.8 BALANCE OF PAYMENTS OUTLOOK

Jamaica's current account balance in 2007 is likely to be influenced by the projected path of international oil prices and an expected moderation in global economic growth. This moderation is expected to reflect a slowdown in the U.S. economy. Further tightening of monetary policy is likely among the more advanced economies. In this context, earnings from mining, current transfers and services may be adversely affected.

The deficit on the goods balance should widen in 2007. Expenditure on imports is expected to continue to increase during 2007, driven primarily by rising oil prices and planned expansions in tourism and manufacturing. The projected increase in oil prices is informed by a decision made by OPEC on 14 December 2006 to reduce oil production among its members by an additional 500,000 barrels beginning 1 February 2007. Exports are expected to decline in 2007, influenced primarily by the slowdown in world demand. Exports from the mining sector should normalise following the completion of the 150,000 tonne capacity upgrade at the Jamalco refinery that influenced the growth in alumina exports in 2005 and 2006. The prospects for the sugar and banana industries are expected to be affected by the modifications to the preferential agreements with the EU that occurred in 2006. With regard to sugar, prices are expected to decline by 5.1 per cent for the 2007 crop, reflecting the first round of price cuts implemented by the EU in July 2006. The modification to the sugar protocol followed the November 2005 decision to cut sugar prices by 36.0 per cent over four years ending in July 2009. For bananas, the quota system that allowed duty free imports from ACP countries into the EU is expected to be replaced by a tariff only regime with increased phytosanitary requirements in 2007. This is expected to significantly reduce export volumes of the fruit in 2007.

Earnings from services should normalize in 2007, influenced primarily by a reduction in visitor arrivals. This follows the exceptional increase in visitor arrivals in 2006 associated with diversions of visitors from Cancun, Mexico to Jamaica in 2006. Most hotels and tourist attractions in Cancun are expected to be refurbished and open for business in the first quarter of 2007. It is envisaged that the industry should however benefit from new investments from European hotel chains. It is expected that the announcement and implementation of western hemisphere travel initiative in early 2007 by the U.S. authorities should have little effect on Jamaica's tourism.

Private remittances are expected to continue to increase in 2007. The growth in remittances is expected to be constrained by the expected moderation in growth in the world economy, particularly in the US. Within the financial account, private capital inflows should remain

buoyant in the context of ongoing, as well as new capital projects, particularly in the tourism sector.

APPENDIX

STATISTICAL TABLES

FIVE-YEAR BOP SERIES BASED ON THE FIFTH EDITION

<u>Page</u>	<u>Table</u>	<u>Title</u>
	I.	Balance of Payments Summary (2002 - 2006)
	II.	Balance of Payments Standard Presentation (2002 - 2006)
	III.	Balance of Payments Analytic Summary (2002 - 2006)
	IV.	Selected Balance of Payments Indicators (2002 – 2006)
	V.	Services Account (2002 - 2006)
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	VII.	Income Account (2002 - 2006)
	VIII.	Current Transfers Account (2002 - 2006)
	IX.	Capital and Financial Account (2002 – 2006)

TABLE I

BOP SUMMARY					
(US\$MN)					
	2002	2003	2004	2005^{1/}	2006^{2/}
CURRENT ACCOUNT	-1074.4	-772.6	-509.4	-1071.5	1182.9
GOODS BALANCE	-1870.5	-1942.6	-1944.5	-2581.3	-2943.4
Exports (f.o.b.)	1309.1	1385.6	1601.6	1664.3	2113.6
Imports (f.o.b.)	3179.6	3328.2	3546.1	4245.6	5077.0
SERVICES BALANCE	314.7	552.3	571.7	607.3	627.6
Transportation	-245.6	-143.6	-150.3	-266.6	-426.5
Travel	950.3	1102.7	1151.5	1295.7	1596.6
Other Services	-390.0	-406.7	-429.5	-421.8	-542.6
INCOME	-605.5	-571.4	-582.7	-675.9	-615.7
Compensation of Employees	82.1	70.7	84.5	88.5	96.0
Investment Income	-687.6	-642.1	-667.2	-764.4	-711.7
CURRENT TRANSFERS	1086.9	1189.1	1446.1	1578.4	1748.6
Official	107.6	105.2	159.9	137.0	145.4
Private	979.3	1083.9	1286.2	1441.4	1603.2
CAPITAL & FINANCIAL A/C	1074.4	772.6	509.4	1071.5	1182.9
CAPITAL ACCOUNT	-16.9	0.1	2.2	-2.7	-0.1
Capital Transfers					
Official	0.2	0.1	13.8	0.3	4.1
Private	-17.1	-0.4	-11.6	-3.0	-4.2
ACQUISITION/DISPOSAL OF NON- PRODUCTIVE, NON FINANCIAL ASSETS	0.0	0.4	0.0	0.0	0.0
FINANCIAL ACCOUNT	1091.3	772.5	507.2	1074.2	1183.0
Other Official Investment	101.1	-367.2	507.5	396.6	633.0
Other Private Investments ^{1/}	746.4	707.6	693.3	906.5	780.1
Reserves	243.7	432.1	-693.6	-228.9	-230.1

Source: Bank of Jamaica

1/ Revised

2/Provisional

TABLE II

BALANCE OF PAYMENTS STANDARD PRESENTATION (US\$MN)										
	2002		2003		2004		2005 ^{1/}		2006 ^{2/}	
	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr
		-1074		-772.6		-509.4		-1079		-1183
I. CURRENT ACCOUNT	4780	5854.4	5265	6037.6	6060.4	6569.8	6257.4	7329.0	7249.2	8432.1
A. Goods & Services	3221.3	4777.1	3523.9	4914.2	3898.7	5271.5	3993.7	5967.8	4782.4	7098.1
1. Goods	1309.1	3179.6	1385.6	3328.2	1601.6	3546.1	1664.3	4245.6	2133.6	5077.1
1.1 General Merchandise	1117.3	3065.3	1195.9	3176.7	1404.5	3387.9	1531.5	4130.8	1983.5	4939.9
1.2 Goods procured in ports by carriers	29.1	35.7	48	72.3	70.3	101.9	76.0	101.7	96.0	121.2
1.3 Freezone Trade	162.7	78.6	141.7	79.2	126.8	56.0	56.8	13.1	54.1	16.0
2. Services	1912.2	1597.5	2138.3	1585.9	2297.1	1725	2329.4	1722.1	2648.8	2021.1
2.1 Transportation	368.7	614.3	474.3	617.9	497.3	647.6	451.1	717.7	459	885.4
2.1.1 Passenger	272.8	15.8	266.2	17.4	295.2	31.7	237.8	40.8	224.2	41.5
2.1.2 Freight	6.9	473.7	3.6	467.1	7.6	506.2	14.6	572.1	17.8	666.4
2.1.3 Other	89	124.8	204.5	133.4	194.5	109.7	198.7	104.9	217	177.5
2.2 Travel	1208.7	258.4	1355.1	252.4	1438	286.5	1545	249.3	1870.1	273.4
2.3 Other Services	334.8	724.8	308.9	715.6	361.8	790.9	333.3	755.1	319.7	862.3
2.3.1 Insurance Services	15.4	118.4	8.4	97.1	9.1	124.3	14.2	133.8	13.8	168.2
2.3.2 Communication Services	171.1	52.9	144.6	45.9	192.8	48.3	148.4	47.2	147.8	79.6
2.3.3 Financial Services	22.4	17.7	26.3	16.3	27.7	31.9	50.4	34.2	40.4	42.7
2.3.4 Computer & Information Services	34.1	11.6	36	20.4	33.1	75.0	34.5	17.2	28.8	23.7
2.3.5 Royalties & License Fees	6.1	32.1	12	10.8	9.7	9.0	12.5	11.0	12	11.2
2.3.6 Other Business Services	45.2	436.4	26.4	469.5	26.4	447.2	9.6	458.5	10.5	476.1
2.3.7 Personal, Cultural & Recreational Services	9.2	4	20.4	2.4	28.4	2.4	29.6	2.0	31.2	4.4
2.3.8 Government Services	31.3	45.8	34.8	48.4	34.6	48.1	34.1	46.4	35.2	51.6
2.3.9 Construction Services	0.0	5.9	0.0	4.8	0.0	4.7	0.0	4.8	0.0	4.8
B Income	220.8	826.3	217.6	789	269.6	852.3	328.2	1004.1	378.3	994.1
3. Compensation of Employees	111	28.9	110.1	39.4	135.5	51	140.3	51.8	154.3	58.4
4. Investment Income	109.8	797.4	107.5	749.6	134.1	801.3	187.9	952.3	224	935.7
C. Current Transfers	1337.9	251	1523.5	334.4	1892.1	446	1935.5	357.1	2088.5	339.9
5. Official	115.1	7.5	110	4.8	163.5	3.6	141.8	4.8	152.1	6.7
6. Private	1222.8	243.5	1413.5	329.6	1728.6	442.4	1793.7	352.3	1936.4	333.2
2. CAPITAL & FINANCIAL ACCOUNT	3400.5	2265.1	3562	2816.3	3983.8	3459.4	4762.2	3729.8	4122.6	2972.1
D. Capital Account	18.9	35.8	19.3	19.2	35.8	33.6	22.5	25.2	26.8	26.9
7. Government Capital Transfers	0.2	0.0	0.5	0.0	13.8	0.0	0.3	0.0	4.1	0.0
8. Other Sectors Transfers	18.7	35.8	18.8	19.2	22	33.6	22.2	25.2	22.7	26.9
E. Financial Account	3381.6	2229.3	3542.7	2797.1	3948	3425.8	4739.7	3704.6	4095.8	2945.3
9. Direct Investment	478.8	73.9	720.7	116.3	601.6	60.0	682.5	101.0	882.2	85.4
10. Other Investment	2642.6	2138.9	2375.2	2666.1	3346.4	2672.2	4057.2	3374.7	3213.6	2629.8
10.1 Trade Credits	392.5	384.4	108	97.5	99.3	119.1	165.8	149.6	150.6	300.6
10.2 Loans	958.3	854.2	654.2	714.1	1556.5	810.5	1750.7	1217.1	1914.7	842
10.2.1 Government	563.9	482.3	117.4	479.7	961.6	481.4	614.2	498.1	343.3	271.2
10.2.2 Other sectors	394.4	371.9	536.8	234.4	594.9	329.1	1136.5	719.0	1571.4	570.8
10.3 Currency & Deposits	1071.2	547.9	735.8	748.1	408.4	608.1	810.6	599.9	718	978.4
10.4 Other Assets	220.6	352.4	877.2	1106.4	1282.2	1134.5	1330.1	1408.1	430.3	508.8
11. Reserves	260.2	16.5	446.8	14.7	0.0	693.6	0.0	228.9	0.0	230.1
11.1 Liabilities	0.0	16.5	0.0	14.7	0.0	8.0	0.0	0.9	0.0	0.0
11.2 Assets	260.2	0.0	446.8	0.0	0.0	685.6	0.0	228.0	0.0	230.1
11.2.2 Special Drawing Rights	0.8	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
11.2.4 Bank of Jamaica	259.4	0.0	446.2	0.0	0.0	685.6	0.0	228	0.0	230.1
F. Net Errors & Omissions	0.0	60.1	27.9	0.0	0.0	13.8	46.8	0.0	32.4	0.0

Source: Bank of Jamaica

TABLE III

BALANCE OF PAYMENTS ANALYTIC SUMMARY					
(US\$M)					
	2002	2003	2004	2005^{1/}	2006^{2/}
Balance of Trade	-1870.5	-1942.6	-1944.5	-2581.3	-2943.37
Services	314.7	552.3	571.7	607.3	627.6
Net Goods & Services	-1555.8	-1390.3	-1372.8	-1974.0	-2315.8
Income	-605.5	-571.4	-582.7	-675.9	-615.7
Private Current Transfers (net)	979.3	1083.9	1286.2	1441.4	1603.2
Official Current Transfers (net)	107.6	105.2	159.9	137.0	145.4
Capital Transfers	-16.9	-0.3	2.2	-2.7	-0.1
Financial Account	1091.3	772.5	507.2	1074.2	1183.0
Net Errors & Omissions	-60.1	27.9	-13.8	46.8	32.4

Source: Bank of Jamaica

1/ Revised

2/ Provisional

TABLE IV

SELECTED BALANCE OF PAYMENTS INDICATORS					
	2002	2003	2004	2005^{1/}	2006^{2/}
Current Account/GDP	-12.7	-9.5	-5.8	-11.0	-11.4
NIR	1597.0	1165.0	1858.6	2146.6	2376.6
Gross Reserves (Central Bank)	1649.2	1201.3	1887.9	2169.1	2399.1
Gross Foreign Liabilities (Central Bank)	46.1	31.4	23.4	22.5	22.5
Gross Reserves in Wks of Imports of Goods & Services	18.0	12.7	18.6	18.9	17.6
Goods Imports/GDP	37.6	40.8	40.3	43.8	49.0
Goods & Services Imports/GDP	56.6	60.4	60.5	61.5	68.5
Goods Exports/GDP	15.5	17.0	18.2	17.2	20.6
Goods & Services Exports/GDP	38.2	43.3	44.8	41.2	46.1
Merchandise Trade/GDP	53.1	57.7	58.5	61.1	69.5
FDI/GDP	8.8	8.7	7.9	7.0	8.5
Debt Service/Exports	61.0	58.7	49.7	55.0	33.8
Private Remittances/GDP	14.5	17.3	19.6	18.5	18.7

Source: Bank of Jamaica

1/ Revised

2/ Provisional

TABLE V

SERVICES ACCOUNT					
(US\$M)					
-	2002	2003	2004	2005 ^{1/}	2006 ^{2/}
Services (Net)	314.7	552.3	571.7	607.3	627.6
Inflows	1912.2	2138.3	2297.2	2329.4	2648.7
Outflows	1597.5	1586.0	1725.5	1722.1	2021.0
1. Transportation	-245.6	-143.6	-150.3	-266.6	-426.4
Inflows	368.7	474.3	497.3	451.1	459.0
Outflows	614.3	617.9	647.6	717.7	885.4
2. Travel	950.3	1102.7	1151.5	1295.7	1596.6
Inflows	1208.7	1355.1	1438.0	1545.0	1870.1
Outflows	258.4	252.4	286.5	249.3	273.4
3. Other Services	-390.0	-406.7	-429.5	-421.8	-542.6
Inflows	334.8	308.9	361.9	333.3	319.7
Outflows	724.8	715.6	791.4	755.1	862.2

Source: Bank of Jamaica

1/ Revised

2/ Provisional

TABLE VI

OTHER SERVICES					
(US\$M)					
	2002	2003	2004	2005	2006
Inflows	334.8	308.9	361.9	333.3	319.7
Construction Services	0.0	0.0	0.0	0.0	0.0
Communication Services	171.1	144.6	192.8	148.4	147.8
Insurance Services	15.4	8.4	9.1	14.2	13.8
Financial Services	22.4	26.3	27.7	50.4	40.4
Computer & Information Services	34.1	36.0	33.1	34.5	28.8
Royalties & License Fees	6.1	12.0	9.7	12.5	12.0
Other Business Services	45.2	26.4	26.4	9.6	10.5
Personal, Cultural & Recreational Services	9.2	20.4	28.4	29.6	31.2
Government Services	31.3	34.8	34.6	34.1	35.2
Outflows	724.8	715.6	791.4	755.1	862.2
Construction Services	5.9	4.8	4.8	4.8	4.8
Communication Services	52.9	45.9	48.4	47.2	79.6
Insurance Services	118.4	97.1	124.4	133.8	168.2
Financial Services	17.7	16.3	32.0	34.2	42.7
Computer & Information Services	11.6	20.4	75.1	17.2	23.7
Royalties & License Fees	32.1	10.8	9.1	11.0	11.2
Other Business Services	436.4	469.5	446.9	458.5	476.1
Personal, Cultural & Recreational Services	4.0	2.4	2.5	2.0	4.4
Government Services	45.8	48.4	48.2	46.4	51.6
Other Services (net)	-390.0	-406.7	-429.5	-421.7	-542.6

Source: Bank of Jamaica

TABLE VII

INCOME ACCOUNT					
(US\$M)					
	2002	2003	2004	2005	2006
A. Compensation of Employees	82.1	70.7	84.5	88.5	96.0
Inflows	111.0	110.1	135.4	140.3	154.3
Outflows	28.9	39.4	50.9	51.8	58.3
B. Investment Income	-687.6	-642.1	-667.0	-764.2	-699.1
Inflows	109.8	107.5	134.2	187.9	224.0
Direct Investment	17.2	8.4	24.9	24.4	-0.3
Portfolio Investment	12.4	14.8	35.9	56.3	73.8
Other Investment	80.2	84.3	73.3	107.2	150.6
- Central Government	0.0	1.2	0.0	0.0	0.0
- Bank of Jamaica	58.6	37.5	42.9	72.7	105.9
- Other	21.6	45.6	30.4	34.5	44.7
Outflows	797.4	749.6	801.1	952.1	923.1
Direct Investment	434.3	326.3	361.6	453.7	375.6
Portfolio Investment	9.0	25.2	18.6	35.2	42.3
Other Investment	354.1	398.1	421.0	463.3	505.2
- Central Government	286.3	308.5	299.5	352.5	382.2
- Bank of Jamaica	2.7	1.1	0.4	0.7	0.2
- Government Guaranteed	2.2	2.1	1.8	17.6	2.5
- Other	62.9	86.4	119.3	92.6	120.4
Net Income	-605.5	-571.4	-582.5	-675.7	-603.1

Source: Bank of Jamaica

TABLE IX

CURRENT TRANSFERS					
(US\$M)					
	2002	2003	2004	2005	2006
Total Receipts	1337.9	1523.1	1892.1	1935.5	2088.5
A. General government	115.1	109.6	163.5	141.8	152.1
B. Other Sectors	1222.8	1413.5	1728.6	1793.7	1936.4
Remittance thru' postal system	0.7	1.2	1.2	1.2	0.1
Remittance thru' Financial system	508.6	591.3	701.2	658.1	726.7
Remittance companies	621.3	677.0	763.4	961.9	1042.6
Other	92.2	144.0	262.8	172.4	167.0
Total Payments	251.0	334.6	446.0	357.1	339.9
A. General Government	9.8	4.8	3.6	4.8	6.7
B. Other Sectors	241.2	329.8	442.4	352.3	333.2
Remittance thru' Financial system	213.4	283.0	339.9	316.9	299.6
Other	27.8	46.8	102.4	35.3	33.6
Net Current Transfers	1086.9	1188.5	1446.1	1578.4	1748.6

Source: Bank of Jamaica

TABLE X

CAPITAL ACCOUNT					
(US\$M)					
	2002	2003	2004	2005	2006
CAPITAL ACCOUNT	-16.9	0.1	2.2	-2.7	-0.1
CAPITAL TRANSFERS	-16.9	-0.3	2.2	-2.7	-0.1
GENERAL GOVERNMENT	0.2	0.1	13.8	0.3	4.1
INFLOWS	0.2	0.1	13.8	0.3	4.1
OUTFLOWS	0.0	0.0	0.0	0.0	0.0
OTHER SECTORS	-17.1	-0.4	-11.6	-3.0	-4.2
INFLOWS	18.7	18.8	22.0	22.2	22.7
OUTFLOWS	35.8	19.2	33.6	25.2	26.9
ACQ./DISP. OF NON-PROD. NON-FIN. ASSETS	0.0	0.4	0.0	0.0	0.0
INFLOWS	0.0	0.4	0.0	0.0	0.0
OUTFLOWS	0.0	0.0	0.0	0.0	0.0

Source: Bank of Jamaica