



THE BALANCE OF PAYMENTS

Preliminary QUARTERLY REPORT June 2012

**External Sector Statistics Unit
Economic Information & Publications Department
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**



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RESEARCH AND ECONOMIC PROGRAMMING DIVISION
BANK OF JAMAICA
P.O. BOX 621
Kingston, Jamaica

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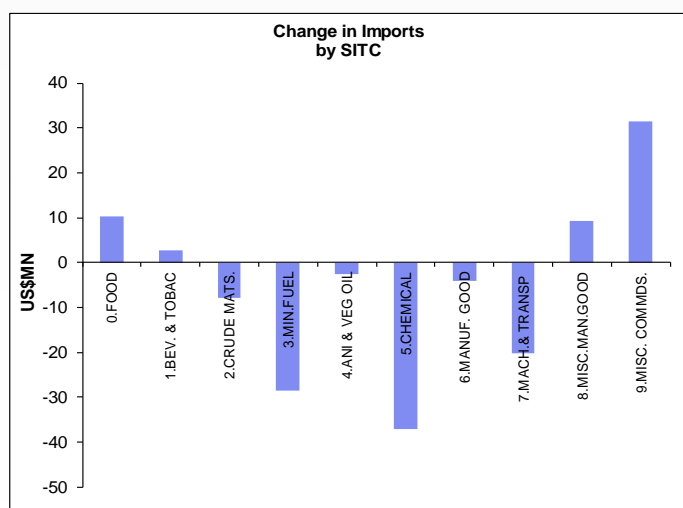
Overview

Table 1
Balance of Payments
April to June 2012/2013

BALANCE OF PAYMENTS OF JAMAICA (US\$MN)			
	Apr-Jun 2011/12	Apr-Jun 2012/13	Change
1. Current Account	-470.8	-377.7	93.1
A. Goods	-980.5	-980.3	0.2
Exports	461.6	423.3	-38.3
Imports	1442.1	1403.6	-38.5
B. Services	173.2	180.4	7.2
C. Income	-159.1	-90.1	69.0
D. Current Transfers	495.5	512.4	16.8
2. Capital & Financial Account	470.8	377.7	-93.1
A. Capital Account	-4.5	-8.4	-3.9
B. Financial Account	475.3	386.1	-89.2
Official Investment	-297.3	120.7	418.0
Private Investment	486.6	28.7	-457.9
Reserves	286.0	236.7	

Source: Bank of Jamaica

Graph 1
Change in Value of Imports
April to June 2012/2013



Source: STATIN

April to June 2012/2013

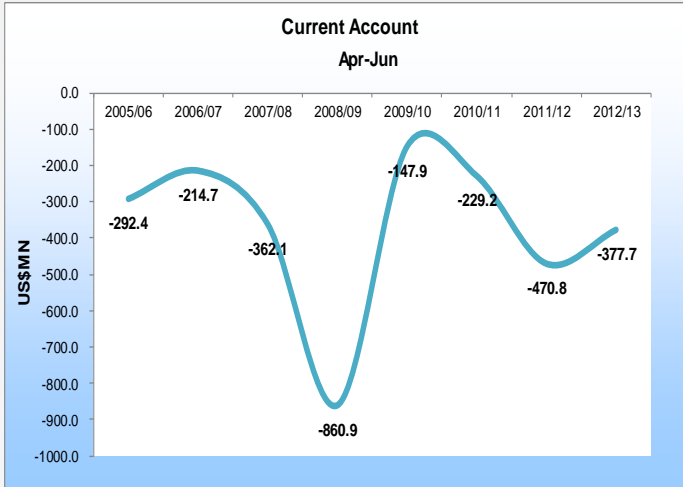
For the first quarter of 2012/13 fiscal year, there was a Current Account deficit of **US\$377.7 million**, representing an improvement of **US\$93.1 million** relative to the corresponding period in the preceding fiscal year. The improvement in the Current Account emanated from all sub-accounts (Table 1).

For the Goods sub-account, there was a deficit of **US\$980.3 million**, a marginal improvement of **US\$0.2 million** relative to the corresponding period in the preceding fiscal year. The decline in imports was primarily driven by a decrease in chemicals of **US\$37.3 million** and a **US\$28.6 million** decrease in mineral fuel (Graph 1). The decline in exports resulted primarily from a reduction of **US\$36.6 million** in alumina exports.

There was an increase in the surplus balance on the Services sub-account of **US\$7.2 million** during the review period. This resulted primarily from a decrease in freight cost. The Income sub-account improved by **US\$69.0 million** during the review period. This emanated primarily from a **US\$59.0 million** decrease in profits remitted by foreign direct investment companies.

Relative to the corresponding period in 2011/2012, Current Transfers increased by **US\$16.8 million** to **US\$512.4 million**. This increase primarily resulted from a **US\$14.6 million** increase in net private transfers. Flows from official and private sources were insufficient to finance the Current Account deficit.

Graph 2
Current Account
April to June 2012/2013

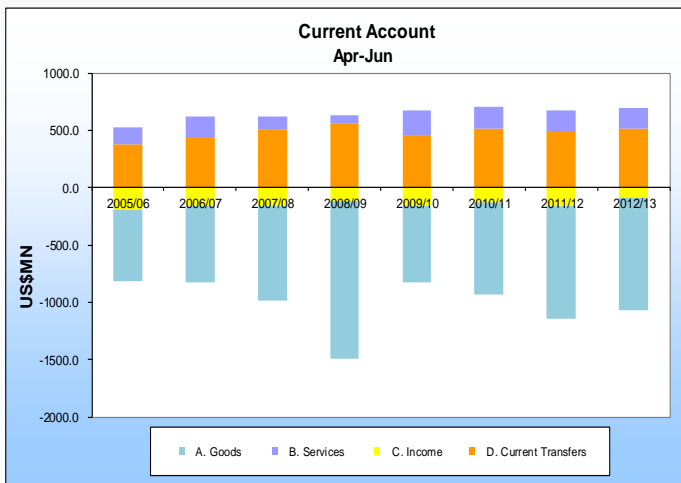


Source: Bank of Jamaica

Consequently, the NIR declined by **US\$236.7 million** during the review period.

Historically, there has been a downward trend in the Current Account balance for the June quarter since 2009/10. The Current Account deficit of **US\$377.7 million** for June quarter of the 2012/2013 fiscal year shows an overall improvement (Graph 2). This smaller deficit was primarily driven by improvements in the Income and Current Transfers sub-accounts (Graph 3).

Graph 3
Current Account Components
April to June 2006/2007 - 2012/2013



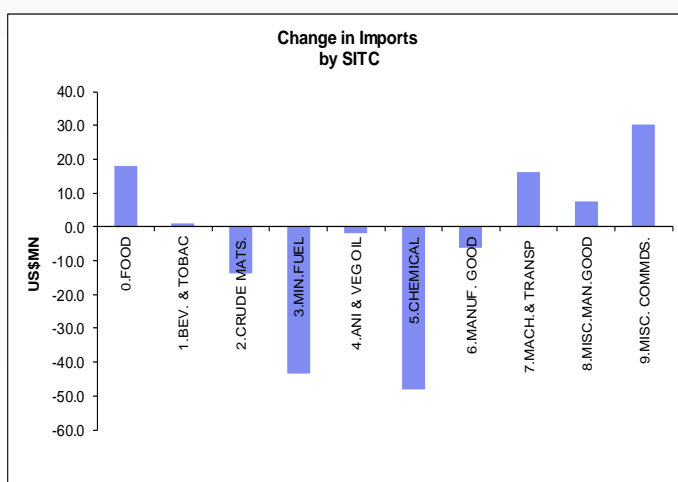
Source: Bank of Jamaica

Table 2
Balance of Payments
January to June 2012

BALANCE OF PAYMENTS OF JAMAICA (US\$MN)			
	Jan-Jun 2011	Jan-Jun 2012	Change
1. Current Account	-790.7	-639.3	151.5
A. Goods	-1952.1	-1933.9	18.1
Exports	879.8	866.1	-13.8
Imports	2831.9	2800.0	-31.9
B. Services	450.4	447.5	-2.9
C. Income	-269.1	-156.4	112.7
D. Current Transfers	979.9	1003.6	23.6
2. Capital & Financial Account	790.7	639.3	-151.5
A. Capital Account	-10.0	-17.1	-7.0
B. Financial Account	800.8	656.3	-144.4
Official Investment	177.5	353.4	175.9
Private Investment	719.0	-122.7	-841.8
Reserves	-95.8	425.7	

Source: Bank of Jamaica

Graph 4
Change in Value of Imports
January to June 2012



Source: STATIN

January to June 2012

For the first two quarters of 2012, there was a Current Account deficit of **US\$639.3 million**, which represented an improvement of **US\$151.5 million** relative to the corresponding period in 2011. The improvement in the Current Account emanated from all sub-accounts except the Services sub-account (Table 2).

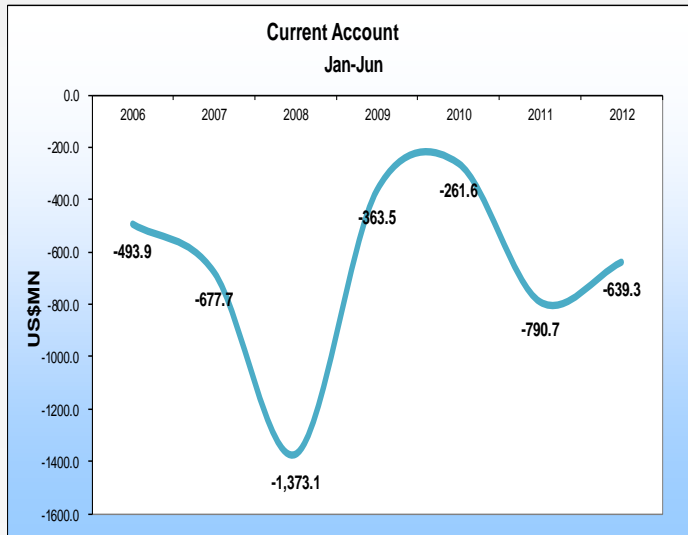
During the period, the Goods balance recorded a deficit of **US\$1 933.9 million**, an improvement of **US\$18.1 million** when compared to the corresponding period in 2011. This resulted primarily from a **US\$31.9 million** decrease in imports, which was significantly influenced by a decrease in chemicals of **US\$48.2 million** and a **US\$43.3 million** decrease in mineral fuel (Graph 4). The decrease in exports of **US\$13.8 million** stemmed mainly from a decrease in alumina exports of **US\$41.5 million**.

In relation to the Services balance, there was a decline of **US\$2.9 million** in its surplus position. This was primarily attributed to an increase in estimated freight cost associated with imports. The Income sub-account improved by **US\$112.7 million** during the review period. This increase emanated primarily from a decrease of **US\$74.4 million** in profits remitted by foreign direct investment companies.

During the review period, Current Transfers increased by **US\$23.6 million** to **US\$1 003.6 million**. This improvement resulted primarily from an increase in net private transfers of **US\$30.0 million**.

Flows from official and private sources were insufficient to finance the Current Account deficit. Consequently, the NIR declined by **US\$425.7 million** during the period.

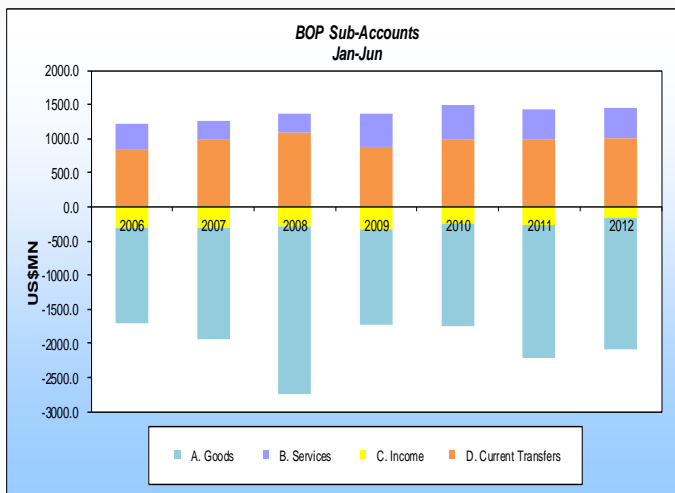
Graph 5
Current Account
January to June 2006-2012



Source: Bank of Jamaica

For January to June 2012, the Current Account deficit of **US\$639.3 million** represents an improvement over last year (Graph 5). This improvement resulted from all sub-accounts except the Services sub-account (Graph 6).

Graph 6
Current Account Components
January to June 2006-2012



Source: Bank of Jamaica

Introduction to the Balance of Payments Manual 6th Edition

Since the first edition of the Balance of Payments (BOP) Manual was published in 1948, developments in global transactions have created the need for amendments to the publication, which adequately capture economic transactions. Currently, the manual utilized by most economies is the fifth edition, which was published in 1993. However, the Sixth Edition to the manual was released in 2009 and is titled the *Balance of Payments and International Investment Position Manual*. The IMF is expected to commence publishing data in the BPM6 format in 2012. The following section highlights some of the main amendments to the previous BOP manual.

Table 3^A
BPM5 Summary

Balance of Payments of Jamaica (US\$MN)	Jan-Mar 2012	Apr-Jun 2012
I. Current Account	-261.6	-377.7
A. Goods	-953.6	-980.3
Exports	442.8	423.3
Imports	1396.4	1403.6
B. Services	267.1	180.4
Transportation	-133.7	-139.4
Travel	572.3	470.2
Other Services	-171.5	-150.4
C. Income	-66.3	-90.1
Compensation of Employees	9.0	2.3
Investment Income	-75.3	-92.5
D. Current Transfers	491.2	512.4
General Government	31.7	35.2
Other Sector	459.5	477.1
2. Capital & Financial Account	261.6	377.7
A. Capital Account	-8.6	-8.4
Capital Transfers	-8.6	-8.4
General Government	1.5	1.5
Other Sector	-10.1	-10.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0
B. Financial Account	270.2	386.1
Official Investment (incl. Govt. Reserves)	232.7	120.7
Central Government	-62.4	-16.1
Other Official Investment	295.1	136.8
Private Investment (incl. Errors & Omissions)	-151.4	28.7
Reserves	189.0	236.7

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Table 3^B
BPM6 Summary

Balance of Payments of Jamaica (US\$MN)	Jan-Mar 2012	Apr-Jun 2012
Current Account Balance	-261.6	-377.7
Credits	1,822.5	1,714.3
Debits	2,084.1	2,092.0
Goods & Services	-686.5	-799.9
Credits	1,200.6	1,078.6
Debits	1,887.2	1,878.5
Goods	-953.6	-980.3
Exports	442.8	423.3
Imports	1,396.4	1,403.6
Services	267.1	180.4
Credits	757.8	655.3
Debits	490.7	474.9
Primary Income	-66.3	-90.1
Credits	55.9	49.2
Debits	122.2	139.3
Secondary Income	491.2	512.4
Credits	565.9	586.5
Debits	74.7	74.2
Capital Account	-8.6	-8.4
Credits	5.2	5.4
Debits	13.8	13.8
Net lending (+) / net borrowing (-) (balance from current and capital account)	-270.2	-386.1
Financial Account		
Net lending (+) / net borrowing (-) (balance from financial account)	-98.2	156.7
Direct Investment	-42.3	-69.6
Net acquisition of financial assets	23.3	0.7
Net incurrence of liabilities	65.6	70.3
Portfolio Investments	12.4	328.5
Net acquisition of financial assets	68.1	112.7
Net incurrence of liabilities	55.8	-215.8
Financial derivatives	-22.3	-22.5
Net acquisition of financial assets	47.3	-24.2
Net incurrence of liabilities	69.6	-1.7
Other Investments	143.1	157.0
Net acquisition of financial assets	268.0	-0.2
Net incurrence of liabilities	124.9	-157.2
Reserves Assets	-189.0	-236.7
Net Errors and Omissions	172.1	542.8

Comparison of Terminologies (BPM5 vs. BPM6)

Old (BPM5 - BOJ version)		New (BPM6 version)
Goods + Services	=	Goods & Services
Current a/c + Capital a/c	=	Net lending (+) / Net borrowing (-)

Balance of Payments Summary: April-June 2012 (BPM 6th Edition)

Consistent with the IMF's *Balance of Payments and International Investment Position Manual (BPM6)*, Table 3^B above represents the total value of international transactions conducted between the residents of Jamaica and non-residents for the March 2012 quarter. One major change in the sixth edition of the Balance of Payments (BOP) manual is that the *Capital Account* will no longer be grouped with the *Financial Account*¹ as was done previously, but with the *Current Account* instead. The balance from the *Current* and the *Capital account* is now referred to as *Net Lending or Borrowing* (See Table 3B). Also, the use of debits and credits for the *Financial Account* is replaced by *Net acquisition of financial assets* and the *Net incurrence of liabilities*. BPM6 also introduces the categories of *Primary* and *Secondary Income*, which is conceptually consistent with the System of National Accounts (SNA). *Primary Income* encompasses returns that accrue to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources, while *Secondary Income* contains *Current Transfers* between residents and non-residents. The presentation under the previous manual instead had the sub-accounts *Goods* and *Services, Income* and *Current Transfers* (See Table 3A).

For the June quarter, using BPM6 methodology, net borrowing as per the balance on the *Current* and *Capital* accounts amounted to **US\$386.1 million**. This means that the country could not finance the balances on the *Current* and *Capital* accounts with its own earnings of foreign exchange within the period. The *Current Account* for the quarter showed a deficit of **US\$377.7 million** which was driven primarily by the deficit in the *Goods* account whose deficit was mainly driven by *Imports* of **US\$1 403.6 million** outweighing *Exports* of just **US\$423.3 million**. The *Secondary Income* account,

largely comprised of net Remittance inflows of **US\$454.3 million**, was not enough to prevent the deficit in the *Current Account*.

On the *Financial Account* side of the BOP, net lending amounted to **US\$156.7 million**. The largest contributing sub-component to the positive figure of the *Financial Account* was *Portfolio Investments*. This figure is attributable, in large part, to a net acquisition of *Debt Securities* by residents. The *Other Investments* sub-account also had a net lending position of **US\$157.0 million**. This was attributed largely to the category of *Long Term Loans*.

Note that the *Bank of Jamaica* will be phasing out the production of the BOP according to the prescribed format of the old manual (BPM5), and will make a transition to the BPM6 methodology. Under this new methodology the Bank will now produce more detailed *Financial Account* data which is aimed at enhancing our understanding of how net lending is invested and how net borrowing is financed. The Tables above provide some more details on the differences between both old and new methodologies.

¹ Note that the *Financial Account*, according to the new BPM6 method, will now be produced using quarterly BOP and IIP surveys, whereas previously it was done by way of an estimation process.

Current Balance of Payments Tables

Table 4			
Balance of Payments of Jamaica			
(USMn)			
	Apr-Jun 2011/12	Apr-Jun 1/ 2012/13	Change
1. Current Account	-470.8	-377.7	93.1
A. Goods	-980.5	-980.3	0.2
Exports	461.6	423.3	-38.3
Imports	1442.1	1403.6	-38.5
B. Services	173.2	180.4	7.2
Transportation	-133.6	-139.4	-5.7
Travel	455.1	470.2	15.1
Other Services	-148.2	-150.4	-2.2
C. Income	-159.1	-90.1	69.0
Compensation of Employees	1.8	2.3	0.6
Investment Income	-160.9	-92.5	68.4
D. Current Transfers	495.5	512.4	16.8
Official	33.0	35.2	2.2
Private	462.5	477.1	14.6
2. Capital & Financial Account	470.8	377.7	-93.1
A. Capital Account	-4.5	-8.4	-3.9
Capital Transfers	-4.5	-8.4	-3.9
Official	5.4	1.5	-3.9
Private	-10.0	-10.0	0.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0
B. Financial Account	475.3	386.1	-89.2
Official Investment (incl. Govt. Reserves)	-297.3	120.7	418.0
Central Government	-439.0	-16.1	422.9
Other Official Investment	141.7	136.8	-4.9
Private Investment (incl. Errors & Omissions)	486.6	28.7	-457.9
Reserves	286.0	236.7	
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<i>Economic Information & Publications Dept.</i>			
<i>2012 October</i>			

Table 5			
Balance of Payments of Jamaica			
(US\$Mn)			
	Apr-Jun	Apr-Jun 1/	
	2011/12	2012/13	Change
Services (Net)	173.2	180.4	7.2
Inflows	642.9	655.3	12.4
Outflows	469.7	474.9	5.2
Transportation	-133.6	-139.4	-5.7
Inflows	75.6	69.4	-6.2
Outflows	209.3	208.8	-0.5
Travel	455.1	470.2	15.1
Inflows	485.9	504.1	18.1
Outflows	30.8	33.9	3.0
Other Services	-148.2	-150.4	-2.2
Inflows	81.4	81.8	0.4
Outflows	229.6	232.2	2.7
Income (Net)	-159.1	-90.1	69.0
Compensation of Employees	1.8	2.3	0.6
Inflows	12.8	15.0	2.2
Outflows	11.0	12.7	1.6
Investment Income	-160.9	-92.5	68.4
Inflows	35.6	34.2	-1.4
Outflows	196.5	126.7	-69.9
- Bank of Jamaica	3.5	2.6	-0.9
- Government Direct	133.5	123.4	-10.1
- Government Guaranteed	2.8	3.0	0.2
- Private	0.0	0.0	0.0
- Direct Investment	33.6	-25.4	-59.0
- Other	23.1	23.1	0.0
Current Transfers (Net)	495.5	512.4	16.8
Inflows	570.0	586.5	16.5
Outflows	74.5	74.2	-0.3
Official	33.0	35.2	2.2
Inflows	35.0	37.2	2.2
Outflows	1.9	1.9	0.0
Private	462.5	477.1	14.6
Inflows	535.1	549.4	14.3
Outflows	72.6	72.2	-0.3
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<i>External Sector Statistics Unit</i>			
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Table 6			
Balance of Payments of Jamaica			
(US\$Mn)			
	Apr-Jun	Apr-Jun 1/	
	2011/12	2012/13	Change
Capital & Financial Account (Net)	470.8	377.7	-93.1
Capital Account (Net)	-4.5	-8.4	-3.9
1. Capital Transfers	-4.5	-8.4	-3.9
Official	5.4	1.5	-3.9
Inflows	5.4	1.5	-3.9
Outflows	0.0	0.0	0.0
Private	-10.0	-10.0	0.0
Inflows	3.9	3.9	0.0
Outflows	13.8	13.8	0.0
2. Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0
Inflows	0.0	0.0	0.0
Outflows	0.0	0.0	0.0
Financial Account (Net)	475.3	386.1	-89.2
Official Investment (incl. Govt. Reserves)	-297.3	120.7	418.0
Inflows	233.2	212.8	-20.4
Outflows	530.5	92.1	-438.4
Private Investment (incl. Errors & Omissions)	486.6	28.7	-457.9
Inflows	1064.3	734.4	-329.9
Outflows	577.7	705.7	128.0
Reserves	286.0	236.7	
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Historical Balance of Payments Tables

Table 7	Balance of Payments of Jamaica							
	(US\$Mn)							
	Apr-Jun 2005/06	Apr-Jun 2006/07	Apr-Jun 2007/08	Apr-Jun 2008/09	Apr-Jun 2009/10	Apr-Jun 2010/11	Apr-Jun 2011/12	AprJun/ 2012/13
1. Current Account	-292.4	-214.7	-362.1	-860.9	-147.9	-229.2	-470.8	-377.7
A. Goods	-622.0	-672.9	-825.5	-1373.8	-658.7	-804.6	-980.5	-980.3
Exports	439.1	550.2	633.3	796.4	358.6	319.8	461.6	423.3
Imports	1061.1	1223.1	1458.9	2170.2	1017.3	1124.4	1442.1	1403.6
B. Services	143.0	179.5	117.8	73.9	220.4	194.7	173.2	180.4
Transportation	-70.7	-99.7	-127.1	-183.4	-96.8	-105.9	-133.6	-139.4
Travel	317.2	412.6	402.1	423.1	440.1	436.7	455.1	470.2
Other Services	-103.5	-133.4	-157.2	-165.8	-122.8	-136.2	-148.2	-150.4
C. Income	-190.5	-156.8	-161.4	-122.5	-165.1	-129.3	-159.1	-90.1
Compensation of Employees	11.8	13.7	4.1	13.6	9.0	9.0	1.8	2.3
Investment Income	-202.3	-170.5	-165.5	-136.2	-174.1	-138.2	-160.9	-92.5
D. Current Transfers	377.1	435.5	507.1	561.5	455.4	510.0	495.5	512.4
General Government	32.7	36.5	34.6	25.0	24.5	59.4	33.0	35.2
Other Sector	344.4	399.0	472.4	536.5	430.9	450.6	462.5	477.1
2. Capital & Financial Account	292.4	214.7	362.1	860.9	147.9	229.2	470.8	377.7
A. Capital Account	-4.6	-5.9	-9.0	-6.0	-6.2	-7.0	-4.5	-8.4
Capital Transfers	-4.6	-5.9	-9.0	-6.0	-6.2	-7.0	-4.5	-8.4
General Government	0.2	2.1	0.2	0.0	0.0	0.0	5.4	1.5
Other Sector	-4.8	-8.0	-9.2	-6.0	-6.2	-7.0	-10.0	-10.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial Account	297.0	220.6	371.1	866.9	154.1	236.2	475.3	386.1
Official Investment (incl. Govt. Reserves)	-7.5	165.2	190.1	220.3	-28.5	60.1	-297.3	120.7
Central Government	2.3	-31.4	-39.5	293.1	-22.2	18.2	-439.0	-16.1
Other Official Investment	-9.9	196.6	229.6	-72.8	-6.3	41.9	141.7	136.8
Private Investment (incl. Errors & Omissions)	559.7	87.4	90.5	792.0	173.3	219.9	486.6	28.7
Reserves	-255.2	-32.0	90.5	-145.4	9.2	-43.8	286.0	236.7

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Economic Information & Publications Dept.
2012 October

Glossary

Balance of Payments

The balance of payments (BOP) is a summary of economic activities between the residents of a country and the rest of the world during a given period, usually one year. The main purpose of keeping these records is to inform government authorities of the overall international economic position of the country in order to assist them in arriving at decisions on monetary and fiscal policy, on the one hand, and trade and payments policy on the other. BOP statistics are therefore helpful to government authorities charged with maintaining macroeconomic stability.

The BOP is divided into two main categories according to the broad nature of the transactions.

These categories are:

1. *The Current Account, and*
2. *The Capital and Financial Account*

1. Current Account

The current account includes all transactions (excluding those recorded in the capital and financial account) between resident and non-resident entities that that involve economic value.

This account is sub-divided into:

- a. *Goods and Services*
- b. *Income, and*
- c. *Current Transfers*

a. The **Goods** and **Services** account covers merchandise trade, travel, transportation and other services.

i. **Merchandise trade** records the value of exports and imports, of tangible goods, including those of the free-zones and goods procured in ports by international carriers.

ii. **Travel** covers goods and services acquired from an economy by non-resident travellers for business and personal purposes during their visits (of less than one year). Expenditures made by seasonal workers (e.g. Jamaican farm workers) and those for educational and health-related purposes made by students and medical patients are recorded in this sub-account.

- iii. **Transportation** covers all transportation services (sea, air and land), bought and sold, that involve the carriage of passengers, movement of goods (freight), charter of carriers with crew and other supporting services.
 - iv. **Other Services** consist of the purchase and sale of: communication services, construction services, insurance services, financial services, computer and information services, royalties and licences fees and government services.
- b. **Income** encompasses the compensation of employees, that is, salaries, wages and benefits of seasonal and other non-resident workers. In addition, it includes investment income that consists of dividends, profits, reinvested earnings, interest on debt and income on portfolio investment.
- c. **Current Transfers** cover transactions such as taxes on income, workers' remittances, and premiums and claims on non-life insurance.

2. Capital and Financial Account

The **capital** and **financial** account records transactions that directly affect the wealth and debt of the country. The account is sub-divided into two main categories:

- a. *The Capital Account, and*
- b. *The Financial Account*

- a. The Capital Account covers (i) capital transfers and (ii) the acquisition/disposal of non-produced, non-financial assets.
 - (i) **Capital Transfers** include the transfer of ownership of fixed assets, the transfer of funds linked to disposal/acquisition of fixed assets and the cancellation of debt by creditors. Acquisition/disposal of non-produced, non-financial assets mainly involves intangibles such as patents and leases. It also includes purchases and sales of land by foreign embassies.
- b. The Financial account covers (i) direct investment, (ii) portfolio investment, (iii) other investments (trade credits, loans, currencies and deposits) and (iv) changes in reserves.
 - (i) **Direct Investment** is the category of international investment in which a resident entity in one economy acquires or disposes of 10 per cent or more of the ordinary shares or voting power of an enterprise located in another economy and has an effective voice in management.

(ii) **Portfolio Investment** covers transactions in equity securities and debt securities. With respect to equity, a portfolio investment would imply less than 10 per cent ownership of the voting power of an enterprise located in another country. Debt securities include bonds and notes, money market instruments and financial derivatives.

(iii) **Other Investment** is a residual category that includes all financial transactions not covered in direct investment, portfolio investment or reserve assets. It includes trade credits, (the direct extension of credit by suppliers to buyers of goods and services), loans to finance trade, other loans and advances and financial leases.

(iv) **Reserves** represent the foreign exchange which the country has available for financing an imbalance of payments with the rest of the world.



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