



Proposed Recommendations Document:

1.33 The Statistical Treatment of Negative Interest Rates

Summary Details

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals: BPM Clarification Note: The Statistical Treatment of Negative Interest Rates Draft 2025 SNA and Draft BPM7 ¹	
Global Consultation(s):	Not applicable
Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):	BOPCOM: October 2016
Discussions at GFSAC Meeting(s):	To be determined
Summary of Proposed Recommendations: <p>The proposed recommendation is to provide new guidance in the updated GFSM on the recording of negative interest income/receivable and expense/payable on deposits or other applicable financial instruments. Under this proposal, negative interests on deposits and other applicable financial instruments would be recorded as a negative income receivable by the asset holders and a negative expense payable by the liability holders, which is in line with the guidance on the statistical recording of negative interest in the draft 2025 SNA (paras. 8.124-8.125) and of the draft BPM7 (paras.12.71-12.72). More broadly, the existing circumstances under which revenue and expense can be negative will also be clarified.</p>	

Background and Issues

1. In periods of economic distress, negative interest rates can be observed on deposits held at central banks, commercial banks and on government debt securities as a monetary policy measure to boost private expenditure and support price stability.
2. Positive interest rates on deposits is investment income for deposit holders (including commercial banks) payable by the deposit taker (e.g., commercial banks, central banks, government). In contrast,

¹ Links are to the "white cover" versions of the 2025 SNA and BPM7. While technically still considered draft only editorial amendments will be made between these versions and the final versions.

negative interest rates reverse the flow of the investment income to the deposit taker, which becomes payable by deposit holders for the safe keeping of their funds.

3. The BPM clarification note on the statistical treatment of negative interest rates considers whether the macroeconomic statistics should treat the results of negative interest rates on financial assets as negative revenue receivable, for the deposit holder, or as a positive expense payable. The clarification note, recognizes that the international accounting standards² had concluded that “the expense arising on a financial asset because of a negative effective interest rate should not be presented as interest revenue, but in an appropriate expense classification”. However, ultimately the clarification note concludes that in macroeconomic statistics the transactions generated by negative interest rates applied to financial assets should be recorded as negative interest receivable for the owner of the assets (and negative interest payable for the counterpart).

4. In reaching this conclusion the clarification note, highlights parallels with the statistical treatment of reinvested earnings and index-linked bonds, both of which can result in negative property income being recorded under certain circumstances. The clarification note also raised concerns that treating the negative interest income as an expense would break the link between income and the related financial instruments, hampering rate of return analysis.

5. The *GFSM 2014* does not explicitly provide guidance on the recording of payments generated by negative interest rates (either as expense or revenue). However, it does include the conceptual principles that “revenue is an increase in net worth resulting from a transaction” (para. 5.1) and that “expense is a decrease in net worth resulting from a transaction” (para. 6.1). These principles would appear to lead to the conclusion that negative interest receivable for the holder of a financial asset should be recorded as an expense as it would decrease net worth.

6. However, there are several examples of negative revenue or negative expense allowed for in the *GFSM 2014*. Firstly, government bonds issued at a premium require the accrued interest expense (the difference between the issue price and the redemption price), to be amortized over the life of the financial instrument (see *GFSM 2014*, paras. 6.73, 9.40). This means that the accrued interest will be recorded as a reduction in interest expense in the form of a negative interest expense (above-the-line) with a corresponding reduction in debt securities (below-the-line) at each end of the period over the life of the bond. Similarly, for index-linked bonds where accrued interest is based on the movement of the index, negative interest can be observed when the index declines. Other examples include that of tax refunds which are recorded as a reduction in revenue (see *GFSM 2014*, paras. 5.7, 5.27) and reinvested earnings in cases where the direct investment enterprise is loss making or the actual distributions exceed the profits of that period (see *GFSM 2014*, paras. 5.134-135).

7. The draft *2025 SNA* and *BPM7* have concluded, based on the BPM clarification note, that negative interest rates should be recorded as negative interest payable expense for the liability holder and negative interest revenue receivable for the investor (asset holder), with a corresponding reduction in the respective deposit or other financial instrument.

Proposed Recommendations

² Through a [decision of the International Financial Reporting Standards \(IFRS\) Interpretations Committee](#)

8. The following recommendations are proposed for the *GFSM 2014* update to provide guidance on the treatment of negative interest rates:

- Negative interest receivable on applicable financial instruments to be recorded as **negative interest revenue** (GFS code 1411) with a **corresponding reduction** in **assets** in the relevant underlying financial instrument (if accrued and unpaid).
- Negative interest payable on applicable financial instruments to be recorded as **negative interest expense** (GFS code 24) with a **corresponding reduction** in **liabilities** in the underlying financial instrument (if accrued and unpaid).
- For analytical purposes and better interpretation of time series, supplementary information in the form of an “of which” line to be encouraged under the **interest revenue** (GFS code 1411) and **interest expense** (GFS code 24), where the negative interest is significant.
- Clarification on the definition of revenue and expense in the GFS Framework to explain those specific circumstances under which revenue and expense may be negative. It is important to note that the scope of these definitions will not be expanded; rather, the focus will be on providing clearer guidance regarding existing situations.

Rationale for Proposed Recommendations

9. The proposed recommendations aim to harmonize the updated *GFSM* with the 2025 *SNA* and *BPM7*, a key objective of the *GFSM 2014* update process. They address the lack of explicit guidance for the treatment of negative interest in GFS, while the supplementary “of which” line will facilitate better analysis of positive and negative interests and help explain the variation in interest revenue and expense within time series analysis.

Proposed Text for GFSM Update

10. The text in the draft *BMP7* (paras. 12.71-12.72), together with the example given in the annex, could be used as the basis of new guidance on the treatment of negative interest rates in the update of the *GFSM 2014*. Similar revised text can be found in draft 2025 *SNA* (paras. 8.124-8.125).

12.71 In extraordinary circumstances and in periods of economic distress, negative interest rates can be observed on the deposits of central banks and of commercial banks and on government debt securities. For index-linked bonds where accrued interest is based on movement of the index, negative interest could be observed if the index declines (see paragraph 12.85 and Box 12.6). In the BOP, negative interest payable on financial instruments is recorded as a negative debit/expenditure and negative interest receivable is recorded as a negative credit/revenue. Economies with significant negative-yielding deposits could consider the incorporation of an “of which” category showing the negative interest income separately in their national publications

12.72 Negative interest can occur also for securities under a reverse transaction as explained in paragraph 12.93.

Annex I: Illustrative Example of the Recording of Negative Interest on Currency & Deposits in the Proposed Recommendation

, The central bank of Country A introduced in 2024 a negative interest rate as a nonstandard monetary policy measure. They have introduced a negative interest rate of 1.5 percent on total deposits (10,000 USD) held. Of these, the budgetary central government (BCG) as well as the other subsectors of the general government (GG) has deposits amounting to 3,000 USD. How will the annual interest transactions be recorded in the GFS of the central bank and that of the GG?

Proposed recommendation: (i) The **interest payments** payable by the central bank should be recorded as a **negative interest payment** (-150 USD) with a **corresponding decrease** in currency and deposits on the **liability side**. (ii) The **interest revenue** receivable by GG on their deposits at the central bank should be recorded as a **negative interest revenue** (-45 USD) with a **corresponding decrease** in currency and deposits (-45 USD) on the **assets side**.

Proposed GFSM 2014 update guidance	Central Bank		General Government	
Opening Balance Sheet – 2024	Financial Assets	Liabilities	Financial Assets	Liabilities
Currency & Deposits		10,000	3,000	
Debt Securities				
Loans				
Accounts payable/receivable				
Transactions - above-the-line - 2024	Revenue	Expenditure	Revenue	Expenditure
Interest		-150	-45	
Other revenue / expenditure				
Transactions - below-the-line - 2024	Financial Assets	Liabilities	Financial Assets	Liabilities
Currency & Deposits		-150	-45	
Debt Securities				
Loans				
Accounts payable/receivable				
Closing Balance Sheet – 2024	Financial Assets	Liabilities	Financial Assets	Liabilities
Currency & Deposits		9,850	2,955	
Debt Securities				
Loans				
Accounts payable/receivable				