

Annex 12

Links Between External Accounts and Other Main Sets of Macroeconomic Statistics

I. Introduction

References:

2025 SNA, Chapter 33, Transactions and Positions between Residents and Non-residents.

IMF and others, *External Debt Statistics 2014: Guide for Compilers and Users*, Appendix IV, External Debt Statistics, International Investment Position (IIP) and National Accounts.

BPM6 Compilation Guide 2014, Appendix 6, Linkages with Other Macroeconomic Datasets.

GFSM 2014, Appendix 7: Linkages between GFS and Balance of Payments and the International Investment Position.

MFSMCG 2016, Appendix I, Section IV. Linkages between Monetary Statistics and External Sector Statistics.

A12.1 The external accounts are closely linked with other macroeconomic statistics. This annex provides an overview of the main statistical links between the external accounts and the national accounts (NA), government finance statistics (GFS), monetary and financial statistics (MFS), and external debt statistics (EDS). These sets of statistics build on harmonized macroeconomic statistical standards, and the differences mainly relate to presentational issues.

II. Accounting System

A12.2 The external accounts use an underlying accounting system consistent with other macroeconomic statistics. The concept of residence is consistently applied in external accounts and other macroeconomic datasets. The

institutional sectors, transactions, other changes in financial assets and liabilities, and stocks or positions are broadly aligned. Accrual basis of recording transactions and use of exchange values, or (observed) market prices, as the valuation principle are commonly applied. In the national accounts, the rest of the world accounts are presented from the point of view of the nonresident units, whereas the external accounts and EDS are shown from the point of view of resident units. The MFS and GFS cover both domestic and external transactions and positions of the financial sector and the general government and/or public sector, respectively. The cross-border transactions and positions in GFS and MFS can be separately identified and mapped to the external accounts.

III. Classification

A12.3 In general, the classification system in external accounts is broadly harmonized with other macroeconomic datasets. The coverage and terminology of major aggregates have been fully harmonized. However, there is a major presentational difference in that the external accounts use functional categories as the primary level of classification for investment income, the financial account, other flows, and the IIP, whereas the other macroeconomic datasets use other transaction and asset categories. Nonetheless, the transaction, financial instrument and institutional sector detail in the external accounts allows the data to be comparable across macroeconomic datasets. Differences in classification or presentation of external accounts with other macroeconomic datasets, where applicable, are discussed in the specific sections describing the linkages of each dataset with the external accounts.

IV. Links Between the External Accounts and Other Macroeconomic Statistics

A12.4 This section shows firstly an overview of the main linkages of the balance of payments (BOP) with the other main macroeconomic accounts – the national accounts, the government finance statistics (fiscal accounts), and the monetary statistics. This is followed by detailed descriptions of the linkages of external accounts (including the BOP) with each of the main macroeconomic datasets, national accounts, GFS, MFS, and EDS.

A. Overview of Major Linkages of Balance of Payments with Other Macroeconomic Accounts

A12.5 Using a schematic diagram, Figure 12.1 depicts an overview of the broad linkages of the balance of payments with other macroeconomic statistics (national accounts, GFS, and MFS).

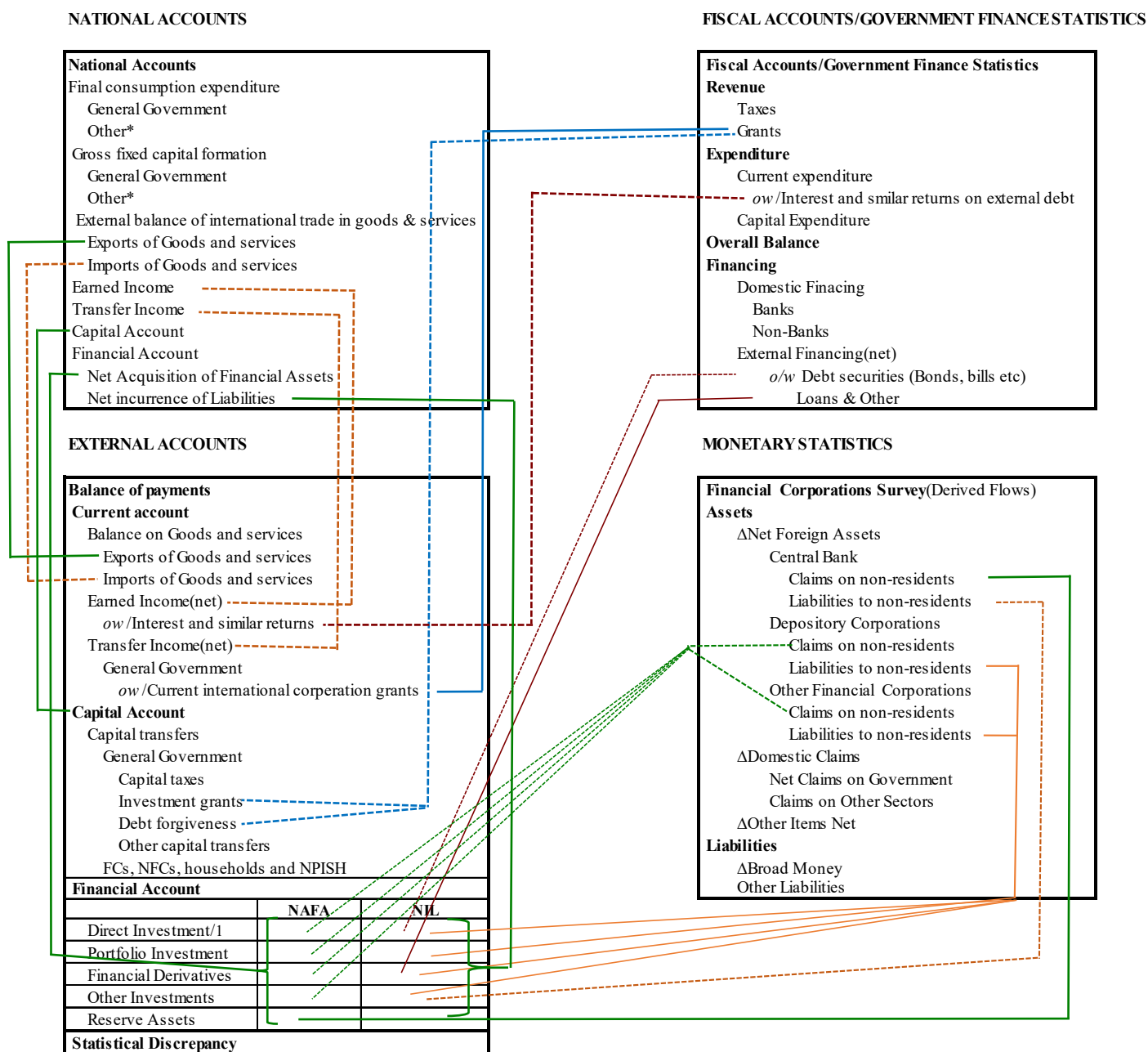
National accounts

A12.6 The major components of the national accounts related to the balance of payments include external balance of international trade in goods and services, earned income, transfer income, capital account, and the financial account. The rest of the world (ROW) sections for each of these accounts correspond to what is recorded in the balance of payments. In principle, exports and imports of goods and services in the national accounts should correspond to the exports and imports of goods and services recorded in the BOP. The detailed linkages of the national accounts with the external accounts are presented in section B.

Government Finance Statistics

A12.7 The major components in the government finance statistics (fiscal accounts) which correspond to some of the major transactions in the balance of payments include *grants, interest and similar returns expense on Government external debt* (recorded in the earned income account in the BOP), *external financing of Government and debt service* (recorded in the financial account). Grants include *current international cooperation* which are recorded in the transfer income account and *investment grants* which are recorded in capital account of the BOP. *Debt forgiveness* for government as recorded in the capital account of the BOP corresponds to the capital grants or capital transfers not elsewhere classified in the fiscal accounts. The detailed linkages of the fiscal accounts with the balance of payments and the international investment position are outlined in section C.

Figure A12.1: Overview of the Major Linkages of Balance of Payments with Other Macroeconomic Accounts



*Other includes households, central bank, and nonprofit institutions serving households.

NAFA-Net Acquisition of Financial Assets, NIL-Net Incurrence of Liabilities, Δ - Change.

FCs - financial corporations, NFCs - nonfinancial corporations, NPISH - non-profit institutions serving households.

1/This figure includes broad linkages of MFS to external sector accounts by functional categories such as direct investment. However, additional information is required on investment relationships to aid classification (e.g., the shareholding structure).

A12 Monetary statistics have multiple linkages with the balance of payments statistics. The major interconnections relate to cross border transactions for the *central bank*, *deposit-taking corporations*, and *other financial corporations*. These range from transactions in *reserve assets* (associated with the change in official reserve assets of the central bank) to changes in foreign assets and liabilities of deposit-taking corporations and other financial corporations. The detailed linkages of monetary statistics with both the balance of payments and the international investment position, including the financial instruments, and challenges in direct mapping are provided in section D.

B. Linkages of External Accounts with the National Accounts

A12.9 External accounts are closely interrelated with the national accounts. Relevant transactions in the current and accumulation accounts of the national accounts correspond to those reported in the external accounts. The positions in the balance sheet of the national accounts for the rest of the world correspond to the positions in the IIP.

Linkages of the National Accounts flow accounts with the Balance of payments

A12.10 The national accounts flow accounts measure the value of output and income, transactions in assets, liabilities, and net worth of an economy over a period of time. In the balance of payments, the current account comprises the goods and services account, the earned income account, and the transfer income account, while in the national accounts (in addition to the current accounts components distinguished in BOP), the current account includes the production account and the use of income account. Further, the earned income account in national accounts is split into the generation of earned income account and the allocation of earned income account. Unlike the case in the national accounts, the capital account is not an accumulation account in the external accounts. Entries in the *rest of the world account* in the national accounts almost fully correspond to the relevant entries in the balance of payments (Table A12.1).

Current Accounts

A12.11 The national accounts current account components that correspond to the BOP include the exports and imports of goods and services recorded in the goods and services account; and remuneration of employees, taxes on production and imports (Para 12.91-12.94), subsidies, interest and similar returns, income on equity, investment income disbursements and rent recorded in the earned income account. Components of the transfer income of balance of payments reflected in the national accounts include current taxes on income, wealth, etc. (Para 13.28 -13.31), social contributions less service charges, social benefits, nonlife insurance premiums less service charges, nonlife insurance claims, current international cooperation, and miscellaneous current transfers (which include personal transfers).

A12.12 The product classification in the national accounts, the *Central Product Classification (CPC)*, differs from the balance of payments for transactor-based services (travel, construction, and government goods and services n.i.e.). Unlike the national accounts, these service items in the BOP include some goods items. However, supplementary data included in the Extended Balance of Payments Services (EBOPS) allow for greater alignment with product level data in the national accounts. Nonetheless, the total *imports of goods and services* and the total *exports of goods and services* in both the balance of payments and the national accounts are consistent.

Table A12.1: Linkages of Balance of Payments with National Accounts

National Accounts				Balance of Payments								
Current account	DE	ROW	GS	CR/REV	DR/EXP	Current account						
External balance of international trade in goods and services						Balance on Goods and services						
Exports of Goods and services		*		*		Exports of Goods and services						
Imports of Goods and services		*			*	Imports of Goods and services						
Production Account												
Earned Income account												
Generation of earned income						Earned Income						
Allocation of earned income												
Remuneration of employees		*		*	*	Remuneration of employees						
Taxes on production and imports		*										
Subsidies		*										
Property income												
Investment income		*		*	*	Investment Income		DI	PI	FD	OI	RA
Interest and similar returns		*		*	*	Interest and similar returns		*	*		*	*
Income on equity		*		*	*	Income on equity		*				
Investment income disbursements		*		*	*	Income on equity and investment fund shares			*		*	*
				*	*	Investment income attributable to policy Holders in insurance, standardized guarantees and pensions¹					*	
						Other earned income						
Rent		*		*	*	Rent						
				*	*	Taxes on production and imports						
				*	*	Subsidies						
Transfer income account						Transfer Income						
				*	*	General Government						
Current taxes on income, wealth etc.		*		*	*	Current taxes on income, wealth etc.						

Social contributions less service charge		*		*	*	Social contributions less service charge	
Social benefits		*		*	*	Social benefits	
Other current transfers		*		*	*		
Nonlife insurance premiums less service charges		*		*	*	Nonlife insurance premiums less service charges	
Nonlife insurance claims		*		*	*	Nonlife insurance claims	
Current transfers within general government							
Current international cooperation		*		*	*	Current international cooperation	
Miscellaneous current transfers		*		*	*	Miscellaneous current transfers	
						Financial corporations, nonfinancial corporations, households, and NPISH	
<i>o/w personal transfers</i>		*		*	*	<i>o/w Personal transfers</i>	
Use of disposable income account							
Household final consumption expenditure							
Central bank final consumption expenditure							
General government final consumption expenditure							
NPISH consumption expenditure							
<i>Adjustment for the change in pension and nonpension entitlements</i>		*		*	*	<i>Adjustment for the change in pension and non-pension entitlements</i>	
Accumulation accounts	Changes in A & L and Net Worth						
Capital account	DE	ROW	GS	CR/REV	DR/EXP	Capital account	
<i>Saving</i>		*					
^{3/} Acquisitions less disposals of produced nonfinancial assets (including natural resources)							
Acquisitions less disposals of nonproduced nonfinancial assets (excluding natural resources)		*		*	*	Acquisitions (debts/expenditures)/ disposals (credits/revenues) of nonproduced non-financial assets ⁵	
^{4/} Acquisitions less disposals of natural resources		*					
Capital transfers receivable/payable		*		*	*	Capital transfers	
Capital taxes		*		*	*	Capital taxes	
Investment grants		*		*	*	Investment grants	
Debt forgiveness				*	*	Debt forgiveness	
Other capital transfers				*	*	Other capital transfers	
Net lending (+)/net borrowing (-)		*		*	*	Net lending (+)/net borrowing (-)	
Financial account						Financial account	
Net lending (+)/net borrowing (-)						Net lending (+)/net borrowing (-)	DI ² PI FD OI RA
Monetary gold and SDRs		*		*	*	Monetary gold and SDRs	* *
Currency and deposits		*		*	*	Currency and deposits	* *
Debt securities		*		*	*	Debt securities	* *
Loans		*		*	*	Loans	* *
Equity		*		*	*	Equity	* *
Investment fund shares/units		*		*	*	Investment fund shares	* *
Insurance, pension and standardized guarantee schemes		*		*	*	Insurance, pension and standardized guarantee schemes	* *
Financial derivatives and employee stock options		*		*	*	Financial derivatives and employee stock options	* *
Trade credit and advances		*		*	*	Trade credit and advances	* *
Emission permits and other accounts receivable /payable n.e.c		*		*	*	Other accounts receivable/payable	* *

CR/REV: Credit/Revenue, DR/EXP: Debit/Expenditure, DE: Domestic Economy, ROW: Rest of the World, GS: Good and Service account, DI-Direct investment, PI-Portfolio investment, FD-Financial derivatives, OI-Other investment, RA-Reserve assets, A&L – Assets and Liabilities.

* - Cells with corresponding entries in the BOP and national accounts.

¹ Investment income attributable to insurance policyholders, where the parties are in a direct investment relationship, is relatively uncommon, and the BPM7 manual recommends including it under interest and similar returns.

² All the itemized debt instruments in DI are consolidated into “Debt instruments.”

^{3/} This category is broken down into (i) gross fixed capital formation; (ii) depreciation (-); (iii) changes in inventories; and (iv) acquisitions less disposals of valuables.

^{4/} This category is broken down into (i) gross fixed capital formation; (ii) depreciation (-); (iii) changes in inventories; and (iv) acquisitions less disposal of non-produced natural resources

^{5/} This category is broken down into natural resources, contracts, leases, and licenses, marketing assets, crypto assets without a corresponding liability designed as a medium of exchange

A12.13 Interest and similar returns is measured on exactly the same basis in both the balance of payments and the national accounts. However, the presentations differ. In order to reconcile investment income in the balance of payments and in the national accounts, subcomponents below the level of the functional categories of investment income need to be used. For example, the figures for interest and similar returns expenditure to and from the rest of the world as shown in the national accounts are the sum of payments under each functional category heading, as reflected in the right-side headings in table A12.1.

The Capital Account

A12.14 The accumulation accounts in the national accounts comprise the capital account, the financial account and the other changes in financial assets and liabilities account. The elements of the capital account in the national accounts that correspond to the balance of payments transactions include acquisitions less disposals of non-produced non-financial assets (excluding natural resources), acquisitions less disposals of non-produced natural resources and capital transfers receivable/payable from the rest of the world or payable to the rest of the world (Table A12.1). Capital transfers receivable/payable recorded in the capital accounts of both the SNA and the BOP include capital taxes (Para 14.28), investment grants, debt forgiveness and other capital transfers.

The Financial Account

A12.15 In the national accounts, the financial account transactions (comprising the financial assets and liabilities) are classified by financial instrument and institutional sector. In the BOP, however, the financial account is presented by functional categories as the primary level of classification and further disaggregated by instrument and institutional sector, which makes it possible to link them to the corresponding components in the national accounts (Table A12.1).

Linkages of the National Accounts Balance Sheet with the International Investment Position

A12.16 The balance sheet in the national accounts measures the positions of assets, both nonfinancial and financial, and liabilities for each institutional sector so as to derive the net worth of the economy. The part of the national balance sheet that represents the cross-border component (rest of the world) —that is, the positions of financial claims (financial assets) and liabilities where one party is nonresident — and gold bullion held as reserves correspond to the IIP. Table A12.2 gives a comparative overview of the linkages of the national accounts balance sheet with the IIP. For the financial assets and liabilities in the balance sheet of the national accounts, Table A12.2 presents an additional breakdown of the financial instruments by functional category to align with the IIP.

Table A12.2: Linkages of National Accounts Balance Sheet with the International Investment Position

Balance Sheets	NA						International Investment Position									
	DE		ROW		G&S											
	A	L	A	L	A	L	A	L								
Non-financial Assets																
Financial Assets and Liabilities			*	*			*	*	Financial Assets and Liabilities	DI	PI	FD	OI	RA		
Monetary gold and SDRs			*	*			*	*	Monetary gold and SDRs				*	*		
Currency and deposits			*	*			*	*	Currency and deposits	*			*	*		
Debt securities			*	*			*	*	Debt securities	*	*			*		
Loans			*	*			*	*	Loans	*			*	*		
Equity			*	*			*	*	Equity	*	*		*	*		
Investment fund shares			*	*			*	*	Investment fund shares		*		*	*		
Insurance, pension and standardized guarantee schemes			*	*			*	*	Insurance, pension and standardized guarantee schemes	*			*			
Financial derivatives and employee stock options			*	*			*	*	Financial derivatives and employee stock options			*		*		
Trade credit and advances			*	*			*	*	Trade credit and advances	*			*			
Emission permits and other accounts receivable/payable n.e.c.			*	*			*	*	Other accounts receivable/payable	*			*			
Total Assets and Liabilities									Total Assets and Liabilities							

DE – Domestic Economy, ROW = Rest of the World, G&S = Goods and Services Account.

C. Linkages of External Accounts with Government Finance Statistics

A12.17 The linkages of Government Finance Statistics with balance of payments and IIP are depicted in Figure A12.2. The GFS framework comprises (1) *the statement of operations*, which records the results of all transactions during an accounting period; (2) *the statement of other economic flows*, which summarizes changes in assets, liabilities, and net worth that have not been generated by transactions; and (3) *the balance sheet*, which shows positions of financial and nonfinancial assets, positions of liabilities, and net worth. The GFS can be compiled for the general government and/or public sector (that consists of all general government units and public corporations within an economic territory).

Figure A12.2: Relationship Between Government Finance Statistics and External Accounts

Flows				Positions			
Transactions + Other flows				Transactions + Other flows			
Government Finance Statistics				External Accounts			
Statement of Operations				Balance of payments			
Transactions Affecting Net Worth				Current Account			
Revenue				Goods			
Taxes				Services			
Social contributions	*			O/w Government goods and services, nie			
Grants				Earned income			
O/w from foreign governments & International Organisations				Remuneration of Employees			
Current	*			Investment Income			
Capital	*			Income on equity (DI)			
O/w Debt Forgiveness	*			Income on equity and investment fund shares (PI, CI)			
Other revenue				Investment income attributable to policyholders in insurance, pensions and standardized Guarantee schemes (OI)			
O/w Debt Forgiveness	*			Interest and similar returns (DI, PI, OI)			
Expense				Other Earned Income			
Remuneration of employees	*			Rent			
Use of goods and services	*			Taxes on production and on imports			
Depreciation				Subsidies			
Interest and similar returns				Transfer income			
O/w to non-residents	*			General government			
Subsidies				Current taxes on income, wealth, etc.			
Grants				Social contributions less service charges			
O/w To foreign governments & International Organisations				Social benefits			
Current	*			Nonlife insurance premiums less service charge			
Capital	*			Nonlife insurance claims			
O/w Debt Forgiveness	*			Current international cooperation			
Social benefits	*			Miscellaneous current transfers of general government			
Other expense				Financial corporations, nonfinancial corporations, households, and NPISH			
O/w Debt Forgiveness	*			Capital account			
NOB/GOB Net/gross operating balance (1-2)/1				Acquisitions (debts/expenditures)/ disposals (credits/revenues) of nonproduced non-financial assets			
Transactions in nonfinancial assets:	Transac	Other	Closing	Capital transfers			
Net/gross investment in nonfinancial assets/2	tions	Economic	Balance	General government			
Fixed assets		Flows	Sheet	Capital taxes			
Inventories				Investment grants			
Valuables				Debt forgiveness			
Nonproduced assets	*			Other capital transfers			
Expenditure				Financial corporations, nonfinancial corporations, households, and NPISHs			
NLB Net Lending (+)/borrowing (-)				Financial Account			
Transactions in financial assets & Liabilities	Transac	Other	Closing	Direct Investment			
Net acquisition of financial assets	tions	Economic	Balance	Portfolio Investment			
Domestic/3		Flows	Sheet	Other Investments			
External/3	*			Financial derivatives			
Net incurrence of liabilities				Reserve Assets			
Domestic/3				Statistical Discrepancy			
External/3	*						

NAFA- Net Acquisition of Financial Assets, NIL-Net Incurrence of Liabilities, FAL - Foreign assets and Liabilities.

^{1/} The net operating balance equals revenue minus expense. The gross operating balance equals revenue minus expense other than depreciation.

^{2/} The net investment in nonfinancial assets equals acquisitions minus disposals minus depreciation. The gross investment in nonfinancial assets equals acquisitions minus disposals.

^{3/} Classified by instrument and/or sector of the counterparty.

^{4/} The direct investment related interest and similar returns includes investment income attributable to insurance policyholders.

^{5/} This category is broken down into natural resources, contracts, leases, and licenses, marketing assets, crypto assets without a corresponding liability designed as a medium of exchange

The Statement of Operations

A12.18 The Statement of Operations is a summary of transactions of the general government and/or public sector in a given accounting period and has three main categories: (1) transactions affecting net worth (revenue and expense); (2) transactions in nonfinancial assets (net acquisition of nonfinancial assets); and (3) transactions in financial assets and liabilities (the net acquisition of financial assets and the net incurrence of liabilities). The statement of operations has similarities with transactions presented in the current, capital, and financial accounts of the balance of payments (Figure 2).

Transactions affecting Net Worth

Revenue

A12.19 Revenue is classified in four broad categories in the GFS: (1) *taxes*; (2) *social contributions*; (3) *grants*; and (4) *other revenue*.

A12.19-1 In the GFS, *taxes* are classified in six major categories, namely (i) *taxes on income, profits, and capital gains*; (ii) *taxes on payroll and workforce*; (iii) *taxes on property*; (iv) *taxes on goods and services*; (v) *taxes on international trade and transactions*; and (vi) *other taxes*. However, only *taxes* levied on nonresidents are included in the balance of payments. Specifically, the major categories of taxes recorded in the BOP include *taxes on production and on imports* (Para 12.91-12.94) recorded in the earned income account, *taxes on income, wealth, etc.* (Para 13.28 -13.31), recorded in the transfer income account and *capital taxes* (Para 14.28) recorded in the capital account.

A12.20 *Social contributions* receivable from nonresidents by the general government sector are included in the transfer income account in the balance of payments.

A12.21 *Grants (current or capital)* are defined as transfers receivable by general government from other resident or nonresident government units or international organizations that do not meet the definition of a tax, subsidy, or social contributions in the GFS. *Current grants* receivable from foreign general governments and international organizations are often the most important linkage between the GFS and the balance of payments. They are recorded in the transfer income account of the balance of payments under current international cooperation. *Capital grants* in cash or in kind to finance all or part of the cost of acquiring fixed assets receivable by government from foreign general governments and international organizations correspond to investment grants that are recorded in the capital account of the balance of payments under capital transfers. Debt forgiveness receivable by general government units from foreign governments or international organizations is recorded in the GFS as revenue in *capital grants*. A corresponding reduction in the appropriate external debt instrument is recorded. In the balance of payments, *debt forgiveness* is recorded as a capital transfer in the capital account from the creditor economy to the debtor economy, offset by a reduction in the liability of the debtor (reduction in the asset of the creditor) under the appropriate debt instrument in the financial account.

Other revenue

A12.23 *Other revenue* in the GFS consists of (i) property income; (ii) sales of goods and services; (iii) fines, penalties, forfeits; (iv) transfers not elsewhere classified; and (v) premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes.

A12.24 *Property income* consist of investment income and rent, of which the portion receivable from nonresidents is recorded in the earned income account of the balance of payments. The GFS does not present a functional classification of investment income as in the external accounts but classifies the income into interest and similar returns, dividends, withdrawals from income of quasi-corporations, property income from investment income disbursements (i.e., property income attributed to insurance policyholders and holders of investment fund shares), and reinvested earnings on foreign direct investment.

A12.25 In the GFS, *sales of goods and services* are classified in four broad categories: *sales by market establishments*, *administrative fees charged for services*, *incidental sales by nonmarket establishments*, and *imputed sales of goods and services* (that is, remuneration of employees in kind). Although these sales are not classified by product in the GFS, these sales to nonresidents are reflected in the relevant categories of the goods and services accounts of the balance of payments.

A12.25-1 *Fines and penalties* imposed on nonresidents and *premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes* receivable from nonresidents are reported in the transfer income account of the balance of payments. Current or capital transfers *not elsewhere classified* are reflected in the transfer income account and the capital account of the balance of payments, respectively.

A12.25-2 Debt forgiveness receivable by general government units from nonresidents other than foreign governments or international organizations is recorded under other revenue as capital transfers not elsewhere classified in GFS and as capital transfers in the capital account of the BOP.

Expense

A12.26 Expense in the GFS is classified in eight broad categories: (i) *remuneration of employees*, (ii) *use of goods and services*, (iii) *depreciation*, (iv) *interest and similar returns*, (v) *subsidies*, (vi) *grants*, (vii) *social benefits*, and (viii) *other expense*. *Depreciation* is not applicable to the balance of payments.

A12.26-1 *Remuneration of employees*, *interest and similar returns*, and *subsidies* payable to nonresidents are recorded in the earned income account while *social benefits* are recorded in the transfer income account of the balance of payments.

A12.26-2 *Use of goods and services* in the GFS consists of the value of goods and services used for the production of market and nonmarket goods and services. Acquisitions of these goods and services from nonresidents are reflected in the goods and services accounts of the balance of payments.

A12.26-3 Government expenses in the form of *current grants* to nonresidents are recorded in the transfer income account while *capital grants including debt forgiveness¹, assumption and other debt reorganization* are recorded in the capital account in the balance of payments.

A12.26-4 *Other expense* comprises *property expense other than interest and similar returns; transfers not elsewhere classified; and premium, fees, and claims related to nonlife insurance and standardized guarantee scheme*. *Property expense other than interest and similar returns, including rent, and premium, fees, and claims related to nonlife insurance and standardized guarantee schemes* payable to nonresidents are recorded in the earned income account of the balance of payments. Government transactions with nonresidents related to current and capital *transfers not elsewhere classified* are recorded in the transfer income account and the capital account of the balance of payments, respectively.

Transactions in Nonfinancial Assets

A12.27 In GFS, transactions in nonfinancial assets include all categories of produced and nonproduced assets. *Gross acquisitions and disposals of nonproduced nonfinancial assets* are shown in the GFS and these transactions with non-residents are recorded in the capital account of the balance of payments. Transactions in produced nonfinancial assets are included in the respective balance of payments categories—for example, goods are recorded in the goods account.

Transactions in Financial Assets and Liabilities

A12.28 The transactions in external financial assets and liabilities for the government and/or public sector correspond to the transactions recorded in the financial account of the balance of payments. In the GFS, net acqui-

¹ In GFS if the counterpart is a foreign government or international organization, then they are recorded under capital grant expense. However, if the counterpart is a nonresident corporation, then it is recorded under other expense.

sition of financial assets and net incurrence of liabilities are classified by instrument and residence of the counterparty (domestic or external). However, unlike the external accounts, the GFS does not present these transactions by functional category. External financing of the fiscal deficit by government is reflected in the increase in financial liabilities, while an increase in government holdings of external assets is reflected on the rise in financial assets.

The Statement of Other Economic Flows

A12.29 Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions. In the GFS, they are classified into holding gains and losses and other changes in the volume of assets for each asset/liability category. Other economic flows in the external financial assets and liabilities are reflected in the *accumulation accounts* of the integrated IIP under *other changes in financial assets and liabilities accounts* that consists of *revaluations* (due to exchange rate changes or other price changes), and *other changes in volume* (due, for example, to cancellations and write-offs of debt and reclassifications).

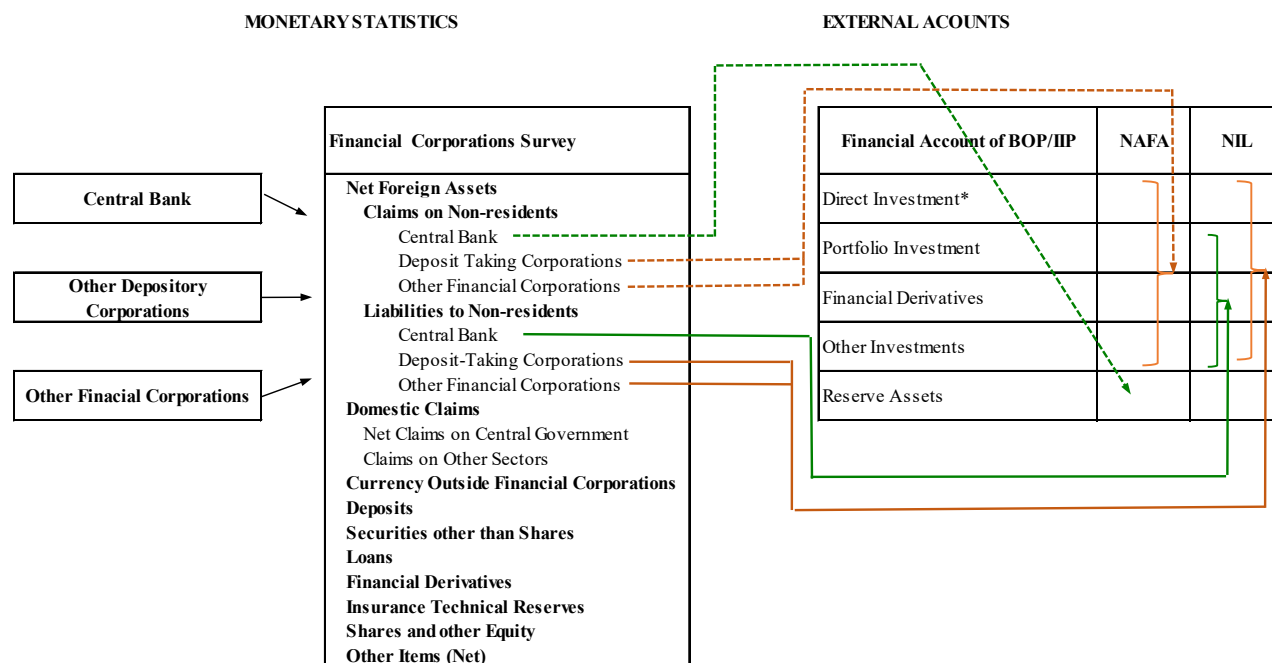
The Balance Sheet

A12.30 The balance sheet in the GFS covers financial assets and liabilities as well as nonfinancial assets. Financial assets and liabilities in the GFS are classified by instrument and residence of the counterparty. In the IIP, financial assets and liabilities are classified by functional category, instrument, institutional sector, and maturity. However, nonfinancial assets are not included in both the financial account of the BOP and the IIP.

D. Linkages of the External Accounts with Monetary Statistics

A12.31 Monetary Statistics are broadly consistent with the external accounts. Monetary statistics focus on the compilation and reporting of balance sheet data (end-of-period positions) for the central bank, other depository corporations and other financial corporations (Figure A12.3). However, coverage of monetary statistics may differ from one economy to another.

Figure A12.3: Linkages of the External Accounts with Monetary Statistics



NAFA- Net Acquisition of Financial Assets, NIL-Net Incurrence of Liabilities.

* This figure includes broad linkages of MFS to direct investment. The information available in the MFS could be a basis for estimating direct investment but additional information is required on investment relationships to aid classification (e.g., the shareholding structure).

A12.32 The definition and delineation of resident and nonresident entities, time of recording of transactions and other flows, financial asset and liability valuation, and data aggregation and consolidation are broadly consistent between MFS and external accounts. However, there are some differences in sectoring of the institutional units and in the classification of the various categories of financial assets and liabilities.

A12.33 In the monetary statistics methodology, all financial corporations that issue liabilities included in broad money are designated as depository corporations. These include the *central bank* subsector, the *other depository corporations* (ODC) subsector, which includes, deposit-taking corporations and *money market fund shares* (MMFs). In the external accounts, MMFs are not grouped with deposit-taking corporations but are consolidated with other financial corporations. However, MMFs are separately identified as supplementary information in the BOP. Therefore, separate identification of data on MMFs is required to match the recording in the balance of payments and IIP. Further, the institutional coverage of ODC subsector in monetary statistics may differ, as some institutions considered deposit-taking institutions in the balance of payments and IIP may not be included

in ODCs in MFS, if they do not issue liabilities included in broad money. For instance, offshore banks that do not accept deposits from resident money holding² sectors, are classified as other financial corporations in monetary statistics while in the external accounts they are considered deposit-taking institutions.

A12.34 The major categories for financial assets and liabilities in monetary statistics follow the external accounts financial instruments classification. The differences in the classification of financial assets in the monetary statistics and the external accounts are as follows:

A12.35 *Classification by maturity* —In the external accounts, most of debt instruments are divided into separate categories for short-term instruments (original maturity of one year or less) and long-term instruments (original maturity of more than one year). The standard components in monetary statistics do not include loans and debt securities classified by maturity, but such short-term instruments (original maturity of one year or less) are separately identified in memorandum items with currency and counterparty breakdown, allowing users to derive long-term loans and debt securities.

A12.36 *Classification by currency of denomination* - The monetary and financial statistics manual requires a breakdown of all instruments, financial assets and liabilities, except equity liabilities, into domestic currency and foreign currency. However, in external accounts, only selected tables comprising stocks of external financial assets and liabilities are compiled by currency of denomination.

A12.37 *Valuation* - The valuation principles and other accounting rules in the monetary statistics are broadly consistent with external accounts. However, a major exception for monetary statistics is the valuation of equity on the liability side of the sectoral balance sheets of financial corporations. For the monetary statistics, liabilities in the form of equity are measured at book value. In the external accounts, equity securities (for both assets and liabilities) should be valued at the market or fair value. Liabilities to nonresidents in the form of equity are not separately identified in monetary statistics on-balance sheet. However, a memorandum item is recommended with the market or fair value of equity by counterparty sector.

² In MFS, money holding sectors refer to all other sectors excluding money issuing sectors, i.e. all sectors except central bank, other depository corporations, central government and non-residents.

A12.38 Functional categories- In general, monetary statistics do not use functional categories used in external accounts to classify financial assets and liabilities. This can pose compilation challenges where monetary statistics are used to estimate balance of payments/IIP data. Refer to BPM6 Compilation guide Annexes 6.3 and 6.4 for a reconciliation of the IIP and the ODC and Central Bank items, respectively.

E. Linkages of International Investment Position with External Debt Statistics

A12.39 The IIP and external debt statistics are closely related despite differences regarding the presentation of the data. Provided that debt securities are valued at market value, the gross external debt position, as presented in the EDS Guide, equals the debt liabilities in the IIP statement. The gross external debt position equals total IIP liabilities excluding all equity (equity and investment fund shares, and other equity) and financial derivatives and employee stock options.

A12.40 Table A12.5 gives a summary of the IIP that facilitates the identification of debt liabilities covered, and the corresponding items in the gross external debt position. The columns show the breakdown of the IIP by institutional sector, and the assets and liabilities by functional category are shown in the rows, with debt instruments separately identified in the liabilities section of the table (shaded area in the table do not constitute external debt liabilities). The last column identifies the debt item as shown in the gross external debt position.

Table A12.5: International Investment Position and External Debt Statistics

	International Investment Position	Central Bank	Deposit taking Corporations, except the central bank	General Government	Other Financial Corporations	Non-financial corporations	Households and NPISHs	EDS Corresponding item
A	Assets							
	By Functional Category							
	Direct Investment							
	Portfolio Investment							
	Financial Derivatives							
	Other Investments							
	Reserve Assets							
	Total Assets							
B	Liabilities							
	By Functional Category and Instrument							
	Direct Investment							
	Equity and investment fund shares							
	Debt instruments/l							DI: Intercompany lending
	Portfolio Investment							
	Equity and investment fund shares							
	Debt instruments/l							Debt securities
	Financial Derivatives and employee stock options							
	Other Investments							
	Other equity							
	Debt instruments							
	SDRs		NA		NA	NA	NA	SDR (allocations)
	Currency and Deposits							Currency and deposits
	Loans							Loans

	Insurance, pension, standardized guarantee schemes						Other debt liabilities
	Trade credit and advances						Trade credit and advances
	Other accounts receivable/payable						Other debt liabilities
	Total Liabilities						
	Of Which: Total debt instruments						Gross external debt position.
A-B	Net IIP						

¹Debt instruments classified as direct investment are not broken down by type of instrument in the IIP standard components. However, debt securities are separately identified as a supplementary item.

NPISH- Nonprofit institutions serving households.

Note: Shaded areas are NOT external debt liabilities, the rest constitute external debt liabilities. NA = Not applicable

A12.41 In the IIP, positions of financial assets and liabilities should, in general, be valued at market value.

Whereas the basic valuation method for debt securities is the market value, the nominal value is encouraged as a supplementary item. The EDS Guide recommends that debt instruments be valued at the reference date at nominal value, and for debt securities, at market value as well. The primary valuation for positions of non-negotiable instruments (which include loans, currency and deposits, trade credit and advances, and other accounts receivable/payable) is nominal value in both datasets—IIP and external debt statistics. Therefore, data consistency between debt instruments (liabilities) recorded in the IIP and in the gross external debt position can be ensured.