



THE BALANCE OF PAYMENTS

Preliminary QUARTERLY REPORT March 2013

**External Sector Statistics 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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ISSN 0799-3293

Printed in Jamaica

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Balance of Payments: January to March 2013 Quarter

Table 1
Balance of Payments
January-March 2013

Balance of Payments (US\$MN)	2012:Q1 Jan-Mar	2013:Q1 Jan-Mar	Change
Current Account Balance	-371.7	-300.7	71.0
<i>Credits</i>	1,848.4	1,903.8	55.3
<i>Debits</i>	2,220.0	2,204.4	-15.6
Goods & Services	-802.6	-791.9	10.8
<i>Credits</i>	1,198.6	1,242.0	43.5
<i>Debits</i>	2,001.2	2,033.9	32.7
Goods	-1,025.3	-1,061.3	-36.0
<i>Exports</i>	444.2	467.1	22.9
<i>Imports</i>	1,469.5	1,528.4	59.0
Services	222.6	269.4	46.8
<i>Credits</i>	754.4	774.9	20.5
<i>Debits</i>	531.7	505.5	-26.3
Primary Income	-72.1	-28.3	43.8
<i>Credits</i>	73.0	80.8	7.8
<i>Debits</i>	145.1	109.0	-36.1
Secondary Income	503.1	519.4	16.3
<i>Credits</i>	576.9	581.0	4.1
<i>Debits</i>	73.7	61.5	-12.2
Capital Account	5.2	14.0	8.8
<i>Credits</i>	5.2	14.0	8.8
<i>Debits</i>	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-366.5	-286.7	79.8
Financial Account			
Net lending (+) / net borrowing (-) (balance from financial account)	-514.5	50.2	564.7
Direct Investment	-33.9	-27.6	6.4
<i>Net acquisition of financial assets</i>	22.1	0.1	-22.0
<i>Net incurrence of liabilities</i>	56.0	27.7	-28.4
Portfolio Investments	-508.9	-0.5	508.4
<i>Net acquisition of financial assets</i>	-352.7	-12.6	340.0
<i>Net incurrence of liabilities</i>	156.2	-12.2	-168.4
Financial derivatives	62.0	-1.8	-63.8
<i>Net acquisition of financial assets</i>	67.5	-75.8	-143.3
<i>Net incurrence of liabilities</i>	5.5	-74.0	-79.5
Other Investments	148.7	342.8	194.1
<i>Net acquisition of financial assets</i>	324.1	293.3	-30.8
<i>Net incurrence of liabilities</i>	175.3	-49.6	-224.9
Reserves Assets	-182.4	-262.8	
Net Errors and Omissions	-148.0	336.9	

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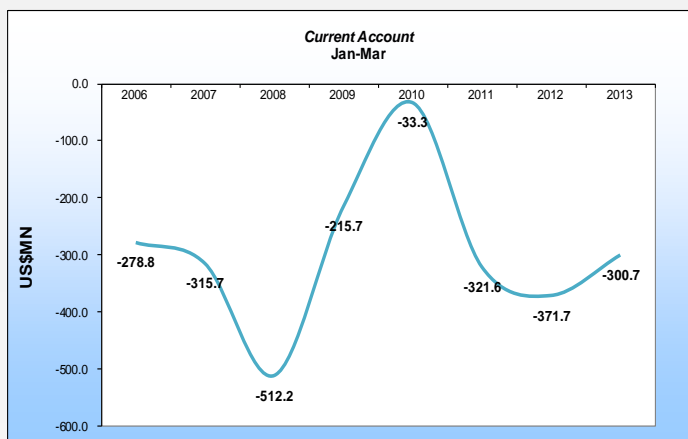
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For the first quarter of 2013, there was a Current Account deficit of **US\$300.7 million**, representing an improvement of **US\$71.0 million** relative to the corresponding period in 2012 (Table1). The improvement in the Current Account emanated from all sub-accounts, mainly from the Services and Primary Income sub-accounts, which improved by **US\$46.8 million** and **US\$43.8 million** respectively.

Analysing Jamaica's Current Account balances for the March quarter between 2006 and 2013, it has ranged from a deficit of **US\$33.3 million** for 2010 to the largest deficit of **US\$512.2 million** recorded for 2008 (Graph 1). The trend for the March quarters showed consistent improvements in the Current Account deficit from 2008 to 2010 before declining significantly to a deficit of **US\$371.7 million** for the corresponding quarter in 2012. The Current Account balance subsequently improved, as recorded in the review quarter.

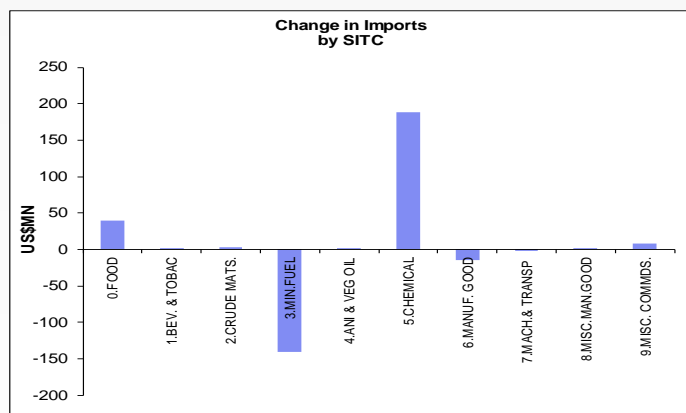
For the Goods sub-account, there was a deficit of **US\$1 061.3 million**, a deterioration of **US\$36.0 million** relative to the corresponding period in the preceding year (Table 1). Goods imports grew by **US\$59.0 million** to **US\$1 528.4 million**. This expansion was primarily driven by a **US\$187.8 million** increase in chemicals (Graph 2). Goods exports rose by **US\$22.9 million** to **US\$467.1 million** primarily as a result of a **US\$60.1 million** increase in chemical exports, particularly ethanol.

Graph 1
Current Account Balances (8-Year Trend)



Source: STATIN

Graph 2
Change in Value of Imports
January-March 2013



Source: Bank of Jamaica

The **US\$46.8 million** increase on the Services sub-account to **US\$269.4 million** for the review period resulted primarily from a decrease in Other Services outflows. These outflows declined by **US\$55.4 million**, resulting primarily from declines in insurance services and financial services outflows which declined by **US\$54.3 million** and **US\$13.9 million** respectively.

The Primary Income sub-account improved by **US\$43.8 million** during the review period. This emanated primarily from a **US\$42.8 million** decrease in Investment Income outflows, mainly profits repatriated by direct investment enterprises, relative to the corresponding period in the preceding year.

Relative to the corresponding period in 2012, the balance on the Secondary Income sub-account improved by **US\$16.3 million** to **US\$519.4 million**. The improvement primarily resulted from a **US\$17.6 million** increase in Official Transfer inflows coupled with a **US\$10.9 million** decrease in Private Transfer outflows.

The largest contributing sub-component of the net lending balance of **US\$50.2 million** in the Financial Account was Other Investments, which had a net lending balance of **US\$342.8 million**. This was due to a significant increase in short-term foreign currency and deposits holdings by deposit-taking institutions.

Flows from official and private sources were insufficient to finance the net borrowing balance from the Current and Capital Account; consequently, the NIR declined by **US\$262.8 million** during the review period.

Historical Balance of Payments (BPM6) Table

BPM6 Summary

Balance of Payments (US\$MN)	2012	2012:Q1	2012:Q2	2012:Q3	2012:Q4
	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Current Account Balance	-1905.2	-371.7	-415.4	-611.3	-506.8
<i>Credits</i>	7,041.9	1,848.4	1,752.4	1,706.6	1,734.5
<i>Debits</i>	8,946.7	2,220.0	2,167.7	2,317.7	2,241.2
Goods & Services	-3,519.1	-802.6	-833.8	-999.2	-883.4
<i>Credits</i>	4,420.5	1,198.6	1,088.4	1,063.2	1,070.3
<i>Debits</i>	7,939.6	2,001.2	1,922.2	2,062.4	1,953.7
Goods	-4,158.0	-1,025.3	-1,014.6	-1,121.3	-996.9
<i>Exports</i>	1,746.7	444.2	428.7	416.5	457.3
<i>Imports</i>	5,904.7	1,469.5	1,443.3	1,537.8	1,454.2
Services	638.9	222.6	180.8	122.0	113.5
<i>Credits</i>	2,673.8	754.4	659.7	646.7	613.0
<i>Debits</i>	2,034.9	531.7	479.0	524.6	499.5
Primary Income	-433.5	-72.1	-106.0	-111.3	-144.1
<i>Credits</i>	283.8	73.0	66.3	75.2	69.3
<i>Debits</i>	717.3	145.1	172.2	186.5	213.4
Secondary Income	2,047.9	503.1	524.4	499.4	520.9
<i>Credits</i>	2,337.6	576.9	597.7	568.2	594.9
<i>Debits</i>	289.8	73.7	73.2	68.8	74.0
Capital Account	23.0	5.2	5.4	7.3	5.1
<i>Credits</i>	23.0	5.2	5.4	7.3	5.1
<i>Debits</i>	0.0	0.0	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-1882.2	-366.5	-410.0	-604.0	-501.7
Financial Account					
Net lending (+) / net borrowing (-) (balance from financial account)	-1112.7	-514.5	38.6	-694.2	57.4
Direct Investment	-252.9	-33.9	-95.7	-65.9	-57.4
<i>Net acquisition of financial assets</i>	-24.2	22.1	-44.9	0.2	-1.6
<i>Net incurrence of liabilities</i>	228.8	56.0	50.8	66.1	55.8
Portfolio Investments	-146.7	-508.9	240.1	88.1	33.9
<i>Net acquisition of financial assets</i>	-285.3	-352.7	100.2	-27.2	-5.7
<i>Net incurrence of liabilities</i>	-138.6	156.2	-139.9	-115.3	-39.6
Financial derivatives	2.3	62.0	-61.3	3.3	-1.6
<i>Net acquisition of financial assets</i>	51.2	67.5	-30.4	0.9	13.1
<i>Net incurrence of liabilities</i>	48.9	5.5	31.0	-2.4	14.8
Other Investments	124.6	148.7	209.3	-450.4	217.0
<i>Net acquisition of financial assets</i>	369.7	324.1	27.7	-131.4	149.4
<i>Net incurrence of liabilities</i>	245.0	175.3	-181.6	319.0	-67.7
Reserves Assets	-840.0	-182.4	-253.8	-269.3	-134.5
Net Errors and Omissions	769.5	-148.0	448.6	-90.2	559.1

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BPM6 Summary

Balance of Payments (US\$MN)	2012/13:Q1	2012/13:Q2	2012/13:Q3	2012/13:Q4	2012/13
	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	April-Mar
Current Account Balance	-415.4	-611.3	-506.8	-300.7	-1834.2
<i>Credits</i>	1,752.4	1,706.6	1,734.5	1,903.8	7,097.2
<i>Debits</i>	2,167.7	2,317.7	2,241.2	2,204.4	8,931.1
Goods & Services	-833.8	-999.2	-883.4	-791.9	-3,508.3
<i>Credits</i>	1,088.4	1,063.2	1,070.3	1,242.0	4,464.0
<i>Debits</i>	1,922.2	2,062.4	1,953.7	2,033.9	7,972.3
Goods	-1,014.6	-1,121.3	-996.9	-1,061.3	-4,194.0
<i>Exports</i>	428.7	416.5	457.3	467.1	1,769.7
<i>Imports</i>	1,443.3	1,537.8	1,454.2	1,528.4	5,963.7
Services	180.8	122.0	113.5	269.4	685.7
<i>Credits</i>	659.7	646.7	613.0	774.9	2,694.3
<i>Debits</i>	479.0	524.6	499.5	505.5	2,008.6
Primary Income	-106.0	-111.3	-144.1	-28.3	-389.7
<i>Credits</i>	66.3	75.2	69.3	80.8	291.5
<i>Debits</i>	172.2	186.5	213.4	109.0	681.2
Secondary Income	524.4	499.4	520.9	519.4	2,064.2
<i>Credits</i>	597.7	568.2	594.9	581.0	2,341.7
<i>Debits</i>	73.2	68.8	74.0	61.5	277.5
Capital Account	5.4	7.3	5.1	14.0	31.8
<i>Credits</i>	5.4	7.3	5.1	14.0	31.8
<i>Debits</i>	0.0	0.0	0.0	0.0	0.0
Net lending (+) / net borrowing (-) (balance from current and capital account)	-410.0	-604.0	-501.7	-286.7	-1802.4
Financial Account					
Net lending (+) / net borrowing (-) (balance from financial account)	38.6	-694.2	57.4	50.2	-548.0
Direct Investment	-95.7	-65.9	-57.4	-27.6	-246.6
<i>Net acquisition of financial assets</i>	-44.9	0.2	-1.6	0.1	-46.2
<i>Net incurrence of liabilities</i>	50.8	66.1	55.8	27.7	200.4
Portfolio Investments	240.1	88.1	33.9	-0.5	361.7
<i>Net acquisition of financial assets</i>	100.2	-27.2	-5.7	-12.6	54.7
<i>Net incurrence of liabilities</i>	-139.9	-115.3	-39.6	-12.2	0.0
Financial derivatives	-61.3	3.3	-1.6	-1.8	-61.5
<i>Net acquisition of financial assets</i>	-30.4	0.9	13.1	-75.8	-92.1
<i>Net incurrence of liabilities</i>	31.0	-2.4	14.8	-74.0	-30.6
Other Investments	209.3	-450.4	217.0	342.8	318.7
<i>Net acquisition of financial assets</i>	27.7	-131.4	149.4	293.3	338.9
<i>Net incurrence of liabilities</i>	-181.6	319.0	-67.7	-49.6	20.2
Reserves Assets	-253.8	-269.3	-134.5	-262.7	-920.3
Net Errors and Omissions	448.6	-90.2	559.1	337.0	1,254.4

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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*.

Transition to BPM6

Recent releases of the Bank of Jamaica (BOJ) Quarterly Balance of Payments (BOP) Report included a BPM6 introductory feature which has been included as a parallel transition towards the complete reformatting of this publication in accordance with BPM6 reporting standards. From now on, all subsequent BOP reports will be published using the BPM6 methodology exclusively. As illustrated, this new methodology includes more detailed *Financial Account* data which is aimed at enhancing the understanding of how net lending is invested and how net borrowing is financed, among other changes.

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 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 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.

BPM 5 Summary Outline

Balance of Payments (US\$MN)	
1. Current Account	
A. Goods	
Exports	
Imports	
B. Services	
Transportation	
Travel	
Other Services	
C. Income	
Compensation of Employees	
Investment Income	
D. Current Transfers	
Official	
Private	
2. Capital & Financial Account	
A. Capital Account	
Capital Transfers	
Official	
Private	
Acq/Disp. of Non-produced Non-fin. Assets	
B. Financial Account	
Official Investment (incl. Govt. Reserves)	
Central Government	
Other Official Investment	
Private Investment (incl. Errors & Omissions)	
Reserves	

BPM6 Summary Outline

Balance of Payments (US\$MN)	
Current Account Balance	
Credits	
Debits	
Goods & Services	
Credits	
Debits	
Goods	
Exports	
Imports	
Services	
Credits	
Debits	
Primary Income	
Credits	
Debits	
Secondary Income	
Credits	
Debits	
Capital Account	
Credits	
Debits	
Net lending (+) / net borrowing (-) (balance from current and capital account)	
Financial Account	
Net lending (+) / net borrowing (-) (balance from financial account)	
Direct Investment	
Net acquisition of financial assets	
Net incurrence of liabilities	
Portfolio Investments	
Net acquisition of financial assets	
Net incurrence of liabilities	
Financial derivatives	
Net acquisition of financial assets	
Net incurrence of liabilities	
Other Investments	
Net acquisition of financial assets	
Net incurrence of liabilities	
Reservs Assets	
Net Errors and Omissions	

Comparison of Terminologies (BPM5 vs. BPM6)

Old (BPM5 version)

New (BPM6 version)

Goods + Services = Goods & Services

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

Glossary (BPM5)

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 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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