



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

As the national budget presentation and debate approaches, we continue to explain some relevant terms. This week's term is **Balance of Payments**:

Balance of Payments is an accounting record of all monetary transactions between a country and the rest of the world. These include payments for that country's exports and imports of goods, services and financial capital as well as financial payments. A country's **Balance of Payments** must always zero out, i.e. imports must equal exports. However, in most developing states like ours, our import bill usually exceeds our export bill. Therefore, we experience a negative balance of payments. To address this, we must then look for ways to cover the excess expenditure. Economists have devised a number of ways to correct balance of payments deficits. One such method is the revaluation of the country's currency.

What does this mean for you?

A positive **balance of payments** which is more money coming in from exports than going out from imports means that there is more money available for such things as social security and government subsidies. Also, a consistently positive **balance of payments** could mean that a country is experiencing significant foreign investment which can result in the creation of jobs and investment opportunities for locals.