



## 3055 BA SANGAM COLLEGE

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### WEEK 11

**SCHOOL: BA SANGAM COLLEGE**

**YEAR: 12**

**Name: \_\_\_\_\_**

**SUBJECT: ECONOMICS**

<b>Strand</b>	4. International Economics
<b>Sub Strand</b>	4.1 Balance of Payment
<b>Content Learning Outcome</b>	4.1.1 Analyse Fiji's Balance of Payment.

### **LESSON NOTES - BALANCE OF PAYMENT**

**Visible Trade** – it represents the export and import of goods only, which can be seen and touched (physical items e.g. cars, furniture etc).

**Invisible Trade/Services**- Items include costs of freight & insurance on merchandise, port charges, international passenger fare, accommodation and expenditure by foreign travelers as well as domestic travelers overseas.

**Invisible Exports (Service Credits)**- Are those invisible items that earn foreign exchange such as tourists in Fiji, factor income earned from abroad (profits or interest earned abroad, interest earned from abroad and dividend earned from abroad.)

**Invisible Imports (Service Debits)** - Invisible imports are those that use foreign exchange to purchase invisible items such as purchase of insurance policy from a foreign company, dividend paid abroad, overseas trips etc.

**Income**- covers earnings on investment made by domestic residents in other countries and investment made by foreigners in domestic country. It also includes dividends received by domestic citizens from overseas sources as well as payments to foreign residents by domestic country

**Unrequited transfers** - This may be described as unearned, one way money flows between Fiji and the rest of the world.

#### **Types of unrequited transfers**

1. **Unrequited transfers credits** -It include funds brought to Fiji by immigrants (remittances), gifts and donations received from foreigners, social security payments made to Fiji residents by foreign government

2. **Unrequited transfers debits** -It include payments made to LDCs as part of international aid and relief fund ,funds taken abroad by emigrants and cash gifts and donations paid aboard.

## **ACTIVITY**

1. Classify the following into visible trade, invisible trade, and capital inflow and capital outflow.

Cars from Japan Sugar to Australia Overseas trip \_\_\_\_\_

Dividend paid abroad \_\_\_\_\_

Foreign investment Tourist in Fiji \_\_\_\_\_

Interest received from abroad \_\_\_\_\_

Borrowing \_\_\_\_\_

Lending \_\_\_\_\_

Insurance policies bought by Fiji residents abroad \_\_\_\_\_

Remittances for abroad International aid to Fiji \_\_\_\_\_ (4 marks)

2. Use the information given below and answer the question that follows. Fiji's balance of payment for the month of January, 2010

<b>Capital inflow</b>	<b>2 500m</b>
<b>Capital outflow</b>	<b>1 200m</b>
<b>Services debit</b>	<b>1 556m</b>
<b>Services credit</b>	<b>1 386m</b>
<b>Merchandise exports</b>	<b>4 375m</b>
<b>Merchandise imports</b>	<b>4 023m</b>
<b>Income (credits)</b>	<b>377m</b>
<b>Income (debits)</b>	<b>1 736m</b>

Calculate the following:

The Balance on Merchandise Trade (1 mark)

The Balance on Goods and Services

\_\_\_\_\_  
\_\_\_\_\_ (2 marks)

The Balance on Current Account

\_\_\_\_\_  
\_\_\_\_\_ (2 marks)

The Balance on Capital Account

\_\_\_\_\_  
\_\_\_\_\_ ( 1 mark)