



THE BALANCE OF PAYMENTS

Preliminary QUARTERLY REPORT June 2015

**International Accounts Unit
Economic Information & Publications Department
RESEARCH AND ECONOMIC PROGRAMMING DIVISION**



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BANK OF JAMAICA
P.O. BOX 621
Kingston, Jamaica

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Introduction to the Balance of Payments Manual 6th Edition

Background to BPM6

Since the first edition of the Balance of Payments Manual (BPM) was published in 1948, developments in global transactions have created the need for amendments to the publication, which adequately capture international economic transactions. Currently, the manual utilized by most economies is the Fifth Edition (BPM5), which was published in 1993. However, the Sixth Edition (BPM6) of the manual was released in 2009 and is titled the *Balance of Payments and International Investment Position Manual*. This improved compilation methodology provides detailed information on *Financial Account* transactions, among other changes. This new presentation of Balance of Payments data is aimed at enhancing the understanding of the types of financing and investments associated with the activities reflected in *Current Account* and *Capital Account*.

Understanding BPM6

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*, but with the *Current Account* instead. The overall balance from the *Current* and the *Capital account* is now referred to as *Net Lending or Borrowing*. 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 are 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 of natural resources, while *Secondary Income* represents *Current Transfers* between residents and non-residents. Please see mapping of BPM5 terminologies with the new terminologies found in BPM6 on next page.

Comparison of BOP Presentations

Old Terminology

New Terminology

Goods + Services = Goods & Services

Current a/c + Capital a/c = Net lending (+) / Net borrowing (-)

Balance of Payments (US\$MN)	2015 Apr-Jun 1/
1. Current Account	-85.5
A. Goods	-832.0
Exports	317.4
Imports	1149.4
B. Services	224.1
Transportation	-167.6
Travel	418.7
Other Services	-152.0
C. Income	-79.2
Compensation of Employees	4.9
Investment Income	-84.1
D. Current Transfers	601.7
Official	54.2
Private	547.5
2. Capital & Financial Account	-26.6
A. Capital Account	2.8
Capital Transfers	2.8
Official	2.8
Private	0.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0
B. Financial Account	-29.4
Direct Investment	140.2
Portfolio Investment	-301.0
Other Official Investment	0.0
Other Private Investment (incl. Errors & Omissions)	-21.1
Reserves	152.5
<i>1/ Preliminary</i>	
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Balance of Payments (US\$MN)	2015 Apr-Jun 1/
Current Account Balance	-85.5
Credits	1,780.8
Debits	1,866.3
Goods & Services	-608.0
Exports	1,022.8
Imports	1,630.7
Goods	-832.0
Exports	317.4
Imports	1,149.4
Services	224.1
Exports	705.4
Imports	481.3
Primary Income	-79.2
Credits	104.8
Debits	184.0
Secondary Income	601.7
Credits	653.2
Debits	51.5
Capital Account	2.8
Credits	2.8
Debits	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-82.7
Financial Account	
Net lending (+) / net borrowing (-) (balance from financial account)	-103.8
Direct Investment	-140.2
Net acquisition of financial assets	-2.0
Net incurrence of liabilities	138.2
Portfolio Investments	301.0
Net acquisition of financial assets	158.2
Net incurrence of liabilities	-142.8
Financial Derivatives	28.8
Net acquisition of financial assets	21.1
Net incurrence of liabilities	-7.7
Other Investments	-140.9
Net acquisition of financial assets	159.0
Net incurrence of liabilities	299.9
Reserve Assets	-152.5
Net Errors and Omissions	-21.1
<i>1/ Preliminary</i>	
<i>International Accounts Unit</i>	
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● → direct mapping

----> change of sign on all Financial Account Items

Balance of Payments: April to June 2015/16 Quarter

Table 1
Balance of Payments
April-June 2015/16

Balance of Payments (USSMN)	2014:Q2 Apr-Jun	2015:Q2 Apr-Jun/	Change
Current Account Balance	-270.8	-85.5	185.3
Credits	1,787.1	1,780.8	-6.3
Debits	2,057.8	1,866.3	-191.6
Goods & Services	-753.1	-608.0	145.1
Exports	1,064.0	1,022.8	-41.2
Imports	1,817.1	1,630.7	-186.3
Goods	-912.0	-832.0	80.0
Exports	370.3	317.4	-52.9
Imports	1,282.3	1,149.4	-132.9
Services	158.9	224.1	65.2
Exports	693.7	705.4	11.7
Imports	534.8	481.3	-53.5
Primary Income	-79.0	-79.2	-0.2
Credits	107.6	104.8	-2.8
Debits	186.6	184.0	-2.6
Secondary Income	561.3	601.7	40.4
Credits	615.5	653.2	37.8
Debits	54.2	51.5	-2.6
Capital Account	1.4	2.8	1.4
Credits	1.4	2.8	1.4
Debits	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-269.4	-82.7	186.7
Financial Account			
Net lending (+) / net borrowing (-) (balance from financial account)	-232.5	-103.8	128.7
Direct Investment	-188.6	-140.2	48.4
Net acquisition of financial assets	-3.3	-2.0	1.3
Net incurrence of liabilities	185.3	138.2	-47.0
Portfolio Investments	173.6	301.0	127.4
Net acquisition of financial assets	361.6	158.2	-203.4
Net incurrence of liabilities	187.9	-142.8	-330.7
Financial derivatives	-66.5	28.8	95.3
Net acquisition of financial assets	-73.5	21.1	94.7
Net incurrence of liabilities	-7.0	-7.7	-0.7
Other Investments	-118.9	-140.9	-22.0
Net acquisition of financial assets	170.2	159.0	-11.2
Net incurrence of liabilities	289.1	299.9	10.8
Reserve Assets	-32.1	-152.5	
Net Errors and Omissions	36.9	-21.1	

1/ Provisional

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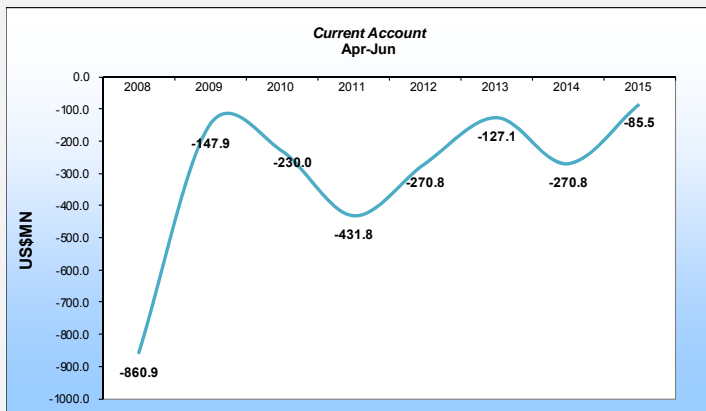
October 2015

For the June 2015 quarter, there was a Current Account deficit of **US\$85.5 million**, representing a **US\$185.3 million** improvement relative to the corresponding period in 2014 (Table 1). The outturn for the review quarter represented a return to the upward trend in the Current Account balance for the June quarters since 2011 after a decline in 2014 (Graph 1). The improved outturn for the review period stemmed from the Goods & Services sub-account and Secondary Income, which improved by **US\$145.1 million** and **US\$40.4 million, respectively**. Primary Income deteriorated marginally by **US\$0.2 million**.

The improvement in the Goods Account was primarily due to a decline in Imports which was partially offset by a decline in Exports. This decline in Exports by **US\$52.9 million** was mostly influenced by reductions in Food exports and Beverage & Tobacco exports of **US\$39.8 million** and **US\$5.4 million**, respectively. However, this was partially offset by a **US\$24.7 million** growth in Crude Material exports. The decline of **US\$132.9 million** in Imports was largely driven by reductions in Mineral Fuel and Food imports of **US\$185.1 million** and **US\$8.7 million**, respectively. This was partially offset by increases in Machine & Transportation, and Chemical imports of **US\$27.6 million** and **US\$13.8 million**, respectively (Graph 2).

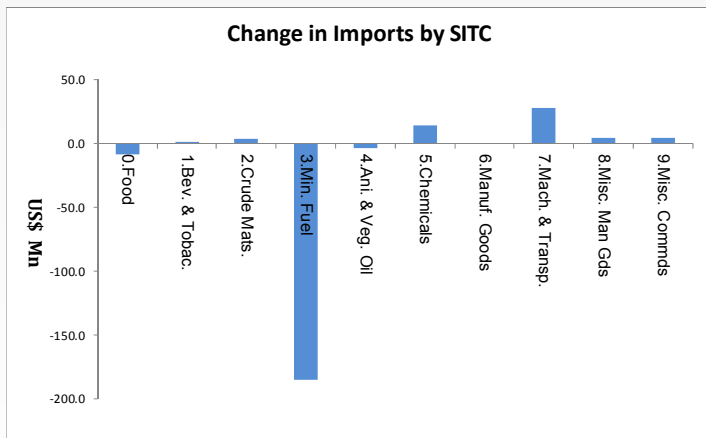
The improvement in the balance on the Services sub-account resulted primarily from **US\$19.7 million** and **US\$16.5 million** improvements in net Travel and net Transport Services flows,

Graph 1
Current Account Balances (8-Year Trend)



Source: Bank of Jamaica

Graph 2
Change in value of Imports
April-June 2015/16



Source: STATIN

respectively. This was partially offset by a decline of **US\$4.5 million** in Other Business services.

The Primary Income account deteriorated marginally by **US\$0.2 million** to a deficit of **US\$79.2 million** during the review period, arising primarily from a decrease of **US\$8.4 million** in income from Portfolio Investment.

The balance on the Secondary Income account of **US\$601.7 million** was **US\$40.4 million** greater than in the corresponding period in 2014. This increase principally originated from higher private transfers of **US\$31.7 million** for the quarter.

The balance on the Capital Account improved by **US\$1.4 million** which was represented by a surplus of **US\$2.8 million** in June 2015, up from a surplus of **US\$1.4 million** in the previous corresponding quarter. This outturn combined with the balance on the Current Account returned a net borrowing balance of **US\$82.7 million**, a decrease of **US\$186.7 million** relative to the June 2014 quarter.

There was a net borrowing balance in the Financial Account of **US\$103.8 million** for the review quarter, an improvement of **US\$128.7 million** compared to the previous corresponding quarter. The main driver for the improvement was Portfolio Investment which increased by **US\$127.4 million**. This was a result of a decrease in the net incurrence of liabilities of **US\$330.7 million** and a decrease in the net acquisition of assets of **US\$203.4 million**.

Flows from official and private sources were insufficient for financing the net borrowing balance on the Current and Capital accounts. Consequently, Reserve Assets decreased by **US\$152.5 million** during the review period.

Balance of Payments: January to June 2015

Table 2
Balance of Payments
January-June 2015

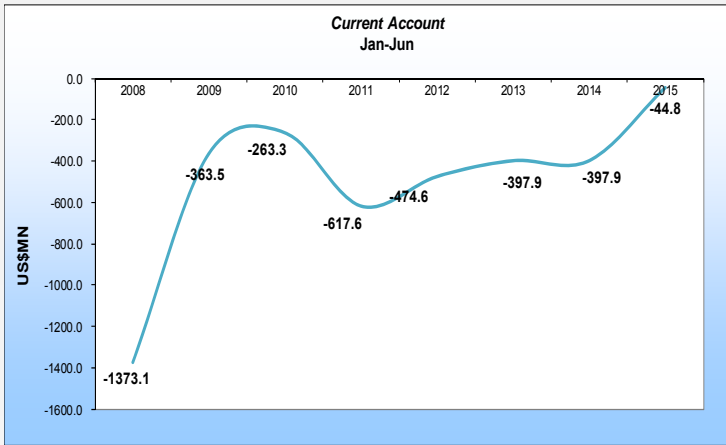
Balance of Payments (US\$MN)	2014 Jan-Jun	2015 1/ Jan-Jun	Change
Current Account Balance	-397.9	-44.8	353.2
<i>Credits</i>	3,638.5	3,640.2	1.7
<i>Debits</i>	4,036.5	3,685.0	-351.5
Goods & Services	-1,395.4	-1,071.1	324.3
<i>Exports</i>	2,238.2	2,179.5	-58.7
<i>Imports</i>	3,633.6	3,250.6	-383.0
Goods	-1,785.1	-1,604.4	180.7
<i>Exports</i>	766.3	653.9	-112.4
<i>Imports</i>	2,551.4	2,258.3	-293.1
Services	389.7	533.3	143.6
<i>Exports</i>	1,471.9	1,525.6	53.7
<i>Imports</i>	1,082.2	992.3	-89.9
Primary Income	-119.7	-119.4	0.3
<i>Credits</i>	176.0	205.5	29.5
<i>Debits</i>	295.7	324.9	29.2
Secondary Income	1,117.2	1,145.8	28.6
<i>Credits</i>	1,224.4	1,255.3	30.9
<i>Debits</i>	107.2	109.5	2.4
Capital Account	2.0	12.1	10.0
<i>Credits</i>	2.0	12.1	10.0
<i>Debits</i>	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-395.9	-32.7	363.2
Financial Account			
Net lending (+) / net borrowing (-) (balance from	-759.2	-620.6	138.5
Direct Investment	-315.7	-302.1	13.6
<i>Net acquisition of financial assets</i>	-3.1	-3.0	0.1
<i>Net incurrence of liabilities</i>	312.6	299.1	-13.5
Portfolio Investments	154.0	142.7	-11.4
<i>Net acquisition of financial assets</i>	425.7	561.2	135.4
<i>Net incurrence of liabilities</i>	271.7	418.5	146.8
Financial derivatives	-127.8	26.8	154.6
<i>Net acquisition of financial assets</i>	-140.6	9.0	149.6
<i>Net incurrence of liabilities</i>	-12.8	-17.8	-5.0
Other Investments	-668.7	-551.4	117.3
<i>Net acquisition of financial assets</i>	-220.0	-110.5	109.5
<i>Net incurrence of liabilities</i>	448.6	440.8	-7.8
Reserve Assets	199.0	63.4	
Net Errors and Omissions	-363.3	-588.0	
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The Current Account balance for the January to June 2015 period improved by **US\$353.2 million** to a deficit of **US\$44.8 million**, relative to the previous corresponding period (Table 2). This represented a continued improvement since the corresponding 2011 period (Graph 3). The improved outturn for the review period emanated from all sub-accounts. The Goods & Services and the Secondary Income sub-accounts improved by **US\$324.3 million** and **US\$28.6 million**, respectively, while the Primary Income sub-account improved by **US\$0.3 million**.

For the Goods sub-account, the deficit decreased to **US\$1 604.4 million**, relative to the corresponding period in which a larger deficit of **US\$1 785.1 million** was recorded (Table 2). Goods imports decreased by **US\$293.1 million** to **US\$2 258.3 million**. This decline was primarily driven by decreases in Mineral Fuel and Food imports of **US\$403.6 million** and **US\$39.4 million**, respectively (Graph 4). Exports of goods decreased by **US\$112.4 million** to **US\$653.9 million**, primarily as a result of decreases in Food of **US\$49.9 million**, and Mineral Fuel of **US\$18.3 million**. This was partially offset by a **US\$20.3 million** increase in the exports of Crude Materials.

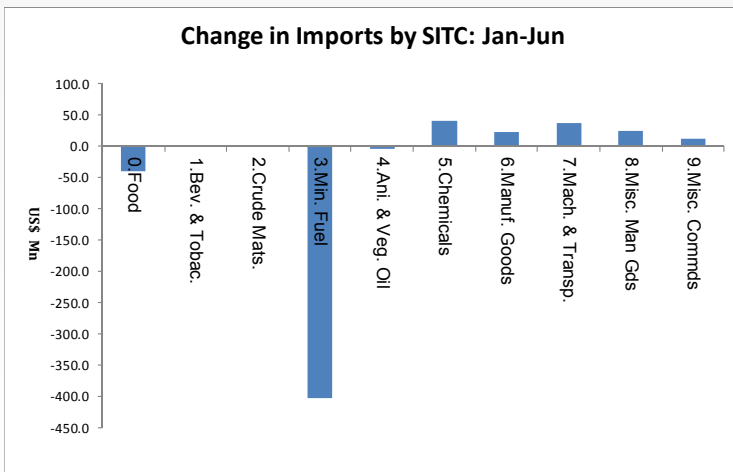
The balance on the Services sub-account improved by **US\$143.6 million** to **US\$533.3 million** for the review period resulting primarily from gains in Transportation and Travel Services of **US\$76.8 million** and **US\$64.7 million**, respectively. However, the improvement was partially offset by declines in other business services, and financial services of **US\$15.9 million** and **US\$2.5 million**, respectively.

Graph 3
Current Account Balances (8-Year Trend)



Source: Bank of Jamaica

Graph 4
Change in Value of Imports
January-June 2015



Source: STATIN

The Primary Income sub-account improved marginally by **US\$0.3 million** to a deficit of **US\$119.4 million** during the review period mainly due to Compensation of Employees increasing by **US\$4.5 million**. This increase was offset by a decline in Investment income of **US\$4.2 million**.

Relative to the previous corresponding period, the balance on the Secondary Income sub-account improved by **US\$28.6 million** to **US\$1 145.8 million**. The improvement resulted from an increase of **US\$40.4 million** in personal (private) transfers which were partially offset by a **US\$11.9 million** decline in official transfers.

The Capital Account improved by **US\$10.0 million** from a surplus of **US\$2.0 million** recorded in the corresponding period in 2014 to **US\$12.1 million** in 2015. This outturn together with the balance on the Current Account yielded a net borrowing balance on the Capital and Current Account of **US\$32.7 million**, a decrease in borrowing of **US\$363.2 million** relative to the previous corresponding period.

The Financial Account recorded a net borrowing balance of **US\$620.6 million**, reflecting a decrease in borrowing of **US\$138.5 million** compared to the previous corresponding period. The main drivers for the decrease in the net borrowing balance were Financial derivatives and Other Investment which increased by **US\$154.6 million** and **US\$117.3 million**, respectively.

The build-up of **US\$63.4 million** in Reserves means that flows from official and private sources were more than sufficient to finance the net borrowing balance on the Current and Capital accounts.

Balance of Payments Analytical Presentation

Review Quarter

Balance of Payments (US\$MN)	2014 Apr-Jun	2015 Apr-Jun 1/	Change
1. Current Account	-270.8	-85.5	185.3
A. Goods	-912.0	-832.0	80.0
Exports	370.3	317.4	-52.9
Imports	1282.3	1149.4	-132.9
B. Services	158.9	224.1	65.2
Transportation	-163.0	-146.5	16.5
Travel	504.9	524.7	19.7
Other Services	-183.1	-154.1	29.0
C. Income	-79.0	-79.2	-0.2
Compensation of Employees	5.3	4.9	-0.4
Investment Income	-84.3	-84.1	0.2
D. Current Transfers	561.3	601.7	40.4
Official	45.5	54.2	8.7
Private	515.8	547.5	31.7
2. Capital & Financial Account	272.2	-26.6	-298.7
A. Capital Account	2.8	2.8	0.0
Capital Transfers	2.8	2.8	0.0
Official	2.8	2.8	0.0
Private	0.0	0.0	0.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0
B. Financial Account	269.4	-29.4	-298.7
Direct Investment	188.6	140.2	-48.4
Portfolio Investment	-173.6	-301.0	-127.4
Other Official Investment	23.3	0.0	-23.3
Other Private Investment (incl. Errors & Omissions)	198.9	-21.1	-220.1
Reserves	32.1	152.5	

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Review Calendar Year

Balance of Payments (US\$MN)			
	2014	2015	
	Jan-Jun	Jan-Jun 1/	Change
1. Current Account	-397.9	-44.8	353.2
A. Goods	-1785.1	-1604.4	180.7
Exports	766.3	653.9	-112.4
Imports	2551.4	2258.3	-293.1
B. Services	389.7	533.3	143.6
Transportation	-363.7	-286.9	76.8
Travel	1100.4	1165.1	64.7
Other Services	-347.0	-344.9	2.0
C. Income	-119.7	-119.4	0.3
Compensation of Employees	12.6	17.1	4.5
Investment Income	-132.3	-136.5	-4.2
D. Current Transfers	1117.2	1145.8	28.6
Official	108.8	96.9	-11.9
Private	1008.4	1048.8	40.4
2. Capital & Financial Account	401.5	-378.8	-780.3
A. Capital Account	5.6	5.6	0.0
Capital Transfers	5.6	5.6	0.0
Official	5.6	5.6	0.0
Private	0.0	0.0	0.0
Acq/Disp. of Non-produced Non-fin. Assets	0.0	0.0	0.0
B. Financial Account	395.9	-384.4	-780.3
Direct Investment	315.7	302.1	-13.6
Portfolio Investment	-154.0	-142.7	11.4
Other Official Investment	110.0	-70.7	-180.7
Other Private Investment (incl. Errors & Omissions)	323.2	-409.7	-732.9
Reserves	-199.0	-63.4	
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Historical Balance of Payments Tables

Recent Five Quarters

Balance of Payments (US\$MN)	2014/15:Q1	2014/15:Q2	2014/15:Q3	2014/15:Q4	2015/16:Q1
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Current Account Balance	-270.8	-337.3	-343.0	40.7	-85.5
<i>Credits</i>	1,787.1	1,793.9	1,809.2	1,859.4	1,780.8
<i>Debits</i>	2,057.8	2,131.2	2,152.2	1,818.7	1,866.3
Goods & Services	-753.1	-835.6	-831.6	-463.2	-608.0
<i>Exports</i>	1,064.0	1,061.1	1,054.3	1,156.7	1,022.8
<i>Imports</i>	1,817.1	1,896.7	1,885.9	1,619.9	1,630.7
Goods	-912.0	-949.6	-968.2	-772.4	-832.0
<i>Exports</i>	370.3	385.1	343.8	336.5	317.4
<i>Imports</i>	1,282.3	1,334.7	1,312.0	1,108.9	1,149.4
Services	158.9	114.0	136.6	309.2	224.1
<i>Exports</i>	693.7	676.0	710.5	820.2	705.4
<i>Imports</i>	534.8	562.1	573.9	511.0	481.3
Primary Income	-79.0	-85.7	-101.5	-40.2	-79.2
<i>Credits</i>	107.6	85.0	104.5	100.7	104.8
<i>Debits</i>	186.6	170.7	206.0	140.9	184.0
Secondary Income	561.3	584.0	590.1	544.1	601.7
<i>Credits</i>	615.5	647.8	650.4	602.1	653.2
<i>Debits</i>	54.2	63.8	60.3	58.0	51.5
Capital Account	1.4	1.5	5.5	9.3	2.8
<i>Credits</i>	1.4	1.5	5.5	9.3	2.8
<i>Debits</i>	0.0	0.0	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-269.4	-335.8	-337.5	50.0	-82.7
Financial Account					
Net lending (+) / net borrowing (-) (balance from financial account)	-232.5	-311.3	-115.7	-516.9	-103.8
Direct Investment	-188.6	-139.7	-141.9	-161.9	-140.2
<i>Net acquisition of financial assets</i>	-3.3	0.5	0.4	-1.0	-2.0
<i>Net incurrence of liabilities</i>	185.3	140.2	142.3	160.9	138.2
Portfolio Investments	173.6	-764.7	141.3	-158.3	301.0
<i>Net acquisition of financial assets</i>	361.6	-33.3	-76.1	403.0	158.2
<i>Net incurrence of liabilities</i>	187.9	731.4	-217.4	561.3	-142.8
Financial derivatives	-66.5	-48.8	-1.6	-2.0	28.8
<i>Net acquisition of financial assets</i>	-73.5	-68.0	-12.4	-12.2	21.1
<i>Net incurrence of liabilities</i>	-7.0	-19.2	-10.9	-10.1	-7.7
Other Investments	-118.9	-56.9	127.8	-410.5	-140.9
<i>Net acquisition of financial assets</i>	170.2	-196.4	101.0	-269.5	159.0
<i>Net incurrence of liabilities</i>	289.1	-139.5	-26.8	141.0	299.9
Reserves Assets	-32.1	698.7	-241.4	215.9	-152.5
Net Errors and Omissions	36.9	24.5	221.8	-566.8	-21.1
<i>Provisional</i>					
<i>International Accounts Unit</i>					
<i>Economic Information & Publications Dept.</i>					
<i>October 2015</i>					

Full Fiscal Year

Balance of Payments (USSMN)	2014/15:Q1	2014/15:Q2	2014/15:Q3	2014/15:Q4	2014/15
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Mar 1/
Current Account Balance	-270.8	-337.3	-343.0	40.7	-910.4
<i>Credits</i>	1,787.1	1,793.9	1,809.2	1,859.4	7,249.7
<i>Debits</i>	2,057.8	2,131.2	2,152.2	1,818.7	8,160.0
Goods & Services	-753.1	-835.6	-831.6	-463.2	-2,883.5
<i>Exports</i>	1,064.0	1,061.1	1,054.3	1,156.7	4,336.1
<i>Imports</i>	1,817.1	1,896.7	1,885.9	1,619.9	7,219.5
Goods	-912.0	-949.6	-968.2	-772.4	-3,602.1
<i>Exports</i>	370.3	385.1	343.8	336.5	1,435.6
<i>Imports</i>	1,282.3	1,334.7	1,312.0	1,108.9	5,037.8
Services	158.9	114.0	136.6	309.2	718.7
<i>Exports</i>	693.7	676.0	710.5	820.2	2,900.4
<i>Imports</i>	534.8	562.1	573.9	511.0	2,181.8
Primary Income	-79.0	-85.7	-101.5	-40.2	-306.3
<i>Credits</i>	107.6	85.0	104.5	100.7	397.9
<i>Debits</i>	186.6	170.7	206.0	140.9	704.2
Secondary Income	561.3	584.0	590.1	544.1	2,279.4
<i>Credits</i>	615.5	647.8	650.4	602.1	2,515.7
<i>Debits</i>	54.2	63.8	60.3	58.0	236.3
Capital Account	1.4	1.5	5.5	9.3	17.7
<i>Credits</i>	1.4	1.5	5.5	9.3	17.7
<i>Debits</i>	0.0	0.0	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current ARd capital account)	-269.4	-335.8	-337.5	50.0	-892.6
Financial Account					
Net lending (+) / net borrowing (-) (balance from financial account)	-232.5	-311.3	-115.7	-516.9	-1176.4
Direct Investment	-188.6	-139.7	-141.9	-161.9	-632.0
<i>Net acquisition of financial assets</i>	-3.3	0.5	0.4	-1.0	-3.4
<i>Net incurrence of liabilities</i>	185.3	140.2	142.3	160.9	628.7
Portfolio Investments	173.6	-764.7	141.3	-158.3	-608.1
<i>Net acquisition of financial assets</i>	361.6	-33.3	-76.1	403.0	655.1
<i>Net incurrence of liabilities</i>	187.9	731.4	-217.4	561.3	1,263.2
Financial derivatives	-66.5	-48.8	-1.6	-2.0	-118.9
<i>Net acquisition of financial assets</i>	-73.5	-68.0	-12.4	-12.2	-166.1
<i>Net incurrence of liabilities</i>	-7.0	-19.2	-10.9	-10.1	-47.2
Other Investments	-118.9	-56.9	127.8	-410.5	-458.5
<i>Net acquisition of financial assets</i>	170.2	-196.4	101.0	-269.5	-194.8
<i>Net incurrence of liabilities</i>	289.1	-139.5	-26.8	141.0	263.7
Reserves Assets	-32.1	698.7	-241.4	215.9	641.1
Net Errors and Omissions	36.9	24.5	221.8	-566.8	-283.7

1/ Preliminary

International Accounts Unit

Economic Information & Publications Dept.

October 2015

Glossary (BPM6)

The Sixth Edition of the Balance of Payments Manual (BPM6) format was first published in the June 2012 quarterly edition of this Report. Six major changes in BPM6 and definitions of key terminologies used in this Report are highlighted below.

Six Major Changes in BPM6

1. The Goods sub-account and Services sub-account are now combined and referred to as the *Goods and Services* sub-account.
2. The Income sub-account is now referred to as *Primary Income*.
3. The Current Transfers sub-account is now referred to as *Secondary Income*.
4. The *Financial Account* is no longer grouped with the *Capital Account*.
5. The balance from the *Current* and the *Capital account* is referred to as *Net Lending or Net Borrowing*, which is explained by details in the *Financial Account*.
6. The use of debits and credits for the *Financial Account* is replaced by *Net acquisition of financial assets* and the *Net incurrence of liabilities*.

Key Terminologies and Concepts

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 three main categories according to the broad nature of the transactions. These categories are:

1. *Current Account*
2. *Capital Account*
3. *Financial Account*

The sum of the balances on the Current and Capital accounts represents the *Net Lending* (surplus) or *Net Borrowing* (deficit) by the economy with the rest of the world. This is conceptually equal to the net balance of

the *Financial Account*. In other words, the Financial Account measures how the *Net Lending* to or *Net Borrowing* from non-residents is financed.

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 involve economic value. This account is sub-divided into:

- a. *Goods and Services*
- b. *Primary Income, and*
- c. *Secondary Income*

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. ***Primary Income*** represents the return that accrues to institutional units for their contribution to the production process or for the provision of financial assets and renting natural resources to other institutional units. It 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. ***Secondary Income*** shows current transfers between residents and non-residents. It covers transactions such as taxes on income, workers' remittances, and premiums and claims on non-life insurance.

2. Capital Account

The Capital Account covers:

- (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.
- (ii) **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.

3. Financial Account

The **Financial Account** records transactions that directly affect the wealth and debt of the country and records transactions that involve financial assets and liabilities between residents and non-residents.

This account covers:

- (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) **Financial Derivatives (other than reserves)** covers transactions of forward-type contracts and options traded in financial markets used to transfer risks linked to another specific financial instrument or indicator or commodity.
- (iv) **Other investment** is a residual category that includes all financial transactions not covered in Direct Investment, Portfolio Investment or Reserve Assets. It includes: (i) Loans to finance trade (ii) Insurance, pension and standardized guarantee schemes; (iii) trade credits and advances; and (iv) Other accounts receivable/payable.
- (v) **Reserve Assets** 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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