

**BALANCE OF  
PAYMENTS  
COMPILATION  
GUIDE**



**INTERNATIONAL MONETARY FUND**

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## *Preface*

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The *Balance of Payments Compilation Guide* (the *Guide*) is a companion document to the *Balance of Payments Manual (the Manual)* the fifth edition of which was published by the International Monetary Fund (IMF) in 1993. The primary purpose of the *Guide* is to provide practical direction for using sources and methods to compile statistics on the balance of payments and the international investment position.

The *Manual* reflects important changes in international transactions (e.g., liberalization in financial markets, unprecedented growth in the volume of international trade in services, innovations in creation and packaging of financial instruments, and new approaches to restructuring external debt). The *Guide* reflects the emergence of new data sources and adaptations in the application of statistical methodologies to changing circumstances.

Statistical methodologies evolve over time and in the context of institutional arrangements existing in different countries. Therefore, the *Guide* does not present a prescriptive or definitive approach to compiling statistics on the balance of payments and the international investment position. Instead, the *Guide* presents the relative strengths and weaknesses of a variety of approaches and notes source data adjustments required to derive, in conformance with recommendations of the *Manual*, data on flows and stocks. The *Guide* also discusses relationships between the compilation of balance of payments statistics and relevant aspects of the national accounts.

The *Guide* was prepared, through close consultation with national compilers of balance of payments statistics and experts from interested international and regional organizations, by staff of the IMF Statistics Department. The project was supervised by Assistant Director Mahinder S. Gill, Balance of Payments and External Debt Division I

(BOPEDD I). In October 1991, Mr. Geoffrey Robertson, who was then a senior economist in the division and on secondment from the Australian Bureau of Statistics, prepared a preliminary draft of the *Guide*. This preliminary document was circulated to national balance of payments compilers and balance of payments experts working in international and regional organizations. Mr. Peter Harper (economist, BOPEDD I) subsequently undertook the task of redrafting the preliminary document and revising the text to incorporate the effects of reviewer comments, the updated statistical framework embodied in the fifth edition of the *Manual* and the revised *System of National Accounts* published in 1993. Mr. Peter Hofman of the Netherlands Bank provided a draft of the discussion on electronic data interchange (EDI), which appears in chapter 3 of the *Guide*. Ms. Nancy Basham, assistant editor in the Statistics Department, edited the final document and coordinated print production. Ms. Suzanna Persaud (staff assistant, BOPEDD I) typed revised and final versions of the *Guide*.

The IMF staff wishes to acknowledge, with thanks, its indebtedness to national and international balance of payments experts for the valuable comments and suggestions offered on the content of the *Guide*.



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## ***Contents***

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Preface *iii*

Acronyms Used in This Guide *x*

### **I. Introduction 1**

Purpose of This Guide *1*

Scope of This Guide *1*

Organization of This Guide *2*

The Balance of Payments (BOP) Conceptual Framework *2*

Data Sources Used to Compile BOP Statistics *4*

Compiling and Disseminating BOP Statistics *5*

### **II. International Trade Statistics (ITS) 7**

Introduction *7*

International Guidelines on ITS *7*

Compilation of ITS *12*

Uses of ITS in International Accounts *13*

### **III. International Transactions Reporting Systems (ITRS) 15**

Introduction *15*

Model of a Simple ITRS *15*

Modifying the Model of the Simple ITRS *20*

Measurement of Noncash Transactions *21*

Preparation of a BOP Statement *22*

A Model ITRS *23*

Electronic Reporting *24*

### **IV. Enterprise Surveys (ES) 27**

Introduction *27*

Goods and Merchanting Services *27*

Freight and Insurance on Imports *29*

Use of ES to Measure International Travel *29*

Insurance Transactions *31*

Use of ES to Measure Other Services *31*

Transactions Associated with Foreign Workers *32*

Special Bank Data *32*

Private Development Aid Transfers *33*

Use of ES to Measure External Assets and Liabilities *33*

Surveys of Banks and Other Financial Institutions *35*

<b>V.</b>	<b>International Transportation Surveys</b>	<b>37</b>
	Overview	37
	Model Collection Forms	37
	Passenger Fares—Travel Revenue or Ticket Sales	38
	International Shipping Surveys	38
	International Airline Surveys	40
	Rail Transport	40
	Other Modes: Road, Waterways, and Space	40
	Transactions Involving Oil Rigs and Fishing Vessels	41
<b>VI.</b>	<b>Surveys of International Activity Associated with Securities</b>	<b>43</b>
	Overview	43
	Data Requirements	43
	Identifying Security Issuers and Owners	44
	Identifying Transactors	45
	Derivative Instruments	45
	Data Sources	46
	Model Collection Forms	47
	Overcoming Possible Problems	50
<b>VII.</b>	<b>Collections from Persons and Households</b>	<b>51</b>
	Overview	51
	Migration Statistics	51
	Alternative Statistics on Across-the-border Movements	53
	Surveys of Travelers	53
	Other Collections	55
<b>VIII.</b>	<b>Official Data Sources Not Included Elsewhere</b>	<b>57</b>
	Overview	57
	Data on the Official Sector	57
	Administrative By-product Data	63
<b>IX.</b>	<b>Data from Partner Countries and International Institutions</b>	<b>65</b>
	Partner Country Data	65
	Data from International Institutions	66
<b>X.</b>	<b>Compiling the BOP Statement: an Overview</b>	<b>69</b>
	Introduction	69
	The BOP Worksheet	69
	Estimation and Projection	69
	BOP Coding System	71
	Relationship Between the <i>Balance of Payments Manual</i> and the <i>System of National Accounts 1993</i>	72
	Unit of Account and Multiple Exchange Rate Conversions	72
	Treatment of the Operation of Mobile Equipment	76
	Treatment of Construction Activity	86
	Selected Household Transactions	90

Treatment of Individuals with Multiple Residences 90

**XI. Compiling the BOP Current Account: Goods 103**

Introduction 103

International Trade Statistics as a Primary Source for Compilation of Goods 103

An International Transactions Reporting System as a Primary Source for Compilation of Goods 104

Enterprise Surveys as Primary Sources for Compilation of Goods 106

Subclassification of Commodities 109

Estimation in the Absence of Data 109

Projections 111

Treatment of Goods for Processing 112

Treatment of Transfer Pricing 112

**XII. Compiling the BOP Current Account: Services 115**

Transportation 115

Travel 122

Other Services 124

**XIII. Compiling the BOP Current Account: Income 131**

Compensation of Employees 131

Investment Income 133

**XIV. Compiling the BOP Current Account: Current Transfers 141**

Introduction 141

Data Sources and Methods 141

Treatment of Technical Assistance in the BOP 143

Treatment of Food Aid in the BOP 144

Reconciliation with Rest of the World Accounts 144

**XV. Compiling the BOP Capital Account 145**

Capital Transfers 145

Acquisition and Disposal of Non-produced, Nonfinancial Assets 147

**XVI. Compiling the BOP Financial Account and the International Investment Position (IIP) 149**

Introduction 149

Direct Investment 150

Portfolio Investment 157

Other Investment 167

Reserve Assets 173

Extrapolation and Projection 173

Liabilities Constituting Foreign Authorities' Reserves and Exceptional Financing 175

Compilation of External Debt Statistics 177

<b>XVII. Compiling BOP and IIP Statements by Partner Country</b>	<b>179</b>
Overview	179
Multilateral Settlements	179
Countries and Regional Groupings	180
Use of International Trade Statistics to Compile Partner Country Statistics	180
Use of Other Sources to Compile Partner Country Statistics	182
Treatments of Certain Direct Investment Transactions	183
<b>XVIII. Survey (Collection) Design</b>	<b>187</b>
Introduction	187
Well-defined Objectives	187
Legislative Authority	187
Selection of an Appropriate Data Source	188
Statistical Units	188
The BOP Register	188
Collection Strategies	191
Collection Processes	194
Developing Relationships with Data Providers	197
Dealing with Non-response	198
Verifying Reported Data	198
<b>XIX. Questionnaire (Form) Design</b>	<b>201</b>
Overview	201
Page One of the Form	201
Questions and Instructions	203
Types of Questions	203
Some Miscellaneous Issues	204
Steps in Questionnaire Design	205
Model BOP Forms	206
Model Exploratory Form 1	207
Model BOP Enterprise Register Form 2	208
Model International Transactions Reporting System Forms	209
Model Enterprise Survey Forms	209
Other Model Forms	212
<b>XX. The BOP Statistical Process</b>	<b>215</b>
Overview	215
BOP Databases	215
Designing the Data Extraction Process	216
The Estimation Process	217
Designing the Worksheet	217
Analysis and Verification of Results	221
Preparing Data for Publication	223
Developing Computer Processing Systems	223
Timetables	224
Resources	225
Assessing the Accuracy of Estimates	225
Issues Associated with Revisions	226

<b>XXI. Publication of BOP Statistics</b>	<b>229</b>
Introduction	229
Consultation with Users	229
Periodicity	229
Frequency and Timeliness of Publication	230
Dissemination Media	230
Supporting Material in Publications	231
Presentation of Key Aggregates	232
Presentation of Detailed and Supplementary Statistics	234
Seasonally Adjusted, Trend, and Constant Price Series	237
Historical Data	238
Housekeeping Matters	238

## **Appendices**

I.	Balance of Payments Compiler Survey on Data Sources and Methods	239
II.	Model Balance of Payments Forms	259
III.	Model Balance of Payments Publication Tables	355

<b>Index</b>	<b>369</b>
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### **Acronyms Used in This Guide**

BEC	Broad Economic Category
BIS	Bank for International Settlements
BOP	balance of payments
<i>BPM</i>	<i>Balance of Payments Manual</i>
c.i.f.	cost, insurance, and freight
CRS	Creditor Reporting System (Organisation for Economic Cooperation and Development)
DAC	Development Assistance Committee of the Organisation for Economic Cooperation and Development
DRS	Debtor Reporting System (World Bank)
EDI	electronic data interchange
ES	enterprise surveys
FISIM	financial intermediation services indirectly measured
f.o.b.	free on board
<i>Guide</i>	<i>Balance of Payments Compilation Guide</i>
<i>IFS</i>	<i>International Financial Statistics</i>
IIP	international investment position
ITRS	international transactions reporting system
ITS	international trade statistics
LCFAR	liabilities constituting foreign authorities' reserves
OECD	Organisation for Economic Cooperation and Development
SITC	Standard International Trade Classification
<i>SNA</i>	<i>System of National Accounts 1993</i>

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# I. Introduction

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## Purpose of This *Guide*

1. The *Balance of Payments Compilation Guide (Guide)* is a companion document to the fifth edition of the *Balance of Payments Manual (BPM)* published by the International Monetary Fund (IMF or the Fund) in 1993. The primary purpose of the *BPM* is to set out the conceptual framework underlying balance of payments and international investment position statistics. The purpose of the *Guide* is to show how the conceptual framework described in the *BPM* may be implemented in practice. Key elements of the framework are described in paragraphs 12-30 of this introductory chapter.

2. The important relationship between the *BPM* and the *System of National Accounts 1993 (SNA)* is explained, in some detail, in the *BPM* and outlined in chapter 10 of this *Guide*. Apart from a few minor differences, the balance of payments statement may be considered synonymous with the rest of the world accounts of the *SNA*, and the international investment position statement may be considered a component of the sectoral balance sheet accounts of the *SNA*. Therefore, in describing how balance of payments and international investment position statements may be compiled, the *Guide* also illustrates how the rest of the world account of the *SNA* may be compiled.

3. The balance of payments, the international investment position, and reconciliation accounts linking the two can be described as **integrated international accounts**. Although this document might have been entitled the “International Accounts Compilation Guide,” the more widely recognized term *balance of payments* was used for the publication title. Unless text or notes indicate otherwise, the term *balance of payments* refers to balance of payments (BOP), international investment position (IIP), and related reconciliation accounts in the *Balance of Payments Compilation Guide*.

4. The *Guide* was prepared to assist experienced BOP compilers/statisticians and aspiring compilers in understanding the various BOP compilation methods employed throughout the world. The *Guide* should also be useful to national accounts compilers who prepare the rest of the world account by using the BOP statement or sources and methods similar to those used

in BOP compilation. Throughout the *Guide*, the terms *BOP compiler* or *compiler* refer to BOP compilers and national accounts compilers responsible for preparation of international accounts.

5. The *Guide* should also be of considerable interest to users of BOP and national accounts statistics who wish to understand the nature and quality of data sources and methods underlying BOP accounts and related national accounts tables. The *Guide* should be especially helpful in instances when documents on national concepts, sources, and methods are not published.

## Scope of This *Guide*

6. Preparation of the *Guide* included consideration of all the tasks that a BOP compiler normally performs. While such tasks vary from country to country, the following list represents a fairly typical set:

extraction of data from collections (international trade statistics, migration statistics, and other official sources, for example) over which the compiler may have some influence but no day-to-day control;

extraction of data from collections (such as reporting systems for foreign exchange and other international transactions and surveys of businesses) managed, either solely or jointly with other statistical compilers such as national accountants, by the BOP compiler;

compilation of the BOP accounts, supplementary BOP series, the IIP statement, and the rest of the world account of the national accounts;

BOP data management, publication, and dissemination;

BOP projections (forecasting);

evaluation and development of data sources and compilation methods as necessary;

assessment of data quality.

7. The *Guide* covers all of the tasks or functions in the preceding list. For example, the *Guide* includes descriptions of data sources used by the BOP compiler.

For sources that the compiler typically manages, a discussion of design and management of data collection is also included. Similarly, the *Guide* describes topics relevant to BOP projections—but only insofar as the compiler is likely to be involved.

8. Articulating state-of-the-art BOP compilation methodology is difficult because countries have developed procedures independently, and each national methodology may be considered unique. Obviously, the *Guide* cannot describe all methodologies in detail. Some patterns emerge, but different national experiences have created different schools of thought as to the most appropriate methodology. Consequently, it is not possible to present a single methodology suitable in all cases. Instead, the *Guide* outlines various options that may be available. In addition, for countries that have well-developed BOP compilation systems, the *Guide* contains criteria against which developed statistical systems may be compared and evaluated. For countries that may need to modify parts of their compilation systems, the *Guide* presents information on approaches used elsewhere. For countries that do not have well-developed systems or any systems at all, the *Guide* contains directions for compiling all BOP items and a set of model collection forms that can be used as a starting point to develop a BOP collection system.

9. Preparations for the *Guide* included a survey of national BOP compilers, who were asked about data sources and methods used to compile BOP statistics. Questionnaire responses were of great assistance, and results from the survey are presented in appendix 1.

### Organization of This *Guide*

10. Chapters 2 through 9 describe sources that can be used to compile BOP statistics; these sources are summarized in the latter part of chapter 1. Chapters 10 through 17 deal with the compilation of BOP, IIP, and related statistics. Chapters 18 through 21 discuss the processes undertaken to produce these statistics. An overview of chapters 10 through 21 is subsequently provided in chapter 1.

11. The *Guide* has three appendices. Appendix 1 presents a summary of national compiler responses to the survey on BOP sources and methods. Appendix 2 presents a set of model BOP questionnaires, and appendix 3 provides a set of model BOP publication tables.

### The BOP Conceptual Framework

12. A brief outline of the conceptual framework underlying BOP statistics must precede discussion of data

sources and methods used to compile the BOP statement. The following outline provides a summary of the *Balance of Payments Manual*. For a more complete presentation, please consult the *BPM*.

### *Definition of BOP and Basic Concepts*

13. The BOP is a statistical statement designed to provide, for a specific period of time, a systematic record of an economy's transactions with the rest of the world.

14. An *economy* is comprised of economic entities (*residents*) who have closer associations with that specific economy than with any other. Economic entities who have closer associations with other economies are *nonresidents*.<sup>1</sup>

15. Economic transactions include:

transactions in goods, services, and income;<sup>2</sup>

transactions in financial assets and liabilities;

transfers in which real or financial resources are provided by one party to another with no quid pro quo.

16. A basic convention of a BOP statement is the **double entry accounting system** in which every transaction is represented by two entries of equal value.<sup>3</sup> If, for example, an exporter receives foreign currency in payment for goods, a **credit** entry would be recorded in the BOP accounts for the export of goods and an offsetting **debit** entry would be recorded for the exporter's increase in foreign currency bank balances (or other form of foreign currency asset).<sup>4</sup> In traditional BOP accounting form, these entries would be recorded as:

	Credit	Debit
Goods	100	...
Foreign currency assets	...	100

17. In this example, there is an exchange of assets (goods) for cash (foreign exchange). However, not all transactions involve cash payments. The *BPM* includes noncash transactions in the BOP statement because such

<sup>1</sup>The concept of residency is fully discussed in chapter 4 of the *BPM*.

<sup>2</sup>These types of transactions are collectively called *transactions in real resources*.

<sup>3</sup>The double entry accounting system is explained fully in chapter 2 of the *BPM*.

<sup>4</sup>In the BOP accounting framework, a credit entry is recorded for exports of goods and services, income receivable, increases in liabilities, or reductions in financial assets. A debit entry is recorded for imports of goods and services, income payable, reductions in liabilities, or increases in financial assets.

transactions are important in economic analysis. The essential difference in transactions may be described as **BOP on a cash basis** and **BOP on an accrual (or transactions) basis**.

18. Compilation of the BOP on an accrual basis is necessary for complete understanding of economic transactions taking place between residents and nonresidents. The treatment of noncash transactions may be further illustrated by two examples. In the first example, an importer acquires goods abroad and borrows abroad to finance the purchase. It is unlikely that the importer would receive foreign exchange directly; instead, the nonresident financier would pay the nonresident exporter directly. The transaction would be recorded as:

	Credit	Debit
Goods	...	100
External liabilities, loans	100	...

19. In the second example, a government acquires goods valued at 100 via a foreign aid program. Something of economic value is being provided by one party to another without anything of value being received in return. To preserve the double entry accounting system, a notional entry would be made in the BOP to offset the actual transaction. These notional entries are called transfers. Thus, for the example, the following BOP entries would be recorded:

	Credit	Debit
Goods	...	100
Transfers <sup>5</sup>	100	...

20. The BOP accounting system requires that both entries for a transaction be recorded at uniform values and in the same time period. To satisfy this requirement, transactions are recorded at market value, and the time of recording is typically the point at which a change of ownership occurs.<sup>6</sup> In practice, it may be difficult to achieve these theoretical ideals. Different data sources may be used to measure the two entries in a transaction, and these data sources may not reflect uniform valuations and times of recording. In addition, coverage of transactions by data sources may be incomplete, a factor that may lead to omissions in the BOP accounts.

<sup>5</sup>Because the first entry is a debit entry in this case, the offsetting transfer entry is recorded as a credit entry. (That is, transfer entries are opposite to those entries that they offset.)

<sup>6</sup>These concepts are explained in detail in chapters 5 and 6 of the BPM.

21. Income on external financial assets and liabilities is recorded on an **accrued** (earned) basis. This concept, which is broader than the actual payment of dividends and interest, covers dividends due for payment, interest accrued, and unremitted profits of direct investment enterprises. The recording of income is discussed in detail in chapter 14 of the *BPM* and in chapter 13 of the *Guide*.

22. An important issue for the BOP compiler is the conversion of transactions and stock positions data expressed in one currency to the currency (unit of account) in which the BOP accounts are compiled.<sup>7</sup> The *BPM* recommends that conversion take place at the midpoint exchange rate applicable to the transaction and, for the stock position, at the midpoint rate applicable to the date on which the position is measured.

23. Incomplete or overlapping coverage, non-uniform prices, inconsistent times of recording, and inconsistent conversion practices will result in errors and omissions in the BOP. As the BOP accounts are compiled on the basis of double entry accounting, the difference between credit and debit entries will be included in the BOP statement as **net errors** and **omissions**. While there are likely to be errors and omissions that affect both credit and debit items, it is typically not possible, in practice, to measure gross errors. Therefore, only net errors and omissions are recorded.

### *Classifications Used in BOP Statistics*

24. The two major classifications of transactions in the BOP statement are the **current account** and the **capital and financial account**. In brief, the current account shows transactions in real resources (goods, services, income) and current transfers; the capital and financial account shows the financing (generally by way of capital transfers or transactions in financial instruments) of real resource flows. For example, if an economy were a net importer of real resources and had net transfers of zero, the economy would be defined as a net borrower from the rest of the world.

25. The major classifications within the current account are:

- goods
- services
- income
- current transfers

<sup>7</sup>For most countries, the unit of account is the national currency but, for some, another currency (e.g., United States dollars) may be used.

**Illustration 1.1 Reconciliation of Financial Transactions and Stock Positions and Investment Income**

	Reconciliation of Transactions and Stocks				
	Opening Stock	Change in Position		Closing Stock	Investment Income
		Financial Transactions	Other Changes <sup>1</sup>		
Assets					
Direct investment abroad					
Portfolio investment					
Other investment					
Reserves					
Liabilities					
Direct investment in reporting economy					
Portfolio investment					
Other investment					
Net IIP <sup>2</sup>					
Direct investment					
Portfolio investment					
Other investment					
Reserves					

<sup>1</sup>In the full BOP reconciliation accounts, other changes are subclassified into price changes, exchange rate changes, and other adjustments.

<sup>2</sup>Net IIP equals assets less liabilities.

26. The **capital account** records an economy's capital transfers and transactions in non-produced, nonfinancial assets (such as patents and copyrights). The **financial account** records an economy's transactions in external financial assets and liabilities. The major classifications in the financial account are:

functional type of investment (direct investment, portfolio investment, other investment, and reserve assets);

assets (residents' financial claims on nonresidents) and liabilities (nonresidents' financial claims on residents);

instrument of investment (e.g., equity, debt);

sector of the domestic transactor (general government, monetary authorities, banks, and other sectors).

27. The BOP classifications are described in more detail in chapters 10 through 16 and in appropriate chapters of the BPM.

***International Investment Position (IIP)***

28. An IIP statement shows the value and composition of an economy's **stock of financial claims on, and liabilities to, nonresidents** at a point in time.

29. Between two points of time, **changes in stock positions** result from financial flows (e.g., drawings and repayments of loans, issues of shares), price movements (e.g., those due to currency and market price fluctuations), and other changes (e.g., bad debt write-offs). Financial flows are recorded in the financial account of the BOP, and non-transactional changes in stocks (including price changes) are recorded in reconciliation accounts.

30. The relationship between financial transactions (flows) and stock positions is shown in the statement presented in illustration 1.1. The example includes a column for investment income to illustrate that the categories used to classify stock positions, financial transactions, valuation and reconciliation items (other changes), and investment income should be comparable.

**Data Sources Used to Compile BOP Statistics**

31. Table 1.1 shows data sources covered in chapters 2 through 9. International trade statistics (ITS) are

**Table 1.1 Classification of Data Sources**

Source	Description
International trade statistics (ITS)	ITS measure the quantities and values of goods that add to or subtract from a nation's stock of goods as a result of movement into or out of a country. These data are compiled from forms submitted (by exporters, importers, or their agents) to customs officials or directly to the ITS compiler.
International transactions reporting system (ITRS)	An ITRS measures individual BOP cash transactions (passing through the domestic banks and foreign bank accounts of enterprises) and noncash transactions and stock positions. Statistics are compiled from forms submitted to domestic banks and from forms submitted by enterprises to the compiler.
Enterprise surveys (ES)	ES collect data on BOP activity from enterprises. In comparison with an ITRS, ES collect aggregate enterprise data rather than individual transactions data.
Collections from persons and households	These collections obtain information from individuals and households (for example, migration statistics and surveys of travelers).
Official sources n.i.e.	Official sources n.i.e. cover official sources not mentioned elsewhere in this table and include (a) sources that measure activities of the official sector and (b) sources that are by-products of administrative systems.
Partner country and international organizations	These sources cover data available from foreign government agencies or international organizations.

described in chapter 2, the international transactions reporting system (ITRS) in chapter 3, enterprise surveys (ES) in chapter 4, collections from persons and households in chapter 7, other official sources in chapter 8, and sources for partner countries and international institutions in chapter 9. These chapters describe types of data that may be collected from these sources and how such data may be used to compile BOP and IIP statements. Special features of the sources are noted. Collection designs for an ITRS or ES are presented in chapter 18. Because of the complexity of international transportation surveys and surveys of international activity in securities (both are types of enterprise surveys), chapters 5 and 6, respectively, are devoted to these topics. Electronic data interchange (the transfer, from computer to computer, of data from certain sources) is discussed in the chapter on ITRS.

### Compiling and Disseminating BOP Statistics

32. Chapters 10 through 17 cover topics relevant to preparation of the BOP statement. Chapter 10 discusses compilation and estimation processes and items of general interest. Chapter 10 also introduces a coding system for the standard components set out in the *BPM* and the *SNA*. Chapters 11 through 16 focus on individual BOP categories: goods (chapter 11), services (chapter 12), income (chapter 13), current transfers (chapter 14), the

capital account (chapter 15), and the financial account and IIP statement (chapter 16). Chapter 17 discusses compilation of BOP and IIP statements by partner country.

33. When relevant data are either untimely or unavailable, the compiler may estimate certain BOP series in order to compile the BOP statement. Methods of estimation are summarized in chapter 10 and described in more detail in chapters 11 through 16. These methods may involve procedures that assume relationships between certain BOP series, use complex data models developed from many sources and assumptions, or extrapolate data from earlier periods. Compilation of data for historic periods is defined as *compilation*; estimation of BOP data for future periods is defined as *BOP projection*. The latter is also covered in chapters 10 through 16.

34. Chapters 18 and 19 address collection and form design, respectively. Good BOP statistics are predicated upon a well-organized BOP database and appropriate procedures. These topics are the subjects of chapter 20, which describes the design and characteristics of a good BOP system.

35. The presentation and dissemination of BOP and related statistics are covered in chapter 21, which also includes a discussion of the periodicity of BOP series, timetable targets, and the level of detail and accompanying material to be released.

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## II. International Trade Statistics

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### Introduction

36. International trade statistics (ITS) measure quantities and values of goods that, by moving into or out of a country, add to or subtract from a nation's material stock of goods. ITS are compiled from forms or from electronic transmissions sent by importers and exporters (or their agents) to customs or to the ITS compiler. BOP compilers in most countries rely on ITS to compile the goods item in the BOP and, in some countries, ITS are used in compiling other items in BOP accounts.

### International Guidelines on ITS

#### *Relevance of Guidelines to BOP Compilation*

37. International guidelines on concepts and definitions used in the compilation of ITS may be found in "International Trade Statistics: Concepts and Definitions" of the *United Nations Statistical Papers*.<sup>8</sup>

38. The BOP compiler should be aware of the guidelines and the extent to which they are, or are not, implemented by customs and national statistical authorities in the compiler's country. The guidelines do not fully conform to the principles of the *SNA* and the *BPM*. For example, customs records essentially reflect the physical movement of goods across borders, whereas the *SNA* and the *BPM* require the BOP compiler to measure goods on a change of ownership basis. Subsequent sections of this chapter elaborate on conceptual differences between the guidelines and the *BPM*.

#### *Coverage of ITS*

39. The guidelines essentially state that ITS should cover all "merchandise" entering and leaving a country. However, the guidelines also indicate that too rigid an application of this rule would lead to inclusion of goods that it would be desirable to exclude. (On this point, the guidelines are more in harmony with requirements of the *BPM* and the *SNA*.) Treatment of questionable cases is

discussed in the guidelines, and these treatments—along with corresponding BOP treatments—are shown in table 2.1 on pages 7-8. In addition, the guidelines present the concept of a **frontier** or **statistical boundary** that defines the borders of a country for customs purposes. The frontier concept is clarified in the section on special and general trade systems in this chapter, and national frontiers or statistical boundaries are listed in "Customs Areas of the World" of the *United Nations Statistical Papers*.<sup>9</sup>

#### *Special Trade and General Trade*

40. The guidelines outline the measurement of trade flows on the basis of (1) the special trade system and (2) the general trade system. For imports, the first measure is based on the concept of clearance (of goods) through customs for home use; whereas the second measure is based on the concept of goods entering and leaving the national territory. Special trade exports consist of exports of goods of national origin and of exports of imported goods that have previously crossed the customs frontier (that is, goods in free circulation within the country). General trade exports comprise all goods moving out of the national territory.

41. Under the **special trade system**, the **customs frontier** is regarded as the statistical boundary whereas, under the **general trade system**, the *national* frontier is regarded as the statistical boundary. According to a strict definition of special trade, a particular difficulty arises in recording goods that are imported into a customs free zone for processing and then exported. For example, crude petroleum may be imported into a customs free zone, refined, and subsequently exported. According to a strict definition of special trade, these goods will not be recorded if they are not cleared by customs. However, since such goods contribute to the value of an economy's production, they are included as imports and exports in the special trade system.

42. The reader should refer to illustrations 2.1 and 2.2 on page 10 for treatments of trade flows. The first

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<sup>8</sup>"International Trade Statistics: Concepts and Definitions," *United Nations Statistical Papers*, Series M, No. 52, Rev. 1 (New York, 1982).

<sup>9</sup>"Customs Areas of the World," *United Nations Statistical Papers*, Series M, No. 30, Rev. 1 (New York, 1989).

**Table 2.1 Treatment of Questionable Cases in ITS and the BOP**

ITS Treatment	BOP Treatment
<b>Goods to Be Included in ITS</b>	
1. <i>Nonmonetary gold</i> The guidelines recognize the distinction between monetary gold and nonmonetary gold.	Treatment in the <i>BPM</i> conforms with that in the guidelines.
2. <i>Trade on government account</i> The emphasis is on including all goods entering and leaving the country. However, goods consigned by a government to its armed forces abroad should be excluded.	Treatment in the <i>BPM</i> <sup>1</sup> conforms with that in the guidelines.
3. <i>Military goods</i> The emphasis is on including all goods entering and leaving the country. However, military goods consigned by a government to its armed forces abroad should be excluded.	Treatment in the <i>BPM</i> <sup>1</sup> conforms with that in the guidelines.
4. <i>Electricity and water</i> The recommendation is to include sales and purchases of these items even if the items are not recorded by customs.	Treatment in the <i>BPM</i> conforms with that in the guidelines.
5. <i>Postal items</i> These should, in principle, be included—especially when certain items of light weight and high value are involved. Insofar as this trade is not significant, fewer details may be recorded or the items may be omitted.	Treatment in the <i>BPM</i> conforms with that in the guidelines. Treatment in the <i>BPM</i> recognizes that these transactions should, in principle, be included. In practice, these goods should be included when they are significant.
6. <i>Transactions that represent service transactions</i> These (e.g., blueprints, videos, and tapes) should be valued at the value of material support, which is the only value that can be relatively easily assessed by customs.	These transactions should be excluded from goods and included, at market values, in services.
7. <i>Transactions in which one or both national boundaries are not crossed</i> These include (a) trade in marine vessels and aircraft engaged in international traffic, (b) drilling rigs operating in international waters, (c) export of bunkers (fuel), stores, ballast, and dunnage to foreign marine vessels and aircraft engaged in international waters, (d) imports and exports by fishing craft of one country in the harbors of another country (as well as deliveries, at sea or in harbors, of fish caught by vessels of one country and transferred to vessels of another country), and (e) imports of products mined from the seabed in international waters. <sup>2</sup>	The theoretical treatment in the guidelines conforms, in each case, to treatment in the <i>BPM</i> . However, for practical reasons, these goods will not always be recorded in ITS. With respect to (c), the <i>BPM</i> also includes, in goods, imports of bunkers, stores, etc. acquired abroad for mobile equipment operated by resident enterprises. With respect to (d), the <i>BPM</i> also includes, in goods, fish and salvage sold abroad or to foreign vessels by national vessels.

*(table continues)*

<sup>1</sup>The *BPM* also includes, in goods, goods imported from third countries by a country's armed forces and diplomatic representatives abroad.

<sup>2</sup>In each case, it is recognized that customs may not collect the relevant data. The ITS compiler should use other sources for the collection of information. Because of collection difficulties, bunkers, stores, etc. acquired abroad are excluded from ITS. Fish and salvage sold abroad or to foreign vessels by national vessels are excluded from ITS for practical reasons. Finally, the guidelines note in respect of (e) that mining by vessels belonging to the country acquiring the goods should not be regarded as imports—a ruling that conforms with treatments in the *SNA* and *BPM*.

illustration shows four groups of import flows. In the first group (A), goods enter directly, via customs, into the domestic territory. In the second group (B), goods enter into customs warehouses and free trade areas where most will be cleared, at a later time, into the domestic territory. In the third group (C), goods enter

into a manufacturing free trade zone. The fourth group of flows (D) relates to direct transit trade. General trade imports, which measure goods entering the domestic territory, equal  $A_1 + B_1 + C_1$ . Special trade imports, which measure goods cleared into the domestic territory plus goods entering customs manufacturing zones, equal

Table 2.1 (concluded)

Goods to Be Included in, or Excluded from, ITS but Recorded Separately if Possible	
8. <i>Goods for processing and improvement and repair trade</i> The guidelines recommend that the value of goods for processing should be included in ITS, whereas goods for repair and improvement should be excluded (but recorded separately).	The <i>BPM</i> requires that goods for processing be included in goods if the processed goods are returned to the countries of origin. If the goods are to be sent to a third country, the goods should not be recorded in the goods item of the processing country. For goods for repair, the <i>BPM</i> includes the value of repairs in goods. However, the value of the goods being repaired, both before and after repair, is excluded from goods.
9. <i>Goods on lease</i> While the distinction between financial and operational leasing is recognized, the practical recommendation is that goods on lease for one year or more should be included in ITS.	The <i>BPM</i> requires that goods under financial lease be recorded but those under operational lease should not. <sup>3</sup>
Goods to Be Excluded from ITS	
10. <i>Goods consigned by a government to the country's armed forces and diplomatic representatives abroad</i>	Treatment in the <i>BPM</i> conforms with that in the guidelines.
11. <i>Monetary gold</i>	Treatment in the <i>BPM</i> conforms with that in the guidelines.
12. <i>Securities, bank notes, and coins in circulation</i> When such notes and coins are not in circulation, they should be included in ITS at commercial value.	Treatment in the <i>BPM</i> conforms with that in the guidelines.
13. <i>Goods on temporary admission</i> These include goods on lease for less than a year.	Treatment in the <i>BPM</i> conforms with that in the guidelines.
14. <i>Transit trade</i>	Treatment in the <i>BPM</i> conforms with that in the guidelines.

<sup>3</sup>However, goods subject to operational leases are regarded as changing ownership if they are leased to a branch by its foreign head office.

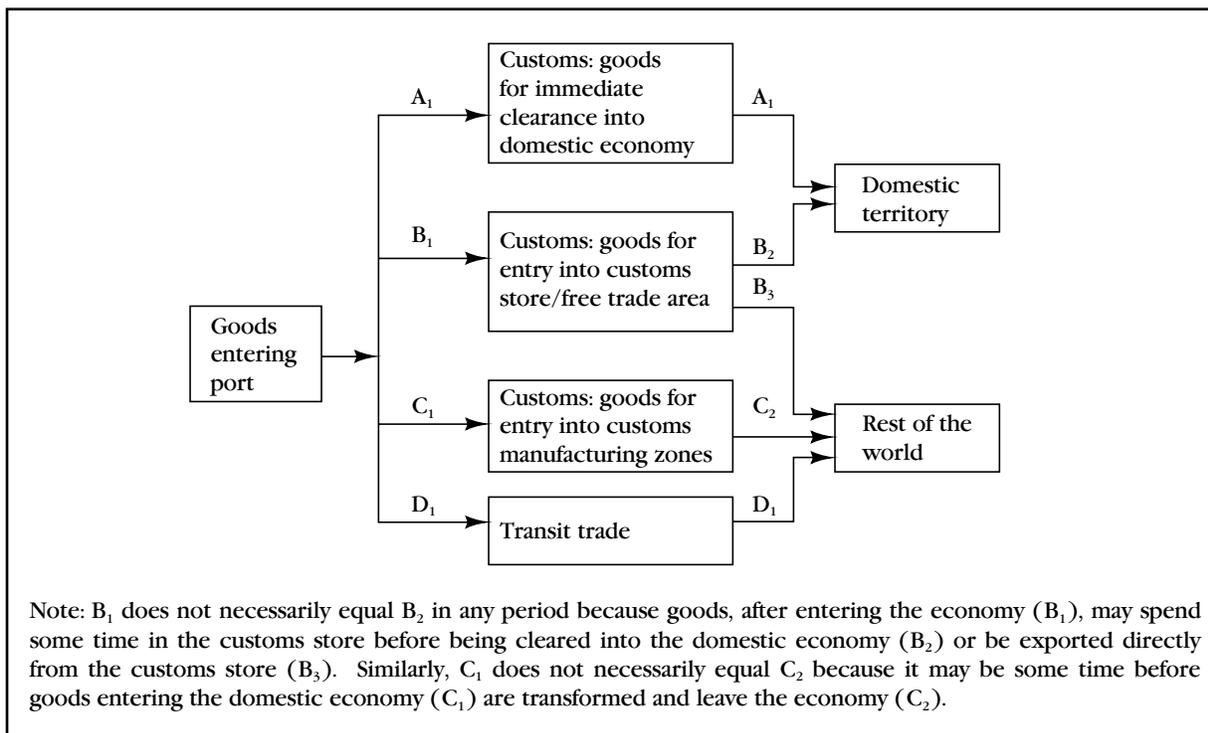
$A_1 + B_2 + C_1$ . Therefore, it is the B element that causes the differences between the two types of measurement. Goods in transit are excluded from both general and special trade.

43. Illustration 2.2, which shows imports and exports, is the same as illustration 2.1 with two new lines ( $E_1$  and  $E_2$ ) added. Exports may include goods that are produced in the domestic territory and then exported ( $E_1$ ); goods that enter the domestic territory, circulate freely, and then are re-exported ( $E_2$ ); goods that are exported from customs warehouses and free trade zones ( $B_3$ ); and goods that are exported from customs-controlled manufacturing plants ( $C_2$ ). Under the general trade system, flows that would be included as exports are  $E_1 + E_2 + B_3 + C_2$ . In the general trade system, a distinction is made between **national exports** and **re-exports**. In illustration 2.2, national exports are flows  $E_1$  and  $C_2$ ; re-exports are flows  $E_2$  and  $B_3$ . Goods exported from customs warehouses and free trade zones ( $B_3$ ) would be excluded from the special trade system, which would comprise  $E_1 + E_2 + C_2$ .

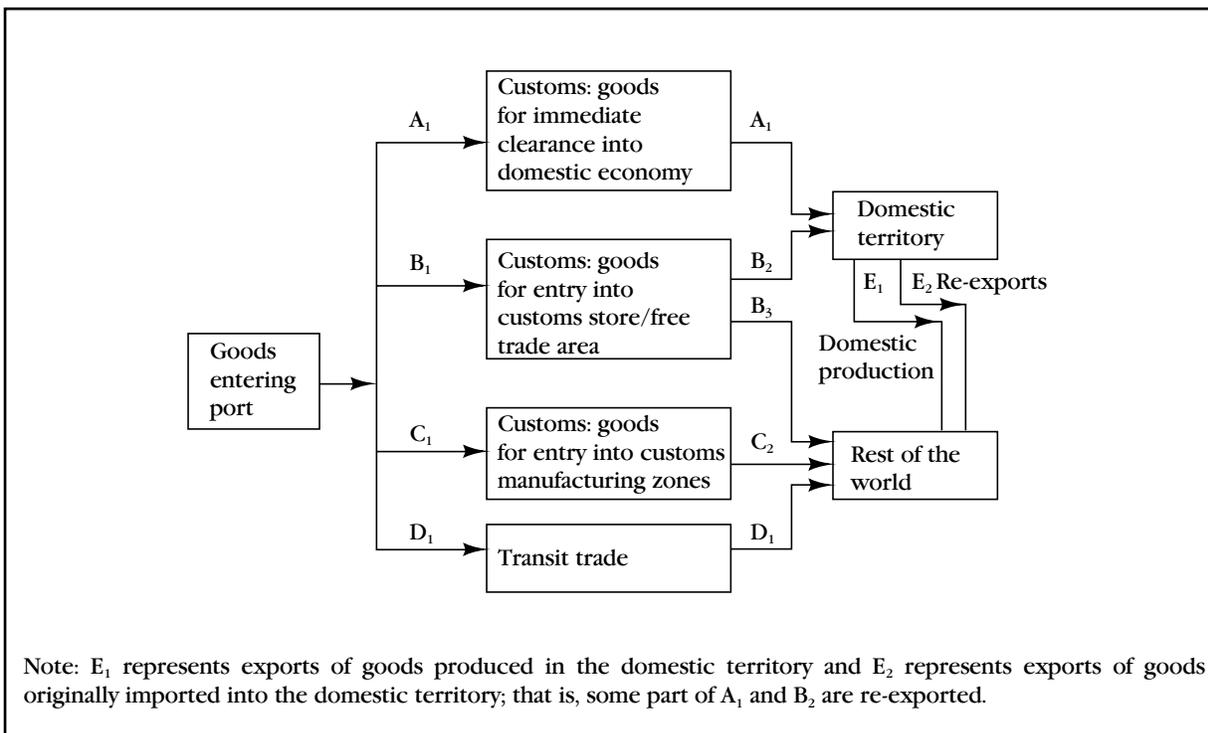
44. The 1982 ITS guidelines state that the ITS compiler may use either the special or general trade system to record ITS but encourage the use of both systems—at least at less frequent intervals. The 1970 edition of the guidelines recommended the special trade system for compilation of ITS.

45. The *BPM* stresses that measurements for BOP compilation should be based on change of ownership rather than on the general trade system (goods entering or leaving an economy) or the special trade system (goods cleared by customs). The general trade system appears to be a better proxy for measuring change of ownership because it provides broader coverage and the date of change of ownership may be closer to the date goods cross the national frontier (shipment date) than to the date goods clear through customs. Some countries that use the special trade system make coverage adjustments in the BOP for goods that cross the border and are not included in ITS. BOP compilers should attempt to ascertain the impact on the BOP of the time of measurement used in ITS. In some countries where

**Illustration 2.1 Import Flows**



**Illustration 2.2 Import and Export Flows**



it is known that the clearance or shipment date for certain significant goods does not coincide with change of ownership, the BOP compiler selectively substitutes data from other sources.

### ***Commodity Classification***

46. The guidelines describe the Standard International Trade Classification (SITC), the Harmonized Commodity Description and Coding System (HS), and their relationships to other classifications such as Broad Economic Category (BEC). An understanding of these classifications is important for BOP compilation, publication, analysis, and projection. Since the guidelines were published in 1982, much work has been done on developing commodity classifications at an international level, and the reader is referred to other papers in the *United Nations Statistical Papers* series.<sup>10</sup> The primary groupings in the SITC and BEC classifications are shown in chapter 11, paragraph 471 of this *Guide*.

### ***Valuation***

47. The guidelines provide an explanation of the difference between the transactions value, which is the price actually paid by the importer, and the value declared for customs purposes, which is typically the value recorded in ITS. The guidelines also trace the development of customs valuations. Most countries have adopted, for purposes of valuing imports, the recommendations in the *Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade (GATT)*. This agreement essentially accepts the importer transaction values. However, customs officials can, under certain conditions, adjust such values if they think importer valuation is based on avoidance (for example, by false invoicing or use of artificial transfer prices) of some part of the import duty. The recommendations in the agreement also define the valuation to be adopted for imports for which no accompanying movements of cash or credit take place. From examination of available evidence, it appears that, in practice, the customs valuation for total recorded imports exceeds, under Article VII of *GATT*, the transactions valuation by a small margin. The customs value may be considered a reasonable proxy for the market value. Some countries may still rely on a definition of value that is based upon a concept of “normal price.”

<sup>10</sup>“Standard International Trade Classification,” *United Nations Statistical Papers*, Series M, No. 34, Rev. 3 (New York, 1986) and “Classification by Broad Economic Categories, Defined in Terms of SITC, Rev. 3,” *United Nations Statistical Papers*, Series M, No. 53, Rev. 3 (New York, 1989).

In these countries, the margin between customs and transactions values is likely to be greater.

48. Another valuation issue concerns the point of valuation, namely, whether goods are valued at the importer’s border—that is, at the cost, insurance, and freight (c.i.f.) value at the importer’s border—or at the free on board (f.o.b.) value at the exporter’s border. The guidelines recommend the adoption of the c.i.f. valuation for imports whereas, for BOP compilation purposes, the f.o.b. valuation is required. In view of this requirement, the guidelines recommend that supplementary data be collected for imports valued on an f.o.b. basis. Sampling import entries is suggested as a possible means by which this data could be gathered. The guidelines recommend that exports be recorded on a f.o.b. basis, a practice that is consistent with BOP requirements.

49. Neither the f.o.b. nor the c.i.f. basis may represent the contract price, which depends upon delivery arrangements made by the importer and the exporter. Therefore, many bases of valuation are possible in practice, and the f.o.b./c.i.f. bases may require some degree of estimation by importers and exporters. Some countries do not adhere strictly to the f.o.b. or the c.i.f. basis. (For example, the United States uses a free along side ship (f.a.s.) basis that is considered to be close to the f.o.b. basis.) In the ITS procedures adopted by the European Union for the measurement of intra-union trade flows, information is collected on the basis of contract price, and adjustments are made to place the statistics on the valuation basis required by international standards.

50. An additional valuation issue concerns currency conversion. The guidelines state:

*For practical reasons, Article 9 of the GATT Agreement provides that, when the conversion of currency is necessary for the determination of the customs value, the rate of exchange used should be that published by the competent authorities of the importing countries. It must reflect, as effectively as possible in respect to the period covered, the current value of such currency in commercial transactions in terms of the currency of the country of importation. Article 9 further provides that the conversion rate to be used is that in effect at the time of exportation or importation, as provided by each contracting party.*<sup>11</sup>

51. How do these valuation principles compare with BOP compilation requirements? For BOP purposes, the

<sup>11</sup>*United Nations Statistical Papers*, Series M, No. 52, Rev. 1 (New York, 1982), 34.

point of valuation required for both exports and imports is f.o.b. When a c.i.f. or other valuation is provided, the BOP compiler should estimate the freight and insurance components separately to arrive at a f.o.b. valuation. The BOP compiler essentially requires a market price for valuing trade. The transactions price is usually a good proxy for market price; in exceptional cases of transfer pricing, other values could be substituted. When the *GATT* basis of valuation is used, customs value may be considered a reasonable proxy for transactions value, although the BOP compiler may have to investigate the actual situation to determine whether a valuation adjustment should and can be made. An assessment of the exchange rates prescribed by customs law or regulation and their conformity to BOP recording principles should be made by the BOP compiler. This assessment should be accompanied by an investigation of actual practice. Adjustments should be made if inappropriate conversion of import and export values from foreign currencies to the unit of account causes significant errors in BOP accounts.

### ***Quantity Measurement***

52. The guidelines explain various quantity measures required for ITS. While the BOP compiler essentially compiles data in current values, quantity measures should be of interest and should be included in any analysis accompanying BOP statistics. Some quantity measures of goods will also be essential for the BOP compiler charged with making projections of BOP goods series.

### ***Partner Country Classification***

53. Trade in goods classified by partner country provides the basis for compilation of a regional BOP statement in respect of goods. The guidelines present various concepts that could be used to determine partner country classification and provide a useful discussion of each. For a more extensive discussion of this issue, refer to chapter 17 of this *Guide*.

### **Compilation of ITS**

54. Source documents for ITS are, in most countries, customs declaration forms (or electronic transmissions sent by traders or their agents to customs officials in lieu of customs declaration forms). These forms are designed to reflect the various trade flows identified in illustration 2.2. In a general trade system, forms identify trade flows  $A_1$ ,  $B_1$ , and  $C_1$  for imports and flows  $E_1$ ,  $E_2$ ,  $B_3$ , and  $C_2$  for exports. Forms for a special trade system substitute  $B_2$  for  $B_1$  for imports and drop  $B_3$  from exports. Goods in

transit ( $D_1$ ) are likely to be omitted from both systems. Some ITS systems measure both general and special trade. In these systems, all trade flows (except goods in transit) shown in illustration 2.2 are measured.

55. Individuals arriving in, and sometimes departing from, a country are generally required to complete declaration forms. Data (on the value of goods declared) from such documents may be used to estimate travelers' or migrants' goods in the BOP.<sup>12</sup> There is usually a form for goods sent by parcel post, and the declared value of such goods should, in principle, be recorded in ITS.

56. Under the procedures developed for measuring ITS in the European Union, enterprises report directly to the ITS compiler, rather than customs, in respect of intra-union trade.

57. Widely ranging data are collected on ITS forms. Of most interest to the BOP compiler are the value of goods, the commodity classification, the quantity, the shipment date (the date the goods arrive in port for imports or leave port for exports), the mode of transport and residency of transport operator, the currency of the transaction, and the method of payment.

58. Customs procedures may have an impact on the recording, and hence on the quality, of ITS. The BOP compiler should be familiar with the actual practices adopted in order to identify the strengths and weaknesses of ITS. Of particular concern are: (1) lags between the dates of shipment or clearance and the processing of documents (Such lags may cause timing problems when ITS are used in BOP compilation.); (2) the valuation of certain exports for which final prices may not be known at the times of export (a particular problem with agricultural and mining products); and (3) less attention being paid by customs officials to duty-free goods. (Often, duty-free goods—especially exports and government and defence imports—receive less attention and may not have documents created for them.) Finally, there may be problems with nonrecording of smuggled goods.

59. Finalized customs documents are usually sent to the national statistical office where staff process the documents and compile the ITS. In many countries, the timeliness of ITS is very good; both broad aggregate and detailed statistics become available within a month after the reference period. Some factors leading to ITS of good quality are:

- (1) ITS compilers who are well versed in international statistical guidelines and who follow

<sup>12</sup>Goods acquired by travelers are recorded in the travel item in the BOP.

them closely by encouraging customs officials to collect relevant data or by making supplementary inquiries of importers and exporters;

(2) ITS compilers who maintain close contact with users, such as BOP and national accounts compilers, to resolve difficult conceptual and treatment issues and to harmonize whatever treatments are adopted;

(3) ITS compilers who undertake independent coverage checks and introduce appropriate coverage procedures;

(4) ITS compilers who undertake a number of validation checks, such as price to quantity (unit value) checks on data, and query cases that lie outside the norm;

(5) sufficient, well-trained processing staff.

### Uses of ITS in International Accounts

**60.** ITS serve many purposes. In most countries, ITS provide basic data for compilation of the goods item in the BOP. ITS may be used, either directly or indirectly, in the compilation of transportation services; services associated with technology transfer, entertainment, and the renting of equipment; migrants' transfers; and goods provided under foreign aid programs. ITS may also provide listings of enterprises that are engaged in goods transactions and/or important recipients of international finance, providers of trade credit, and acquirers or providers of other services. An ITS system could therefore be used in creating a population listing for a BOP enterprise register, a subject that is discussed in chapter 18.

**61.** International guidelines for ITS are not fully implemented in all countries. Also, the guidelines do not provide definitive directions in all cases, and ITS compilers must make some choices. Nor are the guidelines fully consistent with BOP accounting principles specified by the *BPM*. Therefore, working with the ITS compiler, the BOP compiler should first review national ITS to identify differences between ITS and BOP requirements. Then, an attempt should be made to quantify such differences. If possible, the BOP and ITS compiler should arrange for adoption of suitable procedures to correct significant differences. Corrective activities may include encouraging customs authorities to modify procedures, collection (by the ITS compiler) of additional data directly from enterprises, or provision of additional disaggregations via the ITS. Sometimes it may be more appropriate for special adjustments to be included in the BOP compilation process because, from a BOP viewpoint, some inadequacies of ITS may arise merely from the different conceptual basis of ITS and BOP statistics. Particular adjustments that may be made by the BOP compiler are discussed in chapter 11, paragraphs 461-466.

**62.** ITS also provide input to the rest of the world account of the national accounts. (Ideally, the link should be through the BOP compilation system.) ITS can be used directly and indirectly to compile goods statistics in current and constant price terms that are seasonally adjusted or unadjusted and accompanied with relevant implicit price deflators. For many analyses, goods should be classified according to various broad commodity groups. At a more detailed level, ITS are an important input into the compilation of input/output tables.

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## III. International Transactions Reporting Systems

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### Introduction

63. An international transactions reporting system (that is, a system for reporting international transactions) measures: (1) individual BOP cash transactions that pass through domestic banks and through enterprise accounts with banks abroad, (2) noncash transactions, and (3) stock positions. Statistics are compiled from forms submitted to domestic banks and from forms submitted by enterprises. An international transactions reporting system (ITRS) can provide comprehensive and timely BOP statistics. Most international transactions reporting systems, which were formerly known as foreign exchange record systems, evolved as by-products of foreign exchange control systems. However, as foreign exchange restrictions were eased or lifted, many systems began to measure more than foreign exchange transactions; hence, a broader designation is necessary to describe them.

64. The comprehensiveness of these systems may vary. A **closed ITRS** accounts for all transactions and reconciles all transactions with corresponding changes in stock positions. In some closed systems, each form submitted by a client to a bank is matched with an entry in the bank's foreign currency account. An **open ITRS** does not allow such complete accounting and reconciliation. Often, an open ITRS is a **partial system** because certain BOP transactions are not recorded. For example, the German system does not include exports of goods and short-term financial transactions, although it does provide for reconciliation of data on certain flows and stock positions.

65. The quality of these systems varies. Those that work well have clearly defined rules, a sound legal basis, well-designed collection forms and procedures, cooperative reporters, adequate resources, and well-trained staff.

### Model of a Simple ITRS

#### *Scope of an ITRS*

66. A model of a simple ITRS is used to illustrate operation of this type of collection system. The model is based on the assumptions that residents (other than banks with foreign exchange licenses) cannot hold foreign exchange accounts with resident banks or any accounts

with nonresident banks and that nonresidents cannot hold accounts with domestic banks. These assumptions, which would be valid in a country with tight foreign exchange controls, are dispensed with later in the chapter.

67. Under these assumptions, four types of foreign exchange transactions may be recorded:

(1) A bank client buys foreign exchange from a domestic bank to make a payment to a nonresident. The obverse is that a bank client sells foreign exchange, which has been received as a payment from a nonresident, to a domestic bank.

(2) To travel abroad, a resident individual acquires foreign currency travelers' checks from a domestic bank. The obverse is that a bank buys foreign (or domestic) currency travelers' checks from a nonresident traveler who is traveling in the domestic economy.

(3) A resident bank undertakes a foreign exchange transaction with a correspondent nonresident bank abroad. This transaction may be undertaken to exchange foreign exchange assets denominated in one currency for those denominated in another or to acquire (or sell) goods, services, other financial assets, etc.

(4) A resident bank undertakes a foreign exchange transaction with another resident bank. This transaction may be undertaken to settle balances in various currencies or to sell (or buy) foreign exchange to (from) the central bank.

68. In case (1), when a bank client buys foreign exchange from a domestic bank, the client can only use these funds to make a payment to a nonresident. This limitation follows from the assumption that the client is not permitted to hold foreign exchange. At the same time, the bank must reduce its holdings of foreign exchange.<sup>13</sup>

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<sup>13</sup>The client may receive a bank foreign exchange draft, which would be sent to the nonresident party, or give instructions to the bank for funds to be placed in a foreign bank account of the nonresident party. While there may be a timing difference between the client undertaking the transaction with his or her bank and the change in the bank's foreign exchange (nostro) account, for purposes of simplicity, both transactions are assumed to take place simultaneously.

Under a closed ITRS, both the sale of foreign exchange to the client and the corresponding reduction in the bank's foreign exchange position should be recorded. The purpose of the resident client's acquisition of funds is recorded in an ITRS. For example, if a resident acquires 100 units of foreign exchange to purchase goods from abroad, the following entries would be recorded in a closed ITRS:

	Credit	Debit
Goods	...	100
Bank (foreign exchange) assets	100	...

69. On the other hand, if a client receives 120 units of foreign exchange funds from selling goods abroad, the appropriate entries would be:

	Credit	Debit
Goods	120	...
Bank assets	...	120

70. In case (2), a transaction could arise as a result of a domestic bank either acquiring travelers' checks from a nonresident traveler or from selling travelers' checks to a resident traveler. In such instances, these transactions may be recorded either at the time of the purchase (or sale) of the travelers' checks from (to) the individual traveler or at the time the domestic bank settles with the nonresident correspondent bank. For purposes of exposition, it is assumed that such transactions are recorded at the time of settlement with the correspondent bank. For example, if a domestic bank purchases 60 units of travelers' checks (which the bank had originally issued to residents) from a correspondent nonresident bank and sells 50 units of travelers' checks (issued by a nonresident bank and purchased from nonresident travelers) to the correspondent nonresident bank, the appropriate entries are:

	Credit	Debit
Travel	50	60
Bank assets	60	50

71. An example for case (3) would be a settlement transaction in which a domestic bank sells 20 units of currency y for 24 units of currency z. (One unit of currency y equals 1.2 units of currency z.) The appropriate entries would be:

	Credit	Debit
Settlement—currency y	...	20
Bank assets—currency y	20	...
Settlement—currency z	24	...
Bank assets—currency z	...	24

For purposes of completeness and reconciliation, settlement transactions should be recorded in the ITRS. In theory, such transactions should be offsetting on consolidation.

72. Case (3) also covers transactions other than those of a settlement nature. For example, a domestic bank may acquire, at a cost of 5 units, the services of a nonresident accountant; receive a commission of 6 units on the sale of travelers' checks issued on behalf of a nonresident bank; and make a repayment and pay interest of 37 units and 8 units, respectively, on a loan. Payments for all of these items would be made through the domestic bank's foreign exchange account with a nonresident bank. The following entries should be recorded:

	Credit	Debit
Services—accounting	...	5
Services—financial	6	...
Income—interest	...	8
Bank liabilities—loan	...	37
Bank assets	5 + 8 + 37	6

73. Entries for case (4) are similar to the entries for settlement transactions recorded in case (3). For example, a domestic bank (bank A) sells 25 units of foreign exchange to another domestic bank (bank B) and 33 units of foreign exchange to the central bank. Settlement is undertaken in domestic currency. The following entries should be recorded in the ITRS:

	Credit	Debit
Settlement—bank A	...	25
—bank A	...	33
—bank B	25	...
—central bank	33	...
Bank assets—bank A	25	...
—bank A	33	...
—bank B	...	25
Reserves—central bank	...	33

74. Settlements involving domestic banks and settlements involving nonresident banks should be separately identified in an ITRS. For the former, the corresponding bank should be identified so that these entries (particularly those for large transactions) can be matched by the ITRS compiler. For settlements involving nonresident banks, the currency used in the other part of the transaction should be identified so that the two sides of the transaction can be matched.

### ***Data Items Collected***

75. The form completed by the bank client<sup>14</sup> may include the reference number of the transaction, the reference period, the identity of the transactor, the identity of the bank accepting the form, the direction of the transaction (i.e., the sale or purchase of foreign exchange), the currency used in the transaction, the value of the transaction (either in terms of the currency used, the unit of account, or both), classification of the purpose of the transaction, and the country of the nonresident party.<sup>15</sup> In addition, banks should record corresponding details of their own transactions—for purposes of matching their transactions with those of clients—and details of their foreign currency (and other external asset and liability) positions—for purposes of providing IIP data and for reconciling transactions and stock positions.

### ***Classification of Transactions***

76. To compile a BOP statement, it is necessary to ensure that the classification of transactions used in the ITRS conforms, as closely as possible, to the classification required for the BOP statement.<sup>16</sup> In the examples in paragraph 67, each transaction was recorded either as a recognizable BOP classification item or as a settlement item. While settlement items are not to be recorded in the BOP statement (in theory they should offset and, on a net basis, cancel each other), settlement items are required in the system to ensure that all transactions are accounted for.<sup>17</sup>

77. The classifying of a particular transaction to the appropriate BOP category should be undertaken by someone who has extensive knowledge of commercial practice and BOP classification requirements. This issue is addressed in chapter 18.

### ***Aggregating the Results***

78. Using the examples from paragraphs 68-73, table 3.1 on page 18 illustrates aggregation of the results of an ITRS collection. Financial account transactions and settlement entries are shown on a net basis. Initially, results should

<sup>14</sup>In some systems, the basic form for recording client transactions is completed by a member of the bank staff.

<sup>15</sup>These data items are set out on ITRS model collection form 3.

<sup>16</sup>A model ITRS classification (see form 3C) is based upon the *BPM* classification presented in tables 10.1, 10.2, and 10.3.

<sup>17</sup>A net basis means that, for a particular item, the difference between the sum of the credit entries and the sum of the debit entries is included, as appropriate, as a net credit or net debit entry. In settlement transactions, the difference should equal zero.

be compiled by bank and by currency. In aggregation of results, it is important that all transactions be recorded. If all procedures are adhered to, total credits should equal total debits, and results should also balance by bank and by currency.

79. The next step is to ensure that all settlement entries within the system are offsetting. The results shown in table 3.2 are obtained by summarizing settlement entries and omitting offsetting credit and debit entries.

80. Conversion of all currencies to the common unit of account demonstrates that settlements are totally offsetting; therefore, the system is fully balanced. In practice, systems may not fully balance; minor imbalances are acceptable. Major imbalances, which indicate errors in data, should be investigated and resolved.

81. The next step in the aggregation process is to reconcile flows and stock positions. Reconciliation can be achieved by comparing opening and closing foreign exchange positions (which are arrived at independently) with total credit and debit entries (except for entries measuring changes in banks' foreign exchange positions). Table 3.3 on page 19 shows such a reconciliation. In the table, the opening stock position plus credit entries (which are offset entries to increases in banks' foreign exchange accounts) less the debit entries (which are offsets to reductions in banks' foreign exchange accounts) should equal the banks' closing foreign exchange positions. Any discrepancy discovered in this reconciliation process would be shown in the other *changes* column. In practice, the BOP compiler should obtain results that approximate a full reconciliation; any major discrepancy may indicate errors in data.

82. Table 3.3 shows that the sum of credit entries less the sum of debit entries accounts for the changes in foreign exchange stock positions of the banks shown in table 3.1; therefore, a full reconciliation has been achieved.

### ***Currency Conversion***

83. The *BPM* recommends that transactions expressed in one currency be converted, by use of the midpoint rate applicable to each transaction, to the common unit of account in which the BOP is compiled. Corresponding stock data should be converted by use of a midpoint market rate applicable to the date on which the stock position is measured.

84. Systems in which the value of each transaction is recorded in the unit of account, rather than in the transaction currency, are consistent with recommendations of the *BPM* to the extent that prevailing market exchange rates are used by reporters for the

**Table 3.1 Summary of ITRS Transactions from Previous Examples**

	Credit	Debit
<i>Summary, bank A, currency y</i>		
Goods	120	100
Services—		
Travel	50	60
Other	6	5
Income	...	
Financial—		
Bank liabilities	...	37
Bank assets	112	...
Settlements	...	78
Total	288	288
<i>Summary, bank A, currency z</i>		
Financial—bank assets	...	24
Settlements	24	...
Total	24	24
<i>Summary, bank B, currency y</i>		
Financial—bank assets	...	25
Settlements	25	...
Total	25	25
<i>Summary, central bank, currency y</i>		
Financial—reserve assets	...	33
Settlements	33	...
Total	33	33

**Table 3.2 Summary of Settlement Transactions Shown in Table 3.1**

	Credit	Debit
Settlements—currency y	...	20
Settlements—currency z	24	...

**Note:** In the example, the conversion ratio of y to z is 1 to 1.2; therefore, the two entries are offsetting.

conversion. In these systems, the matching of settlement transactions and the reconciliation of stocks and flows data are then undertaken in the unit of account. However, it is sometimes difficult for the compiler to discern whether the non-transaction changes in stocks, which are derived as residuals, are due to errors in the recording of transactions or to exchange rate fluctuations.

**85.** In systems in which the values of transactions are recorded in the currencies in which they are

denominated, data are aggregated by currency (as shown in the previous part of this chapter) and reconciliations are performed in each currency. The advantage of this approach is that changes in stocks should more closely match transactions because exchange rate fluctuations are not relevant. Exchange rates prevailing at the time of the transaction should be used for matching settlement transactions involving different currencies. However, for practical reasons, period average exchange rates are often used for this process, and the balance on settlement is

**Table 3.3 Reconciliation of Opening and Closing Positions with Transactions**

	Opening Foreign Exchange Position	Credits	Debits	Other Changes	Closing Foreign Exchange Position
Bank A					
Currency y	1,000	176	288	...	888
Currency z	120	24	...	...	144
Total <sup>1</sup>	1,100	196	288	...	1,008
Bank B	1,022	25	...	...	1,047
Central bank	999	33	...	...	1,032
Total	3,121	254 <sup>2</sup>	288 <sup>2</sup>	...	3,087

<sup>1</sup>The total of y and z stock positions and transactions is obtained by converting amounts expressed in currency z to currency y. For simplicity, it is assumed that both positions and transactions are converted by using the ratio 1.2 z to 1 y.

<sup>2</sup>When the various entries (shown in table 3.1) for changes in banks' foreign exchange assets are summed, the result is a credit entry of 54 for currency y and a debit entry of 24 for currency z; the entry for currency z, when expressed in currency y, is a debit entry of 20. This gives a net credit entry of 34 for banks' foreign exchange assets. Credit and debit entries in the reconciliation would balance with the addition of the credit entry of 34 for the change in banks' foreign exchange assets.

assumed to represent part of the transactions in foreign currency assets. After reconciling and matching processes are completed, data are converted-typically by use of period average exchange rates-to the common unit of account and aggregated. The disadvantage of this method is lack of consistency with recommendations in the *BPM*, which requires the use of actual, not average, exchange rates. Apart from offsetting errors that this approach introduces into the BOP statement, it could also cause problems in the national accounts when the values of items, such as imports, differ from those for related series, such as investments.<sup>18</sup>

**86.** In practice, use of the second methodology may, particularly when exchange rates are not volatile, yield results similar to those that would be produced if the *BPM* methodology were used. Unfortunately, there is little information on the statistical impact of using different conversion procedures. One possible solution is to collect (by using the midpoint rate applicable to the transactions) the value of each transaction in the unit of account and in the currency used in the transaction.<sup>19</sup>

<sup>18</sup>For example, in the BOP, an imported capital good may be recorded, in imports of goods and services, by using a period average exchange rate. In the national accounts, the same good may be recorded, in the capital formation series, by using the midpoint exchange rate applicable to the transaction.

<sup>19</sup>If transactions were initially recorded in both the common unit of account and the foreign currency denomination, it would be possible to compile results by using the alternative methodologies described in the text. Results from use of the two methods could be compiled from each transaction (or from a sample of transactions) and compared. While this procedure adds an additional cost to the ITRS, collection of data via two currency values provides a potential check that each transaction is correctly recorded; a set of conversion ratio checks could be developed to validate reported data. Any ratio falling outside predetermined limits could be investigated.

### *Time of Recording*

**87.** Up to this point, it has been assumed that both sides of a transaction would be recorded in an ITRS at the same time. Simultaneous recording should be achieved by individual bank reporters within a closed system because a uniform time of recording can be maintained by matching entries that pass through a bank's *nostro* and *vostro* accounts against collection forms completed by transactors (or records thereof).<sup>20</sup> A record should be created for any *nostro* and *vostro* account entries for which no corresponding collection forms exist. Similarly, collection forms for which no *nostro* or *vostro* account entries can be identified should be investigated and canceled if underlying transactions are canceled or otherwise not completed.

**88.** However, all banks in the system will not keep books in the same manner unless required to do so by law. Different banks may have different ideas of what should be included in foreign exchange assets. Ideally, banks should account for foreign currency, foreign exchange bank balances, bills and notes of other banks sent for collection or held for investment purposes, and other foreign securities and loans. Also, banks should account for any foreign liabilities.<sup>21</sup> Banks may choose to record transactions in some of these assets and liabilities when

<sup>20</sup>A *vostro* [your] account is another bank's account with the reporting bank, while a *nostro* [our] account is the reporting bank's account with another bank.

<sup>21</sup>If these items are not included in an ITRS, details of transactions in excluded assets and liabilities and corresponding stock positions should be collected separately and included in BOP and IIP compilations.

claims are created, when claims are sent for collection, or when amounts are recorded in nostro accounts.<sup>22</sup>

89. Even if all banks include all the transactions covered by the assets and liabilities mentioned previously and choose similar reporting procedures, there may still be timing lags; thus, two domestic banks involved in a foreign exchange settlement may not record the settlement in the same accounting period. This circumstance could easily give rise to a discrepancy in the total settlement item; hence, the compiler should check each large settlement transaction between domestic banks and ensure that both sides of the transaction have been recorded in the same period. If both parties have not recorded the transaction in the same period, it is necessary to have the reporting banks correct their data or, if different accounting practices make that inappropriate, the compiler should make an adjustment.

90. The foregoing discussion demonstrates the necessity for the compiler to investigate and obtain an understanding of the accounting practices used by banks and to determine the impact of these accounting procedures on both the scope and timing of ITRS statistics.

### ***Valuation, Bundling, and Netting Practices***

91. An ITRS may not achieve uniform valuations. For example, goods may be recorded, depending on the contract price in individual transactions, on an f.o.b., c.i.f., or some other basis. The *BPM* requires the compiler to record goods on a uniform, namely the f.o.b., basis. Therefore, the compiler may have to make certain valuation adjustments to ITRS statistics to compile a BOP statement.

92. Bundling of transactions occurs when several transactions relating to more than one classification category are covered by a single payment. For example, a payment on a loan may include the loan repayment, an interest payment, and some fees for financial services. It is necessary for transactors to report the separate components.

93. Another example of bundling is the recording of transactions on a net, rather than a gross, basis. Some foreign exchange payments may cover a number of offsetting gross credit and debit transactions; this may often be the case with transactions undertaken by transportation, travel, and finance enterprises and

<sup>22</sup>For example, if a bank receives a draft to be sent for collection, the draft may be recorded when it is purchased from the client, when it is sent for collection, or when it is recorded by the correspondent bank.

enterprises in a direct investment relationship. Therefore, it may be necessary to collect additional information in respect of certain types of transactions or from certain types of enterprises, or it may be necessary to split certain transactions into component parts.<sup>23</sup>

### ***Threshold Practices***

94. In many international transactions reporting systems, thresholds are used so that transactions of less than certain amounts need not be reported. Compilers have generally found large numbers of transactions that, in aggregate, account for small values. The use of thresholds prevents undue reporting burdens and processing costs. However, while it may be unnecessary to report small transactions individually, an aggregate record of small transactions should be kept to obtain overall aggregate results and to assist in the process of reconciliation. For classification purposes, it may be necessary to have some information on types of transactions that fall below the threshold. This information may be gathered from periodic sample surveys (which could be small, ad-hoc surveys carried out via special arrangement with one or more commercial banks) or from an analysis, which could be undertaken before thresholds were raised, of small transactions. The compiler may feel more comfortable about using higher thresholds if information on the size and classification of small transactions is available. It is important that judgement be applied in adopting thresholds so that overall data quality remains acceptable.

### ***Modifying the Model of the Simple ITRS***

95. The model of a simple ITRS is suitable for situations in which (1) residents of a country cannot hold foreign currency accounts with domestic banks or accounts with nonresident banks; (2) nonresidents cannot hold accounts with the domestic banks; and (3) residents cannot have other external claims or liabilities, such as trade credit or loans. However, as foreign exchange regulations are relaxed or abolished, these assumptions often cease to apply. Therefore, compilers in many countries have modified their systems so that:

- (1) residents who have foreign currency accounts at domestic banks or accounts at nonresident banks report details of account transactions and balances;

<sup>23</sup>If certain transactions were split into component parts, it would be difficult to match the component transactions with the entry recorded in a bank's nostro or vostro account. This problem could be overcome if, in the transaction reference number, the last one or two digits recorded individual split entries; in other words, entries with the same reference number up to the last two digits could be amalgamated for purposes of matching with the nostro or vostro account entry.

(2) residents report details of domestic currency transactions involving nonresident bank accounts at domestic banks;

(3) transactions performed through nonresident bank accounts at resident banks are monitored, although the nonresident entity has no obligation to report details of individual transactions. (When the counterpart is a resident entity, details of the transaction—as noted in item 2—would be reported by the resident entity.);

(4) enterprises report details of their noncash transactions, such as the granting of trade credit or loans, with nonresidents and the corresponding stock positions.

96. One important conceptual issue for an ITRS is the inclusion or exclusion of offshore banking units established in a country. Such units are usually permitted to accept deposits from, and make loans to, nonresidents only. Transactions between these institutions and nonresidents need not be included in an ITRS. However, if offshore banks are regarded as residents of the compiling country, the offshore banks should report details of aggregate transactions and corresponding stock positions with nonresident clients. Offshore banking units should be treated—for purposes of compiling national accounts, the BOP, and IIP statistics—as residents of the countries in which they are located. If resident enterprises have accounts with offshore banks, the accounts may be used to settle transactions with nonresidents; these transactions should be measured in an ITRS. It is important for the compiler to ensure that reporting arrangements cover all BOP requirements and that omission or duplication of data is avoided.

### Measurement of Noncash Transactions

97. A closed ITRS can provide a complete statement of transactions that take place between residents and nonresidents and involve cash payments. However, the BOP analyst is also concerned with the measurement of transactions that occur between residents and nonresidents and do not involve cash payments. The BOP compiler should ensure that the noncash transactions presented in the following discussion are collected in the ITRS or added to basic ITRS statistics when BOP and IIP statements are prepared.

98. Exports and imports financed by loans may not involve cash payments. For example, an exporter may arrange for a financial institution to provide financing to a nonresident importer, and the exporter may be paid

in domestic currency by the lender. Consequently, there may be no entry in a bank *nostro* (or *vostro*) account until the loan is repaid, and then the transaction may be recorded (correctly) as a loan repayment rather than as an export. Similarly, an importer may borrow funds to purchase goods abroad. In most circumstances, the borrowed funds would pass directly from the financier to the nonresident exporter and, therefore, no cash payment would be involved. If the ITRS does not capture noncash transactions of this nature, lenders and borrowers should be identified and the basic cash data should be supplemented—as shown in the following example. In the example, export financing has been provided by residents for exports valued at 76 units, and import financing valued at 89 has been obtained from nonresidents.

	Credit	Debit
For Exports		
Goods	76	...
External assets	...	76
For Imports		
Goods	...	89
External liabilities	89	...

99. The value of goods for which prepayment was made or the value of goods sold on short-term credit is recorded in many an ITRS when payment is made. Therefore, the period in which payment is recorded may be different from that in which change of ownership of the goods occurs. It is possible to record goods and associated finance flows if supplementary data are collected to indicate the period in which the goods changed ownership or were shipped. For example, in a specific period, an ITRS may be used to identify export receipts of 240 units, 20 of which represent prepayments for goods to be delivered in a future period and 21 of which represent goods delivered in a previous period. Supplementary sources may be used to identify prepaid delivery of 23 units of goods and delivery of 27 units of goods for which payment will be made at a future date. The results would be:

	Credit	Debit
Goods	240 – 20 – 21 + 23 + 27	
Assets—trade credit	21	27
—bank assets		240
Liabilities—prepayments	20	23

100. Certain goods and services that are provided under foreign aid programs (and for which payment is made by the donor to the supplier) would not be recorded as cash transactions in an ITRS. The compiler should identify

these transactions and record them in the BOP. In the following example, an aid donor provides food aid to another economy and pays a food producer in the home country. The resulting additional BOP entries are:

	Credit	Debit
For the Exporting Country		
Exports	73	...
Transfers—foreign aid	...	73
For the Importing Country		
Imports	...	73
Transfers—foreign aid	73	...

**101.** A similar situation exists when certain goods and services are provided, without any corresponding cash flow, by a direct investor to a direct investment enterprise. In such circumstances, book entries may show additional share capital issued to the direct investor or a loan made by the direct investor to the direct investment enterprise. These transactions would not be recorded as cash transactions in an ITRS. The compiler should identify these transactions and record them in the BOP as:

	Credit	Debit
For the Exporting Country		
Exports	63	...
Direct investment—equity or loan asset	...	63
For the Importing Country		
Imports	...	63
Direct investment—equity or loan liability	63	...

**102.** Examples of other noncash transactions include goods for processing that cross the boundary of the economy, debt rescheduling, arrears, debt cancellation (with the concurrence of both parties), dividend to equity conversion, interest and debt to equity conversion, etc. The compiler should identify these transactions to compile a BOP statement on an accrual basis.

**103.** Finally, reinvested earnings (income) on direct investment (and the offset in the financial account) would not be measured in an ITRS without a special arrangement. Therefore, data on reinvested earnings should be collected from direct investment or direct investor enterprises.

### Preparation of a BOP Statement

**104.** While most compilers prefer to use ITS for compiling the **goods** item in the BOP, compilers in some countries use international transactions reporting systems that may have to be adjusted in a number of ways.

**105.** In respect of coverage, goods financed via loans, goods that form part of foreign aid programs, migrants' effects, and goods traded between direct investment enterprises are examples of goods transactions that may not be captured in an ITRS and should be identified and included. Any adjustment made to the goods item in an ITRS represents one side of the transaction, and a corresponding adjustment should be made to the other item in the account.

**106.** Goods that do not undergo a change of ownership but enter or leave an economy for processing may also require identification and appropriate recording.<sup>24</sup>

**107.** Goods regarded as merchanting transactions should be treated in accordance with recommendations of the *BPM*.<sup>25</sup>

**108.** When a change of ownership for goods and payment for these goods are recorded in different periods, a timing adjustment may be required. Such adjustments would be necessary for goods transactions involving prepayments or other trade credits. Corresponding adjustments would be required in the financial account to record transactions arising from the creation and extinguishment of these short-term assets and liabilities.

**109.** In respect of valuation, it is important to identify the basis on which goods are imported or exported. For imports and exports recorded on an f.o.b. basis, no adjustment is necessary. For goods traded on some other basis, adjustments are necessary. For example, for goods traded on a c.i.f. basis, the insurance and freight elements should be identified and included in transportation and insurance services, respectively, (rather than in goods).<sup>26</sup>

**110.** In respect of **transportation** and **travel**, it is usually necessary to supplement ITRS data on transport and travel enterprises to ensure that sufficient data are collected and that data are correctly classified. A discussion of the type of data that may be collected from these enterprises is included in chapters 4 (enterprises involved in travel) and 5 (enterprises involved in transportation). The ITRS measurement of travel may have to be augmented to take account of transactions involving foreign currency notes and coins that do not pass through the domestic banking system.

**111.** Comprehensive statistics on **other services** can be obtained from an ITRS. These statistics reflect the times at

<sup>24</sup>See chapter 4, paragraph 136 for a discussion of the treatment.

<sup>25</sup>See chapter 4, paragraph 138 for a discussion of the treatment.

<sup>26</sup>See chapter 12, paragraph 507 for a discussion of the various methods available to do this.

which the services are paid for rather than rendered. Most compilers who use international transactions reporting systems consider payments data to be appropriate approximations for times when services were rendered. However, it would be desirable for compilers to obtain information on these relationships to ensure that this view is reasonable.

**112. Income** should be recorded when it is accrued rather than when it is actually received or paid. Most compilers who use international transactions reporting systems view payments data as appropriate approximations, in most cases, for times when income is due. However, compilers should adjust ITRS data for reinvested earnings on direct investment and for significant cases in which interest income is accrued and not paid (for example, deep discounted and zero coupon bonds, discounted bills, and interest in arrears). In these cases, the compiler should keep a special tabulation, or collect supplementary information, to make the necessary adjustments.<sup>27</sup> Further, it is important to ensure that income and financial account transactions are clearly separated in ITRS statistics. For example, in some systems, loan repayments and interest payments may be reported as a single item by transactors. This type of reporting is likely to occur when financial leases are involved and, in these instances, the compiler should distinguish between income and repayment elements.<sup>28</sup>

**113. Transfers** recorded in ITRS statistics are usually reported at times of payment. Most compilers who use international transactions reporting systems consider payments data to be reasonable approximations for times when changes of ownership occur in underlying resources. In addition, it is necessary to record any transfers in kind (particularly those that form part of foreign development assistance and military aid) that are not encompassed in ITRS statistics.

**114. Financial account** transactions measured by ITRS statistics tend to coincide with the *BPM* requirement on time of recording of financial flows, namely, when investment takes place and when drawings and repayments on loans occur. The compiler may have to supplement ITRS statistics with data on financial transactions that may not be measured by an ITRS (for example, loans involving trade finance, the incurrance of arrears, debt rescheduling, debt cancellation, and debt to equity conversions). Also, adjustments that are made to other items in ITRS statistics

and that involve financial items (e.g., goods involving trade credit and prepayments, interest accrued but not paid) would have offsets recorded in the financial account.

**115.** Ideally, reserve asset transactions would be included in ITRS statistics.

**116.** In closed systems there are, in theory, no net errors and omissions items. The absence of these items, does not mean that there are no gross errors or omissions but that, in a closed system, accounts should balance.

### A Model ITRS

**117.** This chapter has described the key features of an ITRS and the general steps involved in compiling BOP statistics from ITRS statistics. For additional information on the development of an ITRS, see chapter 18 wherein the design of a collection and processing system is outlined. Model ITRS collection forms appear in appendix 2. The forms include descriptions of various features that an ITRS may contain. An outline of the forms is presented in chapter 19.

**118.** The model ITRS outlined in chapter 18 is a closed system. The model collection forms capture:

- single transactions reported to the banking system (forms 3P and 3C);

- transactions passing through enterprise bank accounts at nonresident banks and through foreign currency accounts at domestic banks, noncash transactions, and external asset and liability positions (form 5);

- banks' own transactions and stock positions and data reconciling stock positions and flows (form 4).

Another form (form 3M) demonstrates how an ITRS could be used to capture data on goods transactions. Form 13 on security transactions of financial intermediaries may also be a part of the suite of ITRS forms. However, these forms do not comprise the universe of forms required for an ITRS. For example, a supplementary form must be developed to measure reinvested earnings on direct investment; this form could be modeled on form 12, parts G and H. In addition, many special forms (which could be developed from other model forms) may have to be developed for goods for processing (form 6), transportation (forms 7 and 8), travel (form 9), insurance (form 10), compensation of employees (form 11), and foreign embassies and international institutions (form 14). These forms are discussed in subsequent chapters of the *Guide*.

**119.** It is assumed that the model ITRS would use thresholds supplemented by sample surveys of small transactions.

<sup>27</sup>The recording of reinvested earnings and interest income on an accrual basis is discussed in chapter 13, paragraphs 602-613 and 614-624, respectively.

<sup>28</sup>The treatment of financial leases is discussed in chapter 16, paragraphs 784-786.

**120.** Classification codes for transactions (and stock positions) that appear on model forms are listed on form 3C and are consistent with those of the *BPM*.<sup>29</sup> Infrequently used codes are not shown. (In some countries, individual codes are added to the classification framework after compilers consult with particular enterprises engaged in specialized activities and with the central bank in respect of government activities.) Excluding specialized codes on the general forms avoids the problem of overburdening respondents with instructions and classifications.

## Electronic Reporting

### Introduction

**121.** ITRS data have typically been reported on paper, but electronic transmissions are increasingly being used. Until the 1990s, standards for electronic transmissions remained national. However, the movement towards a global marketplace has required an international standard for electronic transfer, from computer to computer, of commercial or administrative transactions. Such a standard, known as *Electronic Data Interchange for Administration, Commerce and Transport (EDIFACT)*, has been developed under the auspices of the United Nations. The *EDIFACT* standard is also used in preparing electronic communications for BOP purposes.

### *EDIFACT Communications for BOP Purposes*

**122.** *EDIFACT* communications can be used, as appropriate, to collect BOP data for an ITRS or ES. For an ITRS, the communications can contain data on separate transactions reported, either via a commercial bank or directly to the BOP compiler, by nonbank transactors. The communications can also contain data on bank transactions reported to the BOP compiler, as well as data reported to international statistical organizations by the BOP compiler. For enterprise surveys, the communications could contain a combination of balance sheet and aggregated transactions data.

**123.** The type of *EDIFACT* communication depends on the parties exchanging data. The following data flows can be distinguished:

from customers to banks;

from banks to the BOP compiler;

from enterprises to the BOP compiler;

from BOP compiler to international organizations and vice versa and between BOP compilers.

**124.** For data flows from customers to banks, existing (but slightly modified) *EDIFACT* financial payment messages can be used. For other flows, new *EDIFACT* messages have been developed.

**125.** *EDIFACT* messages have been developed by using internationally standardized building blocks (segments). An example of such a segment is the NAD segment, which contains information on name, address, and domicile. In *EDIFACT* syntax, segments can be mandatory or conditional. In new *EDIFACT* messages, the majority of the segments are made conditional (optional) to accommodate different national requirements. If BOP compilers wish to ensure receipt of particular information, conditional segments of the message could be made mandatory via national requirements.

### *Specific Messages*

**126.** The diagram in illustration 3.1 shows *EDIFACT* messages that could be used for collecting BOP data.

**127.** The diagram shows the following data flows:

PAYORD—a payment to be reported via a commercial bank to the BOP compiler

BOPINF—a receipt to be reported via a commercial bank to the BOP compiler

BOPCUS—individual payments/receipts to be reported to the BOP compiler by a commercial bank

BOPDIR—transactions in accounts held with nonresidents, foreign positions, and survey results to be reported directly to the BOP compiler

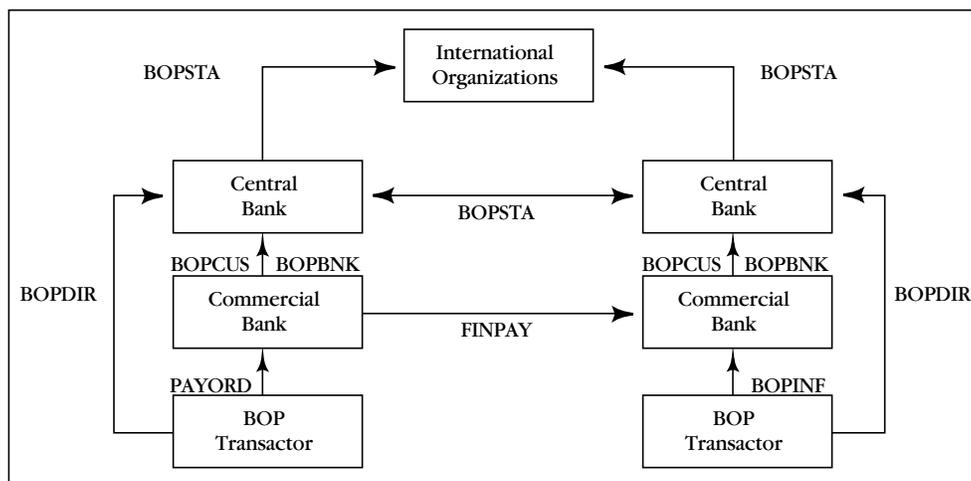
BOPBNK—banks' transactions and foreign positions

BOPSTA—data to be forwarded by a BOP compiler to international statistical organizations and to other BOP compilers

FINPAY—a message concerning a payment involving banks in two countries; possibly combined with BOP data in the future.

**128.** There is also a CUSDEC message, which could be used for collecting international trade statistics.

<sup>29</sup>To obtain the full BOP classification, some cross-classification is required; e.g., direct investment abroad, equities would reflect the purchase of foreign exchange to acquire shares (transaction code 710) in a foreign branch or subsidiary, etc. (other party code 2).

**Illustration 3.1 BOP Reporting and EDIFACT Messages****Benefits**

129. Use of the UN *EDIFACT* standard is steadily expanding on a worldwide basis. As more and more business systems conform to *EDIFACT*, the process for using these messages to report information to authorities will become more efficient. Ready access to electronic data reduces costs for enterprises and for banks

acting as intermediaries in the data collection process. These cost savings stem from the “automatic” nature of data provision. Once reporters have programmed their systems to send relevant data to BOP compilers, there is no necessity for subsequent reporting unless changes occur in reporting requirements or in reporters’ systems. Benefits to BOP compilers include more timely and more accurate data.

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## IV. Enterprise Surveys

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### Introduction

130. Chapter 4 discusses the use of enterprise surveys (ES) to measure certain components of the BOP and IIP—that is, current account transactions as well as transactions in, and levels of, an economy’s external financial assets and liabilities. Chapters 5 and 6 describe international transportation surveys and the measurement, by means of surveys, of activities associated with internationally traded securities. While all are ES, the different types are discussed separately because of their complexity.

131. The approaches of enterprise surveys may range from data collection by telephone from a few large companies to highly organized, large scale, mail-based collections. An enterprise survey may be designed to capture a specific type of data or to obtain data that supplements other sources, such as an ITRS.

132. ES should be based on clearly defined objectives, sound collection methodology, and a well-established legal basis; properly designed collection forms, full coverage of the population, well-defined data structures and classifications, and effective data validation and aggregation procedures are also required for ES. Survey design for achievement of various objectives is discussed in chapter 18. Questionnaire design is discussed in detail in chapter 19.

### Goods and Merchanting Services

#### *Use of ES to Collect Across-the-board Data on Goods*

133. ITS are the primary data source used by compilers in most countries for the compilation of the goods item in the BOP. However, as chapter 3 points out, compilers in some countries use international transactions reporting systems. In a few countries, compilers use ES to collect across-the-board data for goods.

134. Parts A and B of model collection form 6 seek the type of data that a compiler could collect in an across-the-board survey of exporters and importers. The form requests data on exports and imports (broken down

by broad commodity)<sup>30</sup> at f.o.b. valuation and data on export volumes (quantities).<sup>31</sup> It may also be desirable to obtain volume data for certain import categories. In addition, model form 6 seeks data on imports on a c.i.f. basis, as well as data on freight and insurance.

135. In using data from ES, the compiler should take account of differences between the ways data are reported for ES and for BOP purposes. Necessary adjustments should be made for any measurement deficiencies, such as less than complete coverage, in the surveys.

#### *Goods for Processing and Repairs to Goods*

136. Goods for processing that return to countries of origin without changes of ownership should be recorded on a gross basis in the BOP.<sup>32</sup> However, in ITS, these goods may not be recorded at all and, in an ITRS, only net processing fees paid or received may be recorded in respect of these goods. The number of enterprises that undertake processing or send goods abroad for processing may be relatively few. Therefore, enterprises may be surveyed about processing activities in a separate survey or as a supplement to ITS or to an ITRS. To provide a complete accounting of the transactions and the associated value of stocks, a somewhat complex set of data must be collected. It will be necessary to measure export and import flows at f.o.b. valuation and to measure any transportation and insurance costs separately. Also, it will be necessary to measure the stock of such goods held because they represent a claim of the client on the processor. To reconcile changes in stocks with the flow of goods, it will be necessary to obtain the value of the processing and details on any goods not returned to the

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<sup>30</sup>While a commodity breakdown is not essential for BOP compilation, it is common practice for the compiler to publish a commodity breakdown along with the main BOP aggregates because this information is necessary if the compiler and the analyst are to have a proper understanding of BOP estimates. In addition, a commodity breakdown is a valuable data validation tool.

<sup>31</sup>Data on volumes are not essential but may be useful for enhancing analysis and data validation; export volumes can be collected for homogeneous commodities only.

<sup>32</sup>The treatment of goods for processing is explained in detail in chapter 10 of the *BPM* and in chapter 11 of this *Guide*.

client. Data required to compile transactions in goods for processing are requested in model form 6, parts C and D, and instructions accompanying the form provide explanations of the data items.

**137.** The values of repairs to goods should be recorded in the BOP as transactions in goods. Parts E and F of model form 6 request data on the values of repairs. It may also be possible to collect data, on a selective basis, from enterprises known to undertake repairs or to send goods abroad for repair.

### ***Merchandising***

**138.** Merchandising transactions—that is, the buying and selling of goods (including nonmonetary gold) that do not cross national boundaries—should be recorded in the BOP as service transactions in the goods component of the BOP and valued as profits or losses on sales of goods. Entries in the goods component of the BOP will also be required for merchandising transactions in which goods are purchased in one period and sold in another. In the period of acquisition, an import of goods should be recorded. In the period of disposal, a negative import—equal in value to the first period’s entry—should be recorded. Because of the complexity of recording, merchandising transactions are often best collected directly from the enterprises involved. Model form 6 requests data required for recording merchandising transactions in the BOP. Data are collected on a gross basis and by commodity. Collection of gross transactions is not essential for BOP purposes but is suggested to ensure that items are accurately compiled and to facilitate collection of BOP data classified by partner country. It may be possible to collect data, on a selective basis, from enterprises known to undertake merchandising transactions.

**139.** As neither the original seller nor the ultimate purchaser of goods involved in merchandising transactions is likely to know the merchandising enterprise’s profit (or loss), the *BPM* does not require the recording of merchandising services provided by nonresidents. Instead, the original seller and ultimate purchaser should record these transactions as transactions in goods on a strict change-of-ownership basis. Accordingly, model form 6 does not seek data on acquisition of merchandising services.

### ***ES of Selected Commodities***

**140.** A number of countries use ES to measure goods transactions for particular commodities. The data are then used to replace data collected for ITS. There are some strong arguments for using ES to approach selected

importers and exporters in order to achieve material improvements in BOP accounts.

**141.** One reason for the use of ES is the potential existence of coverage deficiencies in ITS. For example, defense authorities and transport enterprises may take delivery of large items of mobile equipment—such as satellites, aircraft, and ships—some time before these items enter the country of import. Also, customs officials sometimes fail to record these items when they first arrive in the economy. Major equipment repairs and improvements are even less likely to be recorded by customs. In addition, an approach to enterprises may be used as an opportunity to collect data, which may not be available from other sources, on trade credit and on goods projections. ES may be used to identify other goods not recorded by ITS (for example, goods consumed by offshore installations, goods salvaged, fish and other marine products caught or mined by the compiling economy’s ships and sold directly abroad, electricity and gas, goods under financial lease, etc.). Nonetheless, the BOP compiler should encourage the ITS compiler to include these goods in ITS even though there may be significant differences between the times at which goods change ownership and the times at which they cross national (general trade) or customs (special trade) borders.

**142.** Another reason for using ES is that values of certain exports may not be known when these commodities cross national borders because final contract prices may still be under negotiation. Prices may be determined, by reference to some quoted price or exchange rate, when goods are delivered. The quality of the goods, and hence their prices, may have to be established by reference to an assay when the goods are delivered. There may be other determinants or a combination thereof. In chapter 2, it is suggested that appropriate corrections be made by the ITS compiler when final data become available. However, this is not always possible, and these adjustments may have to be made by the BOP compiler. A survey of selected enterprises could provide the information necessary to make the adjustments.

**143.** A third reason for using ES is that there may be known timing differences between the recording of certain goods in ITS and the recording of the same goods in the books of the enterprise concerned. A survey of relatively few exporters and importers may facilitate correction of significant timing differences.

**144.** In ES, data should be collected on values of goods shipped and on values of goods sold (exports) or bought (imports). Parts H and I of model form 6 contain questions that could be asked.

145. The *BPM* requires that: (1) goods exported but lost before the importer could take delivery should be excluded from exports and (2) that goods acquired by importers but lost after export should be included in imports. (These goods would be reported in the ITS of the exporting country but not in the ITS of the importing country.) It may be difficult to measure these transactions completely in order to make appropriate adjustments to ITS estimates. However, when the compiler knows of significant occurrences likely to affect the BOP outcome, the enterprises concerned should be approached for relevant information, and necessary adjustments should be made. Questions 6 and 12 in model form 6, parts A and B represent this type of inquiry.

146. When goods have been shipped on consignment, sold from stocks abroad, or sold from buffer stocks prior to shipment, the compiler may wish to collect relevant data and make a timing adjustment to ITS. The compiler would have to obtain data on the time goods crossed the border and on the time goods were sold. It would also be useful, to ensure consistency of recording, to obtain data on opening and closing stocks of goods that were held, prior to sale, by residents located abroad or held, prior to leaving the country, by nonresidents. In each case, values of goods crossing the border should be deducted from goods recorded in ITS and replaced by goods sold. Such adjustments would typically be made only when amounts involved were likely to have significant effects on the BOP. While no questions on consignment are included in enterprise survey model forms, model form questions should provide suitable examples for developing appropriate questions.

147. If an ITRS, rather than ITS, is used to compile basic data for the goods item in the BOP, it might be desirable to use similar ES to correct major cases in which change of ownership and payments do not coincide.

### ***Projection of Exports and Imports***

148. Data from ES may be used to make certain export and import projections. Such information may be very useful for projecting commodities consisting of large items for which orders are known well in advance (for example, the export and import of mobile equipment) and for projecting certain rural commodities for which the exporting or importing organizations have a good understanding of markets, potential production, and orders. Parts J and K of model form 6 seek the type of data that a compiler would consider collecting (for example, values and volumes of particular commodities).

### **Freight and Insurance on Imports**

149. Data for freight and insurance on imports may be required for a number of BOP compilation purposes. If imports are recorded on a c.i.f. basis in ITS, data on freight and insurance are necessary to adjust imports of goods to an f.o.b. basis. Data also are necessary to estimate nonresident earnings on freight and insurance premiums paid to nonresident insurers. A common practice is: (1) to collect data on resident carrier earnings from freight on imports and data on insurance premiums paid to resident insurance enterprises on imports; (2) to deduct these amounts from estimates of total freight and insurance on imports; and thereby (3) to derive the residual figure for freight and insurance premiums attributable to nonresidents.

150. An across-the-board survey of importers can be used to obtain an overall measure of freight and insurance. Importers may be asked to supply data on imports on an f.o.b. (or c.i.f.) basis and on freight and insurance components separately. This data may be requested for total imports or for imports at each commodity level. Model form 6, part B seeks the data required. A survey could also seek information on how much of the freight and insurance was paid to resident transport and insurance enterprises.

151. Conducting an across-the-board enterprise survey of importers may not be an option. However, the compiler could still approach selected enterprises to obtain data on freight and insurance for certain enterprises or commodities (such as petroleum) or data that would provide **freight and insurance rates** for imports (or for various import commodities). Even though the compiler may still have to estimate freight and insurance for some commodities, the scope of arbitrary estimation is reduced.

### **Use of ES to Measure International Travel**

152. ES can be used to measure expenditure by residents traveling abroad (travel debits) or travel expenditure by nonresidents in the host country (travel credits). Enterprises engaged in providing the means to pay for travel can provide information on both travel credits and debits, while enterprises that provide travel services to nonresidents can provide information on travel credits. Model form 9 requests the type of information that could be collected in ES of international travel.

153. Enterprises that provide the means to pay for travel include institutions involved in issuance or redemption of travelers' checks; credit and debit card companies; and travel agents, tour wholesalers, and retailers providing prepaid or package tours. Surveys of

such enterprises could be supplemented by estimates of travel expenditures paid for with other instruments (for example, cash expenditure).

**154.** Model form 9, part A seeks data that could be collected on the value of:

travelers' checks (less refunds to original purchasers) that are issued by resident enterprises to purchasers abroad and used in the compiling country during the recording period (These are included in travel credits.)

travelers' checks that are issued by resident enterprises to residents and presented for collection by nonresident banks (These are included in travel debits.)

travelers' checks (less refunds) that are issued to residents by resident enterprises on behalf of nonresident banks (These are included in travel debits.)

travelers' checks that are sent for collection to nonresident banks—that is, travelers' checks issued abroad by nonresident institutions and purchased by resident enterprises from nonresident travelers. (These are included in travel credits.)

Gross data should be collected, and fees and commissions should be collected separately and treated as financial services.

**155.** Staff of enterprises that issue travelers' checks can identify the name of the bank or other agent—and hence the country—that sold the travelers' checks (this information is encoded in the number printed on the travelers check) and any refunds on unused checks. Staff of these enterprises are also able to identify (or estimate) the value of travelers' checks used in each country. Enterprises acting as travelers' check sales agents for issuing enterprises have information on locations at which travelers' checks are sold and on details about refunds. Staff of banks accepting travelers' checks know the values of checks sent abroad for collection by the banks. Therefore, for BOP compilation purposes, it should be possible to identify flows associated with travelers' checks.

**156.** As relatively few institutions (mostly banks) issue and redeem or buy and sell travelers' checks, data should be readily available. The compiler, in establishing a survey of travelers' check transactions, should pay particular attention to inclusion and exclusion rules so that all transactions are reported without duplication. The resident transactor undertaking the settlement with the

nonresident party is usually designated as the reporting entity in model forms.

**157.** Data on expenditure by nonresident travelers in host countries and by resident travelers who go abroad and use credit and debit cards are typically available from card-issuing enterprises. Staff of these enterprises can readily distinguish foreign payments and receipts from domestic payments and receipts. As relatively few institutions issue credit and debit cards, this would be a small collection. Model form 9, part B contains the type of questions that may be asked. Data should be collected before fees payable by, or to, nonresident entities are deducted.

**158.** Caution must, however, be exercised when credit or debit card information is used without supporting information on the transactions covered. Payments may relate to non-travel items (such as the purchase of securities) in the BOP, and the residence of cardholders (as perceived by the issuing enterprise) may differ from balance of payments definitions. Nevertheless, in the absence of comprehensive surveys of travelers, data on credit or debit card expenditures can often serve as the basis for a useful estimate of part of traveler expenditure.

**159.** To measure prepayments, including package tour payments, it is necessary to identify wholesale and retail travel businesses. An exploratory survey could be used to identify enterprises receiving (or making) payments from (or to) abroad. Enterprises involved in this activity on a significant scale could be asked, subsequently, to complete a more detailed questionnaire. Gross amounts involved should be collected so that travel expenditure and commissions can be separately distinguished. Also, it is important to distinguish between payments for international passenger services and international travel. The former are included in the BOP under passenger services (part of transportation services), while the latter are included in travel. The compiler, in establishing a survey of wholesale and retail travel businesses, should pay particular attention to reporting rules so that no overlap or duplication of reporting occurs. Model form 9, part C requests the type of information that could be collected.

**160.** Enterprise surveys may also be used to measure actual travel services provided. Some compilers collect, from hotels and tourist resorts, data on numbers of nonresident travelers staying at these establishments, numbers of nights spent, and expenditures on accommodations and food. In countries where nonresident travelers stay at relatively few such establishments, a survey of hotels may be a good data source. ES can also be used to approach other

establishments likely to provide significant services to nonresident travelers. Such services may be provided by restaurants, car rental companies, tour and transport operators, casinos, entertainment centers, etc. To obtain a profile of nonresident travel expenditure, the survey could collect the total value of services provided or partial information, which could be combined with information from other sources to measure travel credits. Parts D and E of model form 9 contain the types of questions that could be used. The rules about which enterprises should report must be clearly understood so that no overlap or duplication occurs. In the model form, data are collected on the basis of the institution that receives the payment rather than the institution that provides the service.

### **Insurance Transactions**

**161.** International insurance transactions include re-insurance received from abroad, re-insurance placed abroad, insurance placed abroad by agents and brokers, other insurance placed directly abroad, and insurance received from abroad. Also, it may be desirable to distinguish between insurance on goods, other casualty insurance, and life insurance. Model form 10 requests data that could be collected from enterprises and used for compiling insurance services and related BOP items. Parts C and D of the form contain premium and claim items that may be collected from resident insurance enterprises; part E of the form seeks data that may be collected from non-insurance enterprises and insurance agents and brokers placing insurance abroad. Use of these data to compile relevant BOP items is discussed in chapter 12, paragraphs 551-561.

**162.** From a conceptual perspective, premiums should be measured when they are earned, and claims should be measured when they are due. However, in practice—particularly for imports of insurance services, premiums will often be recorded when they are paid, and claims will be recorded when they are received.

**163.** A list of insurance enterprises conducting both insurance and re-insurance business should be available from the authority that issues the licenses for insurance businesses to operate. Resident insurance enterprises should report details of premiums and claims in respect of business obtained from abroad and in respect of international re-insurance flows. In addition, these enterprises may be asked to report details of premiums and claims in respect of insurance written by them on imports.

**164.** Data regarding premiums on import insurance placed directly abroad and data on associated claims may be collected by approaching importers. However, if such

data are not available from importers, an alternative is to deduct from the estimate of total insurance premiums on imports those insurance premiums paid to resident enterprises and collected from these enterprises. In other words, import insurance premiums paid to nonresidents can be derived as a residual. To obtain data on claims paid to importers when data from importers are not available, data on import premiums received and claims paid by resident insurance enterprises could be used to calculate a claims-to-premiums ratio that may also be applied to insurance placed with nonresidents.

**165.** Data on insurance that covers items other than imports and is placed directly abroad could be obtained from broadly based ES. Branches and subsidiaries of nonresident companies (direct investment enterprises) are more likely to place insurance abroad than are other enterprises—especially when the head office of a multinational enterprise group takes out a global policy or self-insures and recoups premiums from subsidiaries and branches. Premiums on individual life insurance are unlikely to be paid, other than through agents or brokers, directly abroad; therefore, the compiler need not be too concerned about surveying individuals to obtain this information.

**166.** Insurance agents and brokers are usually required to register with insurance authorities; therefore, a list of these businesses should be readily available from official sources. An exploratory form could be used to identify agents and brokers placing insurance abroad. These agents and brokers would then be asked to complete a more detailed questionnaire. Data required on insurance transactions include details of premiums paid abroad and claims received. On model form 10, in the section to be completed by agents and brokers, insurance on imports is required as a separate category to ensure that it is not double counted. Insurance agents and brokers may satisfactorily report data on premiums paid abroad, but they may not be aware of claims received by residents. Therefore, the compiler may wish to adjust the claims data accordingly. The adjustment should be made in consultation with agents and brokers or by using a claims-to-premiums ratio that domestic insurers think is appropriate. If such an adjustment is made, the compiler should ensure that allowance is made for any claims information collected directly from the recipient. (Allowance should be made to the extent that such claims relate to premiums paid through resident agents.)

### **Use of ES to Measure Other Services**

**167.** Collection of data on services such as communications, construction, certain financial services, computer

and information services, royalties and fees, other business services, and other personal services are included under **other services**. The classification of services required by the *BPM* is presented in table 10.1. The transactions in services that can be collected by ES are listed in model form 10, parts A and B, and the notes in that form describe the services that should be reported.

**168.** ES of services have proved successful in a number of countries. However, some general observations are in order. ES are designed to collect both credit (earnings) and debit (payments) items. On the earnings side, the particular service provided is likely to relate closely to the industry activity of the enterprise approached; for example, the legal industry is most likely to provide legal services. This is less true on the expenditure side, although there are likely to be greater associations of certain services with particular industries. Enterprises involved in international trade in services are likely to be those undertaking other international business activities. Therefore, it is possible to identify a large part of the population involved in international trade in other services by approaching enterprises involved in a direct investment relationship, enterprises that have large external assets and liabilities, and enterprises that have large transactions in goods. While a more thorough approach to population identification is required, a list of the types of enterprises just mentioned is an extremely useful starting point. In chapter 18, paragraphs 853-862, population identification is discussed more thoroughly. There are some areas in which the boundaries of international service activity must be established. For example, the boundary for construction services is a complex issue, which is discussed in chapter 10, paragraphs 452-455.

### **Transactions Associated with Foreign Workers**

**169.** ES of employers and employment agencies engaging foreign workers, as well as special data that may be available from banks, may be used as sources to measure BOP transactions associated with foreign workers.

**170.** Model form 11, part A seeks data that could be obtained in an employer survey designed to collect information on transactions involving foreign workers employed in the domestic economy. In designing a survey of employers, the compiler should take into account the scope and nature of information known to employers. Total wages, salaries, and supplements should be known. Employers may or may not know workers' actual expenditures in the domestic economy or amounts remitted to home countries. Some employers may be able to provide information on actual cash remittances. Any approach to collecting information from employers should

request data on values of wages, salaries, and supplements and on numbers of foreign workers employed. Such data may be used in the development of a profile of foreign workers, which would be helpful for estimating transactions that are of interest to the compiler.

**171.** Domestic banks may, in special circumstances, have information on foreign workers that could be used in calculating workers' remittances, changes in nonresident bank deposits, and migrants' transfers. Another potential source of information is employment agencies, which may be responsible for recruiting foreign workers to be employed in the domestic economy. Any approach to collecting information from employment agencies should request data on values of wages and salaries, remittances and the like, and numbers of foreign workers employed. If employment agencies do not have actual data, staff may know numbers of workers placed, employment conditions, contractual arrangements, etc., and such information may be useful for constructing a data model on foreign workers.

**172.** ES may also be used to measure the BOP transactions of residents working abroad. A number of sources could be approached for information. The compiler could survey employment agencies that recruit residents to work abroad. The amount of detail and the scope of information possessed by such agencies may vary, but data on wages and salaries paid in cash and in kind, living expenses, and remittances to home countries could be available. Data may also be available by industry and country. Information on the numbers of workers involved should be collected and, if possible, data on their wages and salaries. Adjustments may have to be made to ensure that, in the overall measure of wages and salaries, employers' contributions to insurance and pension schemes are included.

**173.** Special bank data, which are described in the next paragraph, may be available to measure components of employee compensation, workers' remittances, and migrants' transfers.

### **Special Bank Data**

**174.** In some countries, arrangements exist for banks to establish special accounts for certain types of clients, such as foreign nationals working in a host country or citizens working abroad. These accounts may be a useful source of information on such BOP items as employee compensation, workers' remittances, and migrants' transfers. Monitoring of bank accounts held by embassies, by military establishments of foreign governments, and by international institutions may be a useful way to measure

transactions, with the compiling country, of certain foreign governments and international institutions.

### **Private Development Aid Transfers**

**175.** Religious organizations and other organizations involved in collecting or distributing goods, services, and funds to be used for development or other assistance can be approached for information on related BOP transactions. Sometimes the compiler may collect relevant data from an umbrella organization formed for the purpose of coordinating these types of activities.

### **Use of ES to Measure External Assets and Liabilities**

#### ***Introduction***

**176.** ES may be used to measure stock positions; financial transactions; investment income; financial services; and withholding taxes associated with liabilities to, and claims on, nonresidents. Data on stock positions of external assets and liabilities are required for the IIP statement; data on financial transactions are required for the financial account of the BOP. Remaining items are required for the current account: investment income—for inclusion in the income item, financial services—for inclusion in services, and withholding tax—for inclusion in transfers.

**177.** Enterprises may not always be aware that some of their liabilities (which take the form of tradeable securities issued in the domestic market) may be managed, on behalf of nonresidents, by domestic financial intermediaries. The measurement of these external liabilities is also complicated by the existence of secondary markets. Collection issues associated with international securities are examined in chapter 6.

**178.** Many compilers conduct ES to measure financial flows, stock positions, investment income, associated financial services, and withholding taxes. Through these surveys, many different approaches are taken.

**179.** A compiler may conduct an across-the-board survey of external assets and liabilities; use ES to measure certain components, such as direct investment and loans from nonresidents; and use other methods, such as an ITRS, for the remainder.

#### ***Model Form 12***

**180.** Model form 12 seeks the type of data on external assets and liabilities that a compiler could collect through ES. This comprehensive form could be sent to any type

of enterprise (a direct investor, a direct investment enterprise, a public enterprise, or any other type of enterprise) for completion.

**181.** Form 12 contains a classification framework for financial flows, stock positions, reconciliation items, and investment income. These classifications are consistent with the standard components of the BPM. Form 12 should be of assistance to compilers who must record wide-ranging international financial transactions and wish to compile comprehensive data. Less detailed forms (similar to illustration 19.3 in chapter 19) may be used by compilers for economies that have less developed financial structures. As separate forms could, in practice, be used for different types of enterprises, form 12 could be divided into several forms.

**182.** Parts A and B of form 12 request data on external assets, and parts C and D request data on external liabilities. In turn, in parts A and C, there are separate items for stock positions (opening and closing positions), transactions (increases, decreases, and net), other changes (exchange rate and other), and associated income. Parts B and D request data classified by partner countries.

**183.** In parts A through D, assets and liabilities are separately classified as representing claims by direct investors on direct investment enterprises, claims by direct investment enterprises on direct investors, or other claims.

**184.** Each of these classifications is further classified by instrument of investment.

**185.** Part E of form 12 requests data that could be collected on financial fees and withholding taxes; parts G and H seek data that could be collected in respect of reinvested earnings on direct investment. The instructions accompanying the form provide an explanation of some data items and data relationships contained in the form.

**186.** Before the model collection forms and procedures contained in this *Guide* can be used, compilers must develop BOP enterprise registers. For this purpose, it is necessary to define the business entity (statistical unit) about which the compiler collects and publishes data. In chapter 18, the use of the **enterprise group at the sector level** or, alternatively, the **enterprise** is advocated. Chapter 18 provides further information on establishing and maintaining a business register.

#### ***Classifications of the Statistical Unit***

**187.** The BOP enterprise register should contain information that permits classification of the statistical

unit. Important classifications include sector, industry of enterprise, and public/private ownership.

**188.** The sector classification is required to present BOP data according to the sector classification set out in the *BPM* and the *SNA*. For BOP purposes, the compiler should ascertain whether or not the enterprise is a bank. For national accounts purposes, the compiler may have to determine whether the enterprise is a bank, another financial institution, a trading enterprise, or—in the case of certain unincorporated enterprises—a member of the household sector.

**189.** The public/private ownership classification is important for many purposes. If necessary, this classification may be extended to indicate ownership of public enterprises by central government, state or regional government, or local government.

### ***Reconciliation of Stocks and Flows Data***

**190.** As described in chapter 1, paragraph 30, the reconciliation statement shows the opening stock position, changes that occur in stock as a result of financial transactions and other changes, and the closing stock position. In addition, the statement includes investment income because it is important to link investment income with corresponding stock position data. Any data collection of stock positions, financial flows, and investment income should be built around these basic relationships. By collecting data in the form of a reconciliation statement and linking it to related income items, the compiler should ensure the consistency, and therefore the accuracy, of data collected.

**191.** Changes that occur in stock as a result of transactions will arise from the provision of financing (for example, a new equity investment, a loan drawing, the purchase of a security, the incurring of an account or an arrear) less the repayment of financing (for example, cancellation or withdrawal of equity, repayment of a loan, sale of a security, payment of an account). In form 12, the provision of financing is referred to as an increase, and the repayment is called a decrease.

**192.** Other changes to the value of a financial asset may occur without any transaction. For example, the value of an asset denominated in one currency may change when the value is expressed in another currency and the relative values of the two currencies change. A write-off of debt or a movement in the share (stock) market price of an equity are other examples.

**193.** In a statistical collection, the non-transactions component of changes in levels may also reflect errors,

other discrepancies, or changes in the treatments of items. For example, in sample surveys, the rotation of units in and out of collections will introduce sample errors because closing values reported by enterprises in previous periods may not equal opening period values of newly selected enterprises. Another common occurrence is that reporters, who discover that previously reported transactions and stock position data are incorrect, do not provide revised data. If such differences have significant impacts on survey results for past periods, revised figures should be obtained.<sup>33</sup> The compiler should attempt to measure the causes of the other changes item and keep the statistical error component within acceptable bounds.

**194.** As shown in form 12, the collection of investment income insures that investment income, financial flows, and stock position items are consistently classified; in addition, the collection of investment income facilitates income yield analysis, which enables the compiler to verify the quality of data reported on investment income and to identify possible misreporting of income or stocks.<sup>34</sup> Published data on income yields are useful for purposes of analysis and projection.

### ***Classification of Stock Positions, Financial Transactions, and Investment Income***

**195.** It is important that forms used in ES to obtain information necessary for classifying transactions and stocks are consistent with requirements of the *BPM*.<sup>35</sup> As financial transactions, investment income, and the IIP are classified in similar ways, the use of the reconciliation statement to collect information on the external assets and liabilities of an enterprise facilitates consistent classification of BOP and IIP items.

**196.** Model form 12 is designed to permit classification of transactions into the standard components of the *BPM*. In addition, the form also allows for certain supplementary classifications, such as partner country data (see chapter 17), currency denomination of instrument, and sector of the nonresident counterparty.

<sup>33</sup>These discrepancies will generally be evident only when the opening level for one period is compared with the previous period's closing level and found to be different. Any attempt to replace one of these estimates with the other will have an impact on the other changes item in either the current or previous period.

<sup>34</sup>Income yield is obtained by expressing income accrued during a period as a percentage of the average of the stock positions of external assets (or liabilities) during the period. For a further discussion of this type of analysis, see chapter 13, paragraphs 598-599.

<sup>35</sup>These requirements, as they pertain to financial transactions and related items, are discussed in detail in chapter 16 of this *Guide*.

### ***Financial Services and Withholding Taxes***

197. ES of external assets and liabilities also serve as appropriate vehicles for collecting data on financial fees and services associated with external assets and liabilities and on withholding tax payments. Collection of these data on the same form would emphasize that reporting of financial and investment income transactions is required on a gross basis before fees and taxes are deducted.

### ***Conversion of Foreign Currency Stocks and Transactions to the Unit of Account***

198. In ES, as in other BOP collections, instruction should be given to reporters on how to convert stock positions and transactions expressed in foreign currencies to the unit of account.<sup>36</sup> The instruction should follow the recommendations of the *BPM*, which states that: (1) stock positions of external assets and liabilities should be converted to the unit of account at the midpoint market rate of exchange applicable to the date of the measurement of stock position data and (2) transactions should be converted on the basis of the midpoint rate applicable to the transaction date. When exchange rates have been hedged, the transaction rate may differ from the market rate prevailing on the date of the transaction. In these instances, the market rate is still to be used. Hedges, if they are set up with nonresidents, are to be recorded separately. See chapter 16, paragraphs 744-759 for further details on the BOP treatment of hedges.

### ***Surveys of Banks and Other Financial Institutions***

199. In some countries, enterprise survey (of banks and other financial institutions) data collected by compilers of money and banking statistics or by compilers of other financial statistics are used to compile components of the BOP and IIP statements.

200. Such surveys generally collect data on a balance sheet basis and request classification by instrument and sector of creditor (in the case of banks' liabilities) and debtor (in the case of banks' financial assets). The sector classification enables the analyst to identify financial flows between banks and the monetary authorities and between banks and other sectors. Also, these surveys typically identify claims on, and liabilities to, residents

and nonresidents; therefore, the data may be used in compilation of BOP and IIP statements.

201. For several reasons, the BOP compiler should take care in using these surveys as data sources. One reason for caution is that, while survey data are collected on a balance sheet- or stock-basis, the BOP requires data on a transactions basis. (Paragraphs 732-739 of chapter 16 describe a method for compiling flow data from stock data.) If such surveys are used as sources, consideration should be given to obtaining supplementary data on gross transactions underlying changes in stock data; for example, for loans to and from nonresidents, data could be collected on drawings and repayments.

202. A second reason for caution is that data provided on foreign and domestic currencies are sometimes used as proxies for residency. That is, foreign currency claims (and liabilities) are regarded as claims (liabilities) on (to) nonresidents, while domestic currency claims (and liabilities) are regarded as claims (liabilities) on (to) residents. These assumptions are often unrealistic, and the compiler should (if this is not already the case) encourage the collection of data on a residency basis.

203. The reference period used in some countries may not be consistent with BOP periodicity. For example, bank accounting periods may end on a particular day of the week, such as the last Wednesday of the month, rather than the last day of the month. The occurrence of large daily fluctuations in the external liabilities and assets of banks may lead to significant timing discrepancies in the BOP.

204. Some bank collections do not provide details of either nonresident investment in the equity of the bank or of the bank's equity in enterprises abroad. This omission may be important, especially when the bank is owned by nonresidents or has branches and subsidiaries located abroad. In these cases, the BOP compiler may have to collect data on equity separately.

205. The treatment of offshore banking units may not be consistent with BOP requirements; therefore, the compiler may have to collect information directly from offshore units. According to the *BPM*, offshore banking units are resident entities of the countries in which they are located. The same data collected from other resident banks on financial flows, stock positions, income, services, etc. should be collected from them.

206. Some of the other classifications, such as partner country data, required by the BOP compiler may not be available from these surveys. Therefore, the compiler

<sup>36</sup>Alternatively, some compilers may prefer to collect data denominated in original currencies and undertake the conversions themselves.

should approach banks and other financial institutions separately for this information.

**207.** Balance sheet information may be provided on the basis of historical cost rather than market value. The difference could have implications for compilation of both the BOP and the IIP (particularly the latter). The BOP compiler should approach banks and/or other institutions for information to adjust valuations to the preferred market value basis.

**208.** These surveys are generally not designed for BOP purposes and therefore may not satisfy the requirements of the BOP compiler. A better approach (described previously in this chapter) may be to include banks and other financial institutions in an enterprise survey on

external assets and liabilities. In such circumstances, BOP and money and banking data compilers should attempt to coordinate their requirements so that the same definitions of instrument and of residency are used. It is highly desirable that stock positions reported in BOP and money and banking surveys should be compared on a bank-by-bank basis to ensure consistent reporting and treatment as far as possible. Differences existing between the two data sources should be reconciled; if necessary, any difference between treatments in the two sets of statistics should be drawn to the attention of users from time to time.<sup>37</sup>

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<sup>37</sup>Special articles could be published to call attention to and, if possible, quantify the various differences between these data sources.

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## V. International Transportation Surveys

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### Overview

**209.** The international transportation industry has many unique features that require special attention when BOP transactions are measured. Various modes of transport (including sea, air, rail, road, space, and waterways) may be employed, and this chapter discusses the use of enterprise surveys to measure the BOP transactions associated with each of these modes. The implications, for the measurement of transportation services, of the point-of-valuation convention adopted for transactions in goods adds to the complexity of recording transportation industry transactions in the BOP. The BOP treatment of mobile equipment is discussed in chapter 10, paragraphs 442-451; chapter 12, paragraphs 492-507 provide details on the compilation of transportation services. Both of these sections should be read, in conjunction with this chapter, when the compiler is developing international transportation surveys.

**210.** It is necessary to distinguish between owners and operators of mobile equipment (see discussion in chapter 12, paragraphs 493-503), and the compiler should, when using international transportation surveys, have a clear grasp of this distinction. International transportation services are provided by operators, who may not necessarily be the owners, of equipment. Owners, however, can engage in BOP transactions (such as operational leasing) that are related to transportation.

**211.** A number of entities may be approached for information relevant to the BOP. For services provided by equipment owned or operated by residents, the resident entity should be a good source of data. The resident owner or operator should also be able to report information on services related to transportation and acquired from nonresidents. Local branches of nonresident companies often possess, or have access to, relevant information on activities of their head offices. Agents for nonresident operators may have reliable information on services provided and expenses incurred by operators when agents are involved in the provision of services or the payment of expenses. A resident operator may also act as an agent for a nonresident principal, and the resident transport operator may be approached to report in this capacity. Resident enterprises that supply transportation-related

goods or services to nonresident principals should know the values of goods and services supplied. Importers may know the value of freight paid. (See the discussion in paragraphs 149-151 of chapter 4.) Government authorities who collect various port charges could also have relevant data.

### Model Collection Forms

**212.** Model form 7 requests the type of data that a compiler could collect from a resident transport operator. In part A of the model form, data items include selected transportation earnings and selected expenses incurred abroad. Three categories of passenger fares are collected: nonresident travelers on international routes (passenger service credits), nonresident travelers on domestic routes (travel credits), and resident travelers on international routes. The latter is not a BOP item, but collection may be useful for compiling passenger fares earned by nonresident operators (passenger service debits). (See the discussion in chapter 12, paragraph 520.) Four freight items are collected: (1) freight on imports, which is not a BOP item but may be used indirectly—as chapter 12, paragraph 505 notes—in compiling freight earned by nonresident operators (transportation debits); (2) freight on exports (transportation credits); (3) freight—earned from nonresidents—on operations in the home economy (transportation credits); and (4) freight on other foreign routes (transportation credits). Remaining items that pertain to earnings include inward mail (transportation credits), charter of vessels without crews (operational leasing credits), and other earnings. For the last item, the BOP classification should be determined by the description provided.

**213.** While all of the details that model form 7 requests for expenses are not required as standard BOP components, separate identification should ensure that complete data are reported. Details sought include expenses on fuel and provisions (goods debits), charters of vessels without crews (operational leasing debits), and advertising (miscellaneous business, professional, and technical service debits). Remaining expense items are included in transportation. The more detailed items may also be of analytic interest to users of BOP statistics.

**214.** Part B of the form collects information—which may be required for projecting goods imports—on expected equipment purchases, and part C collects information on passenger fare sales and revenue, which are discussed in paragraphs 218-219 of this chapter.

**215.** Model form 8 seeks the type of data that a compiler may collect from resident enterprises providing goods and services to nonresident transport operators or acquiring services from them. Part A of the form includes fuel and provisions (goods credits), advertising (miscellaneous business, professional, and technical service credits), and a number of other items that are included in transportation credits. The collection of detailed information should ensure complete reporting of items and may be of interest to users of BOP statistics as supplementary information. Part A of the form requires information on transactions in which resident enterprises provide services and settle directly with nonresident principals (items 1 through 8) and information on transactions in which resident enterprises arrange for services provided by other residents (items 9 through 16). Data are required on a settlements basis, as in an ITRS. The two sections could be combined, in practice, as long as reporting rules are clearly understood.

**216.** Part B collects data on passenger ticket sales and passenger fare revenue, which are discussed in paragraphs 218-219 of this chapter; part C collects details of various services—such as inland freight (freight debits) and mail (other transportation service debits)—provided by nonresidents to residents.

**217.** In practice, model forms could be modified so that separate forms are designed for each mode of transport (in the case of resident operators reporting on form 7) or for each type of entity being approached (in the case of form 8).

### **Passenger Fares—Travel Revenue or Ticket Sales**

**218.** The compiler has two broad options for measuring passenger fares; he or she may collect information on the basis of travel revenue or on the basis of ticket sales. (See the discussion in chapter 12, paragraphs 508-510.) In international transportation surveys, data on both ticket sales and passenger fare revenue could be collected. This approach is adopted in model forms 7 and 8. Judgments could then be made about adjustments appropriate for deriving a reliable passenger fare earnings figure.

**219.** Data on passenger fare commissions paid by nonresident operators are collected, via model forms, in two parts: (1) on ticket sales in form 8, part B and (2) on revenues turned over by the resident operator to nonresident operators in form 7, part C.

## **International Shipping Surveys**

### ***The Statistical Unit***

**220.** To use a survey approach for collecting data on international shipping activity, the compiler must first determine the statistical unit for which data are to be collected. For example, data may be collected about operations of individual vessels or about operators of those vessels.

**221.** Lloyd's of London has developed an international shipping register that lists a reference number, vessel name, country of registration (or national flag), owner's name and address, vessel description, type (tanker, passenger cruise vessel, bulk carrier, etc.), and capacity for each vessel. A compiler could use register data in surveying operations of individual vessels or in linking individual vessels to owners or other principals. In a shipping register, the name of the lessor (typically a financial institution) is usually recorded for a vessel operated under financial lease. For BOP and national accounting purposes, however, the lessee is regarded as the owner. Other names (and addresses) recorded as owners may, in fact, be nominees rather than actual owners.

### ***Collection Strategy***

**222.** It should be possible to collect accurate and relevant data from resident enterprises in respect of their international transportation transactions. There may be some complex operational arrangements (described in chapter 10, paragraphs 449-451) but, with clear instructions to the reporting entities involved, these should not be a problem. Sometimes it may be difficult to identify all resident owners and operators; the compiler may have to use an exploratory survey or attempt to identify owners or operators from a shipping list. The use of shipping lists is discussed in paragraphs 229-231.

**223.** It may be difficult, if not impossible, to obtain information from nonresident principals because a statistical compiling agency is generally not in a position to require nonresident companies to report. On the other hand, a significant part of the shipping may be handled by a small number of nonresident companies that have local branches or agents with thorough knowledge and records of nonresidents' earnings and expenses; such is most likely to be true for petroleum transportation and the transportation of major export or import commodities. Agents should be defined to include branches of nonresident companies acting on behalf of their head office principals, resident shipping owners

and/or operators who act as agents for nonresident principals, and importers and exporters who act as agents. Overlap may occur if more than one collection approach is adopted. For example, a petroleum importer may be both a branch of a nonresident company and an acting shipping agent for its nonresident parent. Shipping agents could also be asked to report details of agent fees earned from nonresident principals.

**224.** Alternatively, it may be possible to collect data on freight on imports from other sources, such as a survey of importers, and to deduct resident operators' shares from survey data in order to derive an estimate of freight on imports earned by nonresidents. Techniques for doing so are outlined in chapter 12, paragraphs 505-507.

**225.** In respect of inland freight earned by nonresident operators, only a small number of operators with relatively few clients (who may also act as agents for nonresident principals) may be involved. Therefore, collection of data may be a straightforward matter. If this activity is more widespread, an exploratory survey may be needed to identify the principals, their agents, or enterprises using the freight services.

**226.** In respect of other transportation services (such as passenger services and mail) provided by nonresident operators, it should not be difficult to identify resident entities acquiring these services or arranging the sale of such services on behalf of nonresident principals. In many instances, the sales office may be a branch of the nonresident operator.

**227.** Data on services (such as stevedoring and provisioning) supplied to nonresident operators may be obtained by approaching suppliers of those services—if suppliers can distinguish between services provided to resident operators and those provided to nonresident operators. Similarly, government authorities could be approached to obtain details of fees charged.

**228.** Alternatively, agents for nonresident operators could be asked to supply details of all expenses met by them on behalf of their principals.

**229.** It can be difficult to determine whether coverage of shipping operators is complete. In some countries, all vessels that enter and leave ports can be identified from lists supplied by port authorities or other sources. Such lists could be used to ensure that resident shipping enterprises and agents for nonresident shipping enterprises supply data in respect of each vessel entering and leaving a country's waters. Resident shipping companies and agents could report on the basis of each voyage, on the basis of a consolidated period, or on a

vessel at a single port. Some shipping conferences may be able to report all member operations taking place during a quarter. When reporting is done on a consolidated basis, a list of vessels and ports visited should also be provided to ensure that there is no duplication or omission in reporting. It is not unusual for different agents to act for one vessel in different ports. Account should be taken of such arrangements when collection methodologies are determined.

**230.** To obtain a list of vessels owned or operated by residents and operating abroad during an entire reference period, the compiler could approach resident enterprises directly, consult the Lloyd's register, or consult trade journals. A combination of such methods is likely to give the best results and may identify resident owners or operators previously unknown to the compiler.

**231.** Lists of ships could also be employed to facilitate sample surveys (at least for measurement of nonresident earnings and expenses), and the use of such lists could alleviate some of the reporting burden on shipping agents.

**232.** Insufficient resources may make it difficult or impossible for compilers to collect information on individual vessels. In such cases, compilers must provide clear reporting rules for shipping owners, operators, and agents to follow to ensure complete coverage and avoid duplication.

**233.** Circumstances arising from flags of convenience should also be noted. Most countries have legislation on shipping registration. Some frame their legislation (usually by imposing fewer obligations and costs) to attract shipping company registrations and thus generate fees for national authorities. The compiler should examine registrations and, as a result, may discover that:

the registering entity is a resident owner and operator

the registering entity, including shell or brass plate companies that charter vessels without crews to other enterprises, is a resident owner [If enterprises chartering vessels are nonresident entities, charter fee earnings (other business services) should be recorded, and the nonresident enterprises should be treated as the operators.]

the registering entity is a nonresident owner [Registration fees (government current transfer credits) should be recorded.]

the registering entity is a resident agent acting for a nonresident owner. [Registration fees (government current transfer credits) and fees earned by the agent (other transportation credits) should be recorded.]

234. In the first two instances, the ship should be recorded as an import if it has been acquired from a nonresident enterprise. The economic ownership of the vessel may also be transferred, typically by way of long-term financial lease, to a nonresident entity after registration. In such cases, the export of a ship should be recorded. Some compilers consider such a treatment—in the case of shell or brass plate companies—to be a distortion of BOP accounts because gross imports and exports (which may be large in value) essentially represent book entries. On the other hand, not recording these ships on a gross basis makes compilation of world BOP aggregates very difficult. As a compromise, compilers may consider ignoring shell and brass plate companies, recording in their national presentations only the registration fees and expenses, and compiling complete accounts as supplementary items for purposes of reporting to the International Monetary Fund. The articulation of this treatment is set out in chapter 16, paragraphs 705-711.

## International Airline Surveys

### *The Statistical Unit*

235. The statistical unit in surveys of the international airline industry is generally the airline operator, and this fact presents no major problems. However, there are a number of financing and leasing arrangements of which the compiler should be aware.

236. Financing of aircraft is often undertaken under financial lease arrangements. The treatment of financial leases is straightforward; therefore, the compiler should have no difficulty in imputing a change of ownership to the airline operator when necessary and in measuring the transport activity appropriately. (The treatment of financial leasing is discussed in chapter 16, paragraphs 784-786.)

237. It is common for airlines to lease aircraft without crews from one another for several years at a time. These charters are usually known as “dry charters,” and the charterer is regarded as the operator. “Wet charters” are akin to “voyage charters,” and the plane is hired with a crew. In this case, the entity responsible for the crew is regarded as the operator, and charter payments are recorded as payments for transportation services.

238. There are some complex joint venture arrangements in the international airline industry. Various treatment options are outlined in chapter 10, paragraphs 449-451.

### *Collection Strategy*

239. Compilers in most countries where surveys are used to collect data on international airline operations normally

approach resident airline carriers and the resident offices of nonresident airline carriers. Such collections tend to be relatively small and readily managed.

240. While coverage of normal commercial operations should be easy to maintain, coverage of private charters and foreign military flights may be less easily measured. If these are missed, BOP service credits (such as airport fees in the compiling country) could be understated. Monitoring such activity should be possible in conjunction with civil airline and defense authorities.

## Rail Transport

241. The *BPM* regards any rail system operating in a country as a resident enterprise of that country. Should part of a country’s railway system be operated in a second country, the railway system in the second country would be regarded as a resident direct investment enterprise in the host country. If a railway is jointly owned and operated in two countries, its operation should be split so that location determines residency. Rolling stock—that is, locomotives and rail cars—that remains in one economy should generally be treated as being owned and operated by that economy. Rolling stock that moves between two countries should be treated as being owned and operated by the economy in which the rolling stock is normally located. The implications of this treatment are set out in chapter 10, paragraphs 442-448.

242. Because there are relatively few railway operators in most countries, the identification of operators for purposes of collecting BOP information is straightforward. It is more difficult, however, to collect information on services provided by nonresident operators for goods that are imported to one country but transshipped through other countries. In these cases, either the importers themselves or local agents of the nonresident operators (which may include resident rail operators) could be approached for information.

## Other Modes: Roads, Waterways, and Space

243. Other modes of transport include roads, waterways, and space. When an enterprise providing road transportation services operates in more than one country, the separate operations of the enterprise in each country should be regarded as resident units of those countries if separate books are maintained and if operations in each country are of a long-term nature (that is, one year or more). Trucks and buses should be assigned to entities that are residents of the economy in which the trucks and buses are normally located. Unlike rail transport, road transportation services may be provided by

many entities and, as in the shipping industry, there may be many complex ownership and operation arrangements. Collection of complete data may be difficult, in practice, because of the large number of enterprises involved, the complex ownership and operating arrangements, and the necessity to split, for BOP purposes, inland freight (the carriage of goods within a country or to the border) and international transportation (the carriage of goods between borders). In addition, it may be difficult to distinguish services provided to nonresidents from those provided to residents. Although it may be difficult to obtain complete coverage of these activities, larger trucking and bus companies could be approached, and collection of the necessary data negotiated. Data on freight rates and cost factors may be obtained, and these could then be applied to some benchmark data collected by national statistical authorities on road transport activity.

**244.** Transportation by inland waterways should have many features in common with rail systems; relatively few operators are involved in most countries. However, in some countries, there are many operators and, in these countries, compilers could explore the possibilities for developing collection strategies similar to those described for international shipping.

**245.** Space transportation is essentially concerned with delivery of satellites into orbit. Change of ownership of a satellite can be regarded as having taken place when it is delivered to the buyer. The f.o.b. value of the satellite is its value at the border of the exporting country. If the satellite is launched from the country of manufacture, the cost of transporting the satellite to the launching site should be included in the f.o.b. valuation. The cost of launching the rocket should be treated as freight services. If the satellite is launched in a third country, the freight would include costs (including the cost of the launch rocket) incurred between the f.o.b. valuation and the satellite reaching orbit in space. If the satellite is launched from the owner's country, there would be no international freight component for delivering the satellite into orbit because the service provided would be a resident-to-resident transaction.<sup>38</sup> If the launch rocket is provided by a nonresident, the cost of the rocket should be shown as an import of goods. Details of costs involved should be readily available from the principals, who should be easy to identify.

<sup>38</sup>However, if there were international freight services associated with delivery of the satellite to the owner's country, these should be measured in the BOP.

## Transactions Involving Mobile Oil Rigs and Fishing Vessels

**246.** Mobile oil drilling rigs are often hired for relatively short periods and without crews. These should be treated the same as shipping vessels leased, without crews, from their principals. In practice, the rigs can be readily identified from records of port authorities, and relevant data should be available from owners, operators, or lessees. The services provided by mobile oil drilling rigs hired with crews should be classified as *other business services*.

**247.** The collection of information on fishing vessels operated under license in the waters of one economy by residents of another economy requires mention. If fish caught by such vessels in the waters of host economies are considered production of those economies, services (classified as *other business services*) provided by nonresident fishing vessels should be recorded in the BOP. The value of these services is defined as being equal to the total value of fish caught less the license fee (not recorded as a transfer item in the BOP) payable to a host economy's government. In addition, nonresident fishing vessels often make expenditures in host economies; these expenditures should be recorded as BOP transactions. It is likely that exports of host economies—as well as imports of economies with residents operating the fishing vessels—will, when recorded in ITS or in an ITRS, require adjustment to include fish caught but not landed in host economy ports.

**248.** Alternatively, fish caught by nonresident fishing vessels could be considered production of economies that operate the vessels. In this instance, licensing fees payable by nonresident fishing vessels represent BOP transfers to licensing authorities in host economies, and any expenses incurred by the vessels in host economy ports should also be recorded in the BOP. Fish landed in host economy ports should be recorded as imports of host economies and as exports of economies that operate the fishing vessels. In order to effect these recording procedures, an adjustment may be required to trade-in-goods estimates that have been compiled by using ITS.

**249.** Under both alternatives, when the compiling economy is the host economy, information necessary to compile BOP entries should be available from local agents for nonresident principals or from the resident licensing authority. When the compiling economy is the economy in which residents operate the fishing vessels, the necessary information should be available from principals.

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## VI. Surveys of International Activity Associated with Securities

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### Overview

**250.** Chapter 4 discusses enterprise surveys (ES) that are used to approach principals to measure liabilities to, and claims on, nonresidents. However, additional collection arrangements may be required in countries in which (a) securities are issued by residents and acquired by nonresidents—particularly if the securities are held by resident custodians (nominees) on behalf of the nonresident principals; (b) securities are issued by nonresidents and acquired by residents; or (c) portfolio managers (banks or fund managers) place funds abroad on behalf of clients. Similarly, a country that uses an ITRS may have to make special arrangements to collect data on transactions that involve resident intermediaries acting on behalf of nonresidents. This chapter examines the role of financial intermediaries and their impact on the BOP and outlines ways in which the compiler may collect appropriate BOP data on international securities. (The term *intermediaries* is used broadly to include banks and security dealers, as well as companies that manage large share or bond registers in respect of their own shares or bonds.<sup>39</sup>)

**251.** The term *securities* includes shares in corporations, bonds, notes, money market instruments, and derivative instruments such as options, forward contracts, etc. An essential feature of a security is the fact that it may be traded.

**252.** International security markets are complex, and the compiler may require a number of data sources to compile the BOP statistics related to these markets. Also, security transactions involving nonresidents of an economy may have to be measured in conjunction with similar transactions between two domestic sectors in order to ensure consistency with the national accounts.

### Data Requirements

**253.** It is useful to think of data requirements in terms of a data model. The data model should contain information

on stock positions, financial and income flows, financial service flows, and withholding taxes. Also, the data model should distinguish the following categories of information:

the type of instrument;

the issuer of the instrument, that is, the entity with the liability;

the owner of the instrument;

the country (market) in which the instrument is issued;

the currency in which the instrument is denominated.

**254.** The *BPM* requires that tradable instruments be separated into equity (such as ordinary shares and voting stock); long-term debt securities (such as bonds, debentures, certificates of deposit and notes with original maturities of more than one year, and nonparticipating preference shares); short-term money market debt instruments (such as bills and notes with original maturities of 12 or fewer months); and financial market derivatives (such as options, futures, and interest and currency swaps).

**255.** Ascertaining issuers and owners of securities is essential to identify external assets and liabilities for BOP purposes. For the BOP, the compiler should measure securities that are issued by residents and acquired or relinquished by nonresidents and, similarly, securities that are issued by nonresidents and acquired or relinquished by residents.

**256.** The country (market) in which a security is issued can be an important piece of information. It may be a decisive factor in determining the appropriate collection mechanism, and it may be of analytical interest.

**257.** Data on the currency in which the instrument is denominated is important for analytical purposes and may facilitate compilation if the compiler must estimate certain data items (such as flows or income) from other data items (such as stock positions).

**258.** For certain types of securities, it may not be possible to obtain data from a single source. Rather, the compiler

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<sup>39</sup>Enterprises that manage their own share or bond registers usually do so by setting up a separate operation, and their accounting records and procedures are usually similar to those of intermediaries performing similar functions.

may have to use information from different sources and collate data to ensure consistency. Anomalies appearing in collated data should be investigated and corrected. In fact, such anomalies may point to important gaps in data. Therefore, the collation process may be a useful tool for improving the overall quality of the BOP.

**259.** To measure transactions in securities, it is highly desirable to collect gross data on (a) new issues and redemptions and (b) secondary market sales and purchases. Such information is especially useful for international debt analysis—as in the calculation of debt service ratios.

**260.** Security transactions should be recorded exclusive of fees and commissions, which should be included in financial service items in the BOP. Similarly, when data on interest receivable and payable are collected, withholding taxes should be included in the gross amounts of income recorded, and offsetting entries should be included in withholding taxes in transfers.

### Identifying Security Issuers and Owners

**261.** Institutional arrangements for security transactions vary from country to country. However, some features seem to be generally applicable.

**262.** Prior to issuing a security, the issuing enterprise—or a security broker acting on behalf of the issuing enterprise—usually must approach a government regulatory body or quasi-official body, such as a stock exchange, to obtain certification that the security issue meets certain statutory requirements. Each security is usually assigned a unique reference number, and certain information about the security is published. This information consists of the identity of the issuer, the type of security, income payments, maturity, and currency of denomination. (In the case of equities, not all of these categories apply.) It would therefore be possible for the compiler to develop a database containing information about each security issued—or at least about those issued in the home country. This database would be useful for checking information reported by respondents or for estimating items that may not be directly measurable.<sup>40</sup> If, in some countries, a unique reference number is

<sup>40</sup>A database of securities could identify, for each security, the issuer, the type of security (the latter should be consistent with the instrument classification developed for the *BPM*), the currency in which the security is denominated, and income payment arrangements. The database could be linked to a register of issuers that should identify, inter alia, issuers as resident or nonresident entities. For resident entities, the sector should be recorded and, for nonresident entities, the country of residence should be recorded. This register could be part of the BOP enterprise register, which is discussed in chapter 18, paragraphs 850-872.

unavailable, the compiler may devise a suitable coding system.<sup>41</sup>

**263.** Security ownership may be documented. In some cases, the only evidence may be pieces of paper (such as share or bond certificates). In many other cases, there will be registers containing names and addresses of security owners.<sup>42</sup> In some countries, primary registers of security owners are held by companies issuing the securities or by security dealers authorized by issuers. In many European countries, banks maintain primary registers of security owners. Security registers are more frequently being held in computer-readable form; for many industrial countries, the paper record is disappearing. The name of an owner may identify a resident individual or enterprise, a resident nominee holding a security on behalf of a client, or a nonresident owner or nominee. The resident nominee may be regarded as holding a secondary register—which, in turn, records the names and addresses of owners. From the secondary register, one can determine whether the security owners are resident individuals, resident enterprises, resident nominees acting on behalf of clients, and/or nonresident owners or nominees. (The word *nominee* is used in a broad sense to cover portfolio managers, nominees, trustees, custodians, fund managers, banks performing similar functions, etc.) It is possible for a security to be recorded in a number of secondary registers that are maintained by nominees; however, each security may eventually be attributable to a resident individual or enterprise or to a nonresident entity.

**264.** It should be possible for resident organizations managing primary or secondary registers to identify (for each security that they manage) the issuer, the number, and the value of a security or securities held by residents and by nonresidents. From these registers, it should also be possible to identify income payments to nonresidents and financial fees and withholding taxes paid by nonresidents.

**265.** Some purchasers of shares or other securities may not wish to have their names recorded on the primary register of a company and therefore arrange to have a nominee registered as the nominal owner. Sometimes the purpose is to mask the identity of a shareholder who is planning some takeover action, although many countries have enacted legislation requiring a shareowner with a

<sup>41</sup>The coding system for securities may identify the issuer, the type of security, the country of issue, the currency in which the security is denominated, the maturity of the security, and income payment arrangements.

<sup>42</sup>A company may maintain a shareholder register for purposes of identifying shareholders and their voting entitlements, issuing invitations for shareholders to attend company meetings, and paying dividends. Bond registers are maintained for similar reasons.

beneficial interest greater than a certain threshold, such as 10 percent, to declare his or her ownership interest.

**266.** More often, the use of a nominee is a matter of administrative convenience. For example, if an investor maintains a portfolio, it may be convenient to have all holdings administered by a portfolio manager (or bank) who may also perform the functions of a nominee. The nominee receives annual reports, ballot papers, income payments, etc. from the holder of the primary register. In turn, the nominee acts according to the general instructions of the investor.

**267.** Often, nominees also act on their own behalf; therefore, any approach to resident nominees should capture both own-account and client claims that are relevant to the BOP.

**268.** Generally, when a holding is traced to a nonresident entity, it may be assumed that the owner is a nonresident. However, there are two possible problems. First, the entity could be a nominee acting on behalf of a resident. (Methods for identifying and accounting for residents holding claims on residents through nonresident parties will be discussed subsequently.) Second, the entity could be a nominee acting on behalf of a resident from a third country—a circumstance that would cause an incorrect classification in regional BOP statistics. In practice, little can be done to overcome this problem.

**269.** When securities issued by nonresidents are owned by residents, it will generally be necessary to approach either the owner of the security or a resident custodian to obtain data required to compile the BOP and the IIP because the security register will typically not be available to the BOP compiler. However, for securities issued by nonresidents in the compiling country's capital markets, a register will generally be maintained in the compiling country. This register could provide information such as the value of, and the income earned on, securities owned by residents.

**270.** It may not be necessary to approach resident owners of nonresident securities when securities are part of portfolios managed by resident fund managers, trustees, etc. In these cases, fund managers should be able to provide relevant information on transactions, stocks, and income, as well as related information (such as withholding taxes collected by foreign governments and any financial services provided by nonresidents).

## Identifying the Transactors

### *Issues and Redemptions of Securities*

**271.** Security issues and redemptions are frequently managed by security brokers; in many European countries,

this function is carried out by banks. Intermediaries arranging a security issue act on behalf of clients. Also, it is not uncommon for issuers to bypass brokers and make direct placements with an investors.

**272.** From their (largely computed-based) records, security brokers should be able to identify securities that they have issued and redeemed and the acquirers and relinquishers of these securities. Security dealers may also have own-account transactions that are relevant to the BOP. In addition, security brokers may deal with resident nominees acting for nonresident principals. Therefore, it is important that any collection of information from security brokers should encompass all of the previously described transactions and that care should be taken when reporting rules are specified. For direct placements or direct redemptions of securities by issuers, data should be reported by the parties involved.

### *Secondary Market Transactions*

**273.** In most markets, secondary market transactions—that is, purchases and sales of existing securities—are largely arranged by brokers. In many European countries, this function is undertaken by banks. In a typical transaction, one broker acts for the buyer and another for the seller of a security. There may also be off-market transactions in which buyer and seller come together directly without a broker.

**274.** Security brokers should be able to identify from their (largely computer-based) records the securities they have bought and sold and the residency of clients on whose behalf they acted. In any collection of data on security transactions, care should be taken to include own-account transactions of dealers and off-market transactions.

**275.** When a resident enterprise or individual buys or sells a security through a nonresident broker, it is generally the resident principal who should be approached for BOP information. If the security was issued by a nonresident, a BOP transaction should be recorded.<sup>43</sup> If the security was issued by a resident enterprise, it could probably be assumed that the other principal to the transaction was a nonresident; in this case, a BOP transaction should also be recorded.

### Derivative Instruments

**276.** A description of options, traded futures contracts, and other financial derivatives is given in the *BPM*,

<sup>43</sup>All of an economy's transactions in securities issued by nonresidents, regardless of whether the transactions are between resident and nonresident parties or between two resident parties, are recorded in the BOP.

which treats most of these as securities. In the BOP, these should be recorded at related transaction prices, and any intermediation or service charges should be eliminated from purchase and sale settlements. These charges should be recorded under financial services.<sup>44</sup> The market value of options and other financial derivatives should be recorded in the IIP statement. Data on the value of derivatives, transactions in derivatives, and fees for services should be available from derivative traders, financial enterprises, and nominees. Paragraphs 744-759 of chapter 16 provide further information on the compilation of financial derivative items in the BOP.

### Data Sources

**277.** For countries that do not have established secondary security markets, the collection of security data should be relatively simple. Should an enterprise issue securities abroad or acquire securities issued abroad, relevant data can be collected from the enterprise issuing or acquiring the security. Model form 12 (discussed in chapter 4) is suitable for this purpose. However, additional collection arrangements may be required in countries in which:

securities are issued by residents in domestic capital markets and acquired by nonresidents—particularly if the securities are held by resident nominees on behalf of nonresident principals;

securities are issued by nonresidents in domestic capital markets;

portfolio managers (banks or other fund managers) place funds abroad.

**278.** Table 6.1 illustrates a set of collection arrangements that may be adopted. These suggest a particular approach, but other approaches (such as the use of an ITRS for some or all of the data) are possible. It is important for collection rules to be clearly defined so that there are no omissions or duplications in the recording of security transactions.

**279.** Some comments on table 6.1 are necessary. Data on securities issued in the domestic capital market both by residents (category 1) and nonresidents (category 4) are best collected in surveys of security registers and intermediaries, such as brokers. Alternatively, in the case of category 4, resident owners of the securities could be surveyed as sources of data. However, if there

<sup>44</sup>Transactions in interest rate derivatives, such as interest rate swaps and forward rate agreements, should be recorded (on a net basis and after adjustment for any service charges is made) as investment income in the BOP.

are numerous resident owners or if the owners are difficult to survey, this approach may not produce the best results. These problems are particularly likely to occur if resident households have significant holdings of securities issued domestically by nonresidents. A combined approach (for example, a survey of owners to measure enterprise holdings and surveys of security registers and intermediaries to measure household holdings) may be used. In using the combined approach, the compiler should carefully define the boundary between the collections to ensure that no duplication or omission of reporting occurs. Typically, a combined approach would be successful only if security registers and intermediaries could identify the types of owners.

**280.** For securities issued abroad by resident enterprises (categories 2 and 3 of table 6.1), most of the necessary information could be collected from issuing enterprises. However, when a resident intermediary is involved in the issue or when a resident institution manages the register on behalf of the issuer, it may be preferable to survey these organizations for some or all of the data items. Also, it would be important to define reporting rules clearly. There may be an assumption that securities issued abroad are wholly acquired by nonresidents or that any resident acquisition is small enough to ignore. However, if this is not so, data on transactions of resident enterprises should be collected so that such transactions can be deducted from the total reported by the issuing entity.<sup>45</sup> Information on resident ownership of securities issued abroad by residents could be obtained from issuing enterprises (or the security register manager), resident enterprises involved in the transactions, or resident security dealers. For bearer securities, the first-mentioned approach would not be feasible.

**281.** Data on securities issued abroad by nonresidents and owned by residents could be collected from the owners. However, when such securities are managed by a resident portfolio manager, it may be preferable, for two reasons, to approach the manager rather than the owner.<sup>46</sup> First, the manager will most likely have the information required by the compiler. Second, the number of portfolio managers will probably be relatively small, in comparison with the number of owners, and the portfolio managers

<sup>45</sup>Securities issued by residents and held by residents are outside the scope of the IIP, and transactions between residents in such securities are excluded from the BOP. However, should residents purchase from (or sell to) nonresidents securities issued by residents, such transactions should be included in the BOP.

<sup>46</sup>Surveys of security owners would still be necessary to measure those securities not managed by resident portfolio managers. The reporting instructions for these surveys should clearly instruct respondents not to report securities that are managed by resident portfolio managers in order to avoid duplication.

**Table 6.1 Collection Sources for Data on Activity Associated with International Securities**

<b>Data Items Required</b>		<b>Source</b>
<b>Securities Issued by Residents</b>		
1. In domestic capital markets	Nonresident holdings (stock liabilities); income payable to nonresidents (debit); fees and withholding taxes payable by nonresidents (credit)	Primary and secondary registers of securities (for example, shareholders surveys, surveys of nominees)
	Issues to and purchases by nonresidents (credit); redemptions from and sales by nonresidents (debit); brokerage and other fees payable by nonresidents (credit)	Security brokers; adjustments to include off-market transactions
2. In foreign capital markets through a nonresident intermediary	Nonresident holdings (stock liabilities); issues (credit) and redemptions (debit); income and fees payable to nonresidents (debit); withholding taxes payable by nonresidents (credit)	Resident enterprise issuing securities
	Net purchases (debit) or sales (credit) by residents	Resident enterprise issuing securities (from analysis of registers), resident enterprises involved in transactions, or security brokers
3. In foreign capital markets through a resident intermediary or managed (on behalf of the issuer) by a resident manager	Nonresident holdings (stock liabilities); issues (credit) and redemptions (debit); income payable to nonresidents (debit); withholding taxes payable by nonresidents (credit)	Resident enterprise issuing securities or resident portfolio manager
	Net purchases (debit) or sales (credit) by residents	Resident enterprise issuing securities or resident portfolio manager (from analysis of registers); resident enterprises involved in transactions
<b>Securities Issued by Nonresidents</b>		
4. In domestic capital markets	Resident holdings (stock assets); income receivable by residents (credit)	Resident owners of securities or primary and secondary registers of securities (for example, shareholders surveys, surveys of nominees)
	Issues to and purchases by residents (debit); redemptions from and sales by residents (credit)	Resident owners of securities or security brokers; adjustments to include off-market transactions
5. In foreign capital markets; owned by residents; not managed by resident portfolio managers	Resident holdings (stock assets); issues to and purchases by residents (debit); redemptions from and sales by residents (credit); income receivable by residents (credit); brokerage, other fees, and withholding taxes payable by residents (debit)	Resident owners of securities or resident nominees

*(table continues)*

**Table 6.1 (concluded)**

	<b>Data Items Required</b>	<b>Source</b>
<b>Securities Issued by Residents</b>		
6. In foreign capital markets; owned by residents; managed by resident portfolio managers	Resident holdings (stock assets); issues to and purchases by residents (debit); redemptions from and sales by residents (credit); income receivable by residents (credit); brokerage, other fees, and withholding taxes payable by residents (debit)	Resident portfolio managers, resident owners of securities, or resident nominees

will be more easily identifiable. These observations are particularly true for securities owned by households. ES cannot measure investments made directly abroad by the resident household sector.

**282.** It may not be possible to collect the full range of information outlined in the **Data Items Required** column of table 6.1. However, it may be possible to estimate missing items by using other information. For example, if it is not possible to collect data on financial transactions, it may be possible to derive these from stock information. On the other hand, it may be possible to derive stocks from transactions. Techniques that can be used to make these derivations are discussed in chapter 16, paragraphs 732-743. Investment income may be derived from information on the scheduling of income payments or from the known (or assumed) relationship between stocks and income. Techniques for estimating investment income are described in chapter 13, paragraphs 598-601.

**283.** All the collection approaches set out in table 6.1 are based upon the assumption that enterprises and intermediaries can distinguish between resident and nonresident issuers and holders. Many institutions may not readily know which entities are resident and which are nonresident. Therefore, for BOP requirements to be met, enterprises and intermediaries could be asked to enter codes or flags in their databases to identify resident and nonresident clients. In many cases, the distinction may be made with reference to some type of legislation or official administrative arrangement that “classifies” entities as residents or nonresidents for particular purposes. For example, entities that are exempt from value-added tax or those that pay withholding taxes may be regarded as nonresidents—although such “classifications” may not be good proxies for residency or nonresidency in all cases. Or, determination of residency status may be made on the basis of address. Some cases may not always be clear, and the compiler should provide guidelines to enterprises

and intermediaries and advise them of the residency status of particular entities. The compiler must have a good understanding of institutional arrangements and the nature of record-keeping practices in order to give the best advice to enterprises.

**284.** Alternatively, the compiler may have to examine security registers directly. This task could be immense and may only be a periodic option. The aim should be to capture large transactions and holdings, and this activity should be supplemented by properly designed sample surveys to measure smaller holdings and transactions.<sup>47</sup>

### **Model Collection Forms**

**285.** Model form 12 (discussed in chapter 4) could be used to collect from principals data on (1) securities issued by resident enterprises and owned by nonresidents and (2) securities issued by nonresidents and owned by resident enterprises. However, different approaches may be preferred and additional collection forms may be necessary for some types of securities [for example, (a) securities issued by resident enterprises and held by resident nominees on behalf of nonresidents and (b) securities owned by residents, issued by nonresidents, and managed by resident portfolio managers]. Whatever methodology is adopted, instructions should be added to form 12 to specify clear rules about what should be included and omitted from that form. If resident enterprises hold bearer securities that are issued

<sup>47</sup>For example, in the United Kingdom, periodic surveys of share registers are undertaken. A 1989 survey was based upon a study of about 100,000 holdings of ordinary shares from a sample of 220 companies listed on the London Stock Exchange. The survey used a scheme in which probability of selection was proportional to size. These surveys provide benchmarks for equity securities held by nonresidents. Between these surveys, reliance is placed upon surveys of security dealers, which measure—on a transaction basis—purchases and sales of equity securities by nonresident investors. Data from share surveys, apart from being used to correct any gaps in surveys of security dealers, are used to provide a domestic sector breakdown of stock positions and transactions.

internationally by other resident enterprises, form 12 could easily be amended to collect the necessary information for clarifying data reported by the issuing enterprise.

**286.** Similarly, ITRS forms may be used to collect data on security transactions. However, in countries where international intermediation is significant, the rules of the ITRS must clearly define which institutions should report which transactions. Also, it will generally be necessary to supplement the ITRS with a collection of data on stock positions.

**287.** Model form 13 has been designed to collect data from intermediaries (such as brokers and nominees and/or institutions responsible for managing security registers) and is based on a number of assumptions.

**288.** Via the form, intermediaries are asked to report—for each combination of security and owner—details of stock positions, transactions (issues, redemptions, sales, and purchases), income, fees, and withholding taxes. However, in practice, it may not be possible to obtain the full range of information about each combination from one respondent. For example, for securities issued by resident enterprises, nominees might have details on stocks but not on transactions—which, in turn, may have to be reported by brokers. Other cases will arise as reflections of circumstances in the compiler's country, and the compiler should take care to ensure that reporting instructions are clear and appropriate. It is particularly important that duplication of reporting be avoided or, if this is not possible, identified so that any double counting can be eliminated.

**289.** For resident enterprises issuing securities, reporters are asked to provide an identification or reference number and an owner code for each combination of security and owner. The reference code, when linked to a database on security issues, would establish the type of security, the currency of denomination, the redemption date, income payments, etc. The owner code would identify the country of residence (and, perhaps, sector) of the nonresident party. Different owners having the same owner codes and holding the same securities could be combined. Combinations would permit reporters to maintain the confidentiality of owners' identities. Alternatively, owners' identities could be provided; these, in turn, could be used by compilers to determine sectors and countries of residence of nonresident parties.

**290.** For nonresidents issuing securities, reference numbers of securities and resident owner codes would be provided. Security reference numbers would permit identification of sectors and countries of residence of

nonresident parties, and resident owner codes would permit identification of sectors and industry codes of resident owners.<sup>48</sup> Identities of clients could be kept confidential if holdings of different owners having the same owner code are combined.

**291.** With regard to security reference numbers, it is possible that these could be specially established by the BOP compiler. The disadvantage with this task, though, is that it would be onerous to maintain the list and communicate the information to respondents. A better alternative would be to use a domestic, or preferably international, security reference system that has been accepted by organizations most likely to be approached in the collection of information.

**292.** Security reference numbers—when properly utilized—would allow the compiler to develop comprehensive information about each security traded internationally. Such information would be of assistance in identifying and rectifying any errors, duplications, or omissions in reporting.

**293.** The categories of securities reported are broadly consistent with table 6.1. They include:

securities issued in the domestic economy by residents and owned by nonresidents;

securities issued in the domestic economy by nonresidents and owned by residents;

securities issued abroad by residents and owned by nonresidents;

securities issued abroad by nonresidents and owned by residents;

securities issued abroad by residents and owned by residents.

The last category permits collection of details that help clarify BOP data, particularly in the case of bearer securities. The model form does not contain precise rules (such as who should report what) about reporting arrangements or define the relationship between forms 12 and 13. The individual compiler is left to determine these arrangements. Part C of the form collects data on the intermediary's own account.

**294.** It is assumed that intermediaries will report data in computer-readable form or at least on computer printout.

<sup>48</sup>Data on the industry of the resident entity and the sector of the nonresident entity are not required to meet the *BPM* standard classification requirements. This information is suggested for inclusion as compilers and users of BOP statistics may consider it of analytical interest.

While not stated on the model form, it should be possible to introduce, if the use of such techniques would reduce reporting and processing costs, suitable thresholds or sampling techniques for smaller holdings and transactions. These techniques are discussed in further detail in chapter 18.

### Overcoming Possible Problems

**295.** It may appear that model form 13 represents a highly ambitious approach. However, a number of countries collect—at least to an extent—data on the basis outlined previously. Australia, for example, collects data—from a survey of share registers and a survey of nominees—on the number and value of individual securities held by nonresidents; securities are classified by countries of residence of nonresident parties. Canada collects information on the number and value of issues, redemptions, purchases, and sales of individual securities, which are classified by country of residence of nonresident transactor and by sector and industry of the resident party. Germany collects the number and value of transactions in each security issued in Germany; the information collected includes the security code and the country of residence of the nonresident party. In each case, data are collated to obtain complete information on investment in each enterprise. Resource costs associated with the collection of these data are moderate because of the high level of computer technology involved. Certain assumptions may be made about undercoverage, income payments, etc. to develop a complete set of financial and income transactions and stock position data.

**296.** Obviously, when data come from two or more sources, such as both nominees and brokers, it may be difficult to collate the information. By collecting the data on a security reference number basis, it should be possible to resolve, through accurate validation and careful querying procedures, most inconsistencies between stocks and transactions. Such inconsistencies could be the result of errors in coverage or classification of data. When data come from different sources, it may be necessary to develop several types of forms to collect appropriate information.

**297.** Some compilers may not have the necessary authority to collect all data required or may prefer not

to collect detailed information. In these instances, an intermediary could be asked to prepare tabulations that the compiler would otherwise prepare. At a minimum, the compiler should attempt to obtain items (in columns C through L in parts A and B of form 13) that are classified by (a) sector of issuer and owner's country of residence (for securities issued by residents) and (b) issuer's country of residence and sector of owner (for securities issued by nonresidents and held by residents). To identify liabilities constituting foreign authorities' reserves (LCFAR), some data on the sector of the nonresident owner of securities issued by residents is also needed. The use of analyses undertaken by intermediaries to provide the compiler with various tables is akin to the use of an ITRS that does not give the compiler access to individual records. In these situations, the compiler should attempt to ensure that those who undertake the basic compilation (in the case of an ITRS, commercial banks, and, in the case of securities, intermediaries) have a thorough understanding of the requirements and the type of approach that the compiler wishes to be taken.

**298.** If a respondent tabulates data, there may be no need to maintain security reference numbers. If no readily available system of reference numbers exists and the cost of establishing such a system is high, the compiler may adopt an aggregate approach rather than seeking information about individual securities.

**299.** There may be numerous problems in collecting information on international security transactions, which constitute one of the most complex areas of the BOP. However, more accurate data are likely to be collected if the compiler is very familiar with institutional arrangements and record-keeping practices, has the necessary legislative authority to require that suitable information be reported, can persuade the industry to provide necessary data, and is in a position to analyze data closely to correct any apparent anomalies. One should not underestimate the research necessary to gain an understanding of institutional arrangements in each country. Intermediary enterprises are often complex, and the compiler may have to review the activities of each department, subsidiary, etc. of the intermediary to determine whether it performs one of the many functions that the compiler should measure. Chapter 19, which examines the issue of form design and testing, is particularly applicable to collections from intermediaries.

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## VII. Collections from Persons and Households

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### Overview

**300.** This chapter discusses collections of data from individuals and households, which are groups of persons with common economic interests, for measurement of various household sector transactions in the BOP. The chapter describes migration statistics and similar statistics on movements of persons across national borders, surveys collecting data on travel expenditure, and other household surveys.

**301.** Household sector transactions included in the BOP typically fall into the following categories. Expenditure on goods and services by persons traveling abroad is recorded in passenger fare and travel items. Expenditure by students studying in foreign countries is recorded in travel services and, if the student is financed under a foreign aid program, an offset entry is included under current transfers. Health care services provided to patients in foreign countries are recorded under travel. Earnings of residents who work abroad for nonresident employers for less than 12 months are included in compensation of employees. Expenditures made by these workers on goods and services in host countries are included in the travel item. Income earned by persons who work in their home countries for nonresident entities, such as a foreign embassy, is also included in compensation of employees. Offsets to remittances, by residents, of funds to families abroad (for example, by foreign workers living in an economy for 12 months or more) are included in workers' remittances. Pensions and social security payments received by residents from foreign governments are included in current transfers. External financial investments by households are included in the financial account. Transfers of goods and financial assets by migrants are included in migrants' transfers under the capital account; offsets are recorded in the goods item and in the financial account, respectively. Additional details on the treatment of household transactions in the BOP can be found in chapter 10, paragraph 456.

**302.** Sources described in other chapters of this *Guide* could be used to collect data for the household sector. For example, many household transactions should be included in a well-designed ITRS. However, the ITRS must be designed to capture and classify small value

transactions that are typical of households. ITS could be used to measure aspects of migrants' transfers not identified in an ITRS. ES of transportation enterprises could be used to measure passenger fares; ES of the travel industry, to measure travel; official sources, to measure education and health services provided to nonresident travelers; surveys of employers and employment agencies, to measure compensation of employees and possibly workers' remittances; various official sources and surveys of pension funds, to measure pensions and social security payments; and fund managers, to measure financial investment abroad by households. In addition, the compiler may be able to approach some partner countries to collect required data. However, such sources may not always be adequate for the compiler's purposes, and a resort to personal and household collections may be necessary. In addition, household collections may be a useful check on the validity of data collected from other sources.

**303.** The remainder of this chapter reviews the primary types of household collections (migration statistics, alternative statistics on across-the-border movements, surveys of travelers, and other household collections) that could be available to the BOP compiler.

### Migration Statistics

#### *Introduction*

**304.** Migration statistics are designed to measure persons crossing a country's frontier; these statistics usually distinguish between short-term visitors and migrants. A *short-term visitor* is normally defined as a person staying in a country other than the one in which the person is normally a resident for less than 12 months. Short-term visitors include travelers; border, seasonal, and other short-term workers; and nomads. *Migrants* are persons moving permanently or for periods of 12 months or longer. Migration statistics should not include movements of military personnel or civilian government employees and their dependents living abroad because they are considered residents of their home countries.

**305.** Both short-term visitors and migrants are of interest are for BOP purposes. For short-term visitors,

the objective is to measure earnings and expenditure of resident short-term visitors abroad and nonresident short-term visitors in host countries. Compilation of relevant BOP items is discussed in chapters 12 and 13. For BOP purposes, migrants are regarded as having changed residency.<sup>49</sup> Migrants are of interest because they are likely to move goods and financial assets when they move from one country to another, or they may maintain financial assets and liabilities in their former countries. Both these aspects of migration represent transactions that should be measured in the BOP. The compilation of relevant BOP items is discussed in chapter 15.

**306.** Data on the number and characteristics of migrants and short-term visitors are usually obtainable from international migration statistics, guidelines for which may be found in "Recommendations on Statistics on International Migration" in the *United Nations Statistical Papers*.<sup>50</sup>

**307.** International migration statistics may be based on measurements of persons as they cross national borders or arrive at airports, population registers, or field surveys. Measurements of persons at border crossings and at airports is likely to provide better data on short-term visitors than population registers and field surveys. Whatever the data source used, the compiler should be aware of its limitations.

### ***International Guidelines on Migration Statistics***

**308.** The "Recommendations on Statistics on International Migration" represent an update of a set of guidelines issued in 1953.<sup>51</sup> The 1980 guidelines contain some interesting observations on the quality of existing international migration statistics; compilers should consider these observations when assessing the quality of their own national migration statistics. The 1953 guidelines were based on the premise that data should be collected through well-controlled border crossings or at airports but, in the 1980 guidelines, this approach is considered insufficient. Because many statistically advanced countries did not wish to impede the flow of international visitors, these countries turned to other sources of data to estimate arrivals and departures; other countries were not able to control all border crossings. Increases in short-term

crossings (particularly of seasonal workers and business and recreational visitors) complicated measurement. Some countries defined *immigrant* more broadly than *emigrant*, and more effort was often devoted to measurement of arrivals than to that of departures—a factor that further contributed to problems with the quality of statistics.

**309.** The 1980 guidelines define categories of arrivals and departures that migration statistics should measure. In the guidelines, emphasis is placed on measuring the length of stay and on using 12 months as the dividing line between migrants and tourists.<sup>52</sup> (*Tourist* is used as a synonym for short-term visitor.)<sup>53</sup>

**310.** In the 1980 guidelines, it is observed that data collections conducted at borders or at international airports were the source most frequently used in Africa, Asia, North America, and Oceania. Registrations (which may take the form of permanent population registers, employment registers, and other administrative records) were the source most widely used in Europe and the former U.S.S.R. Some countries used a variety of methods, including population censuses and household surveys.

**311.** The guidelines also set out the type of data classifications that should be collected, types of tables that should be prepared, and principles that should be employed in the compilation of statistics on migrants and short-term visitors.

### ***Measuring the Number and Characteristics of Arrivals and Departures***

**312.** Data on border crossings are typically produced as a byproduct of an administrative process designed to identify and control persons entering and leaving a country. The essential procedure requires such persons to complete and submit migration cards or forms. Data collected may include the person's name, sex, nationality, date and country of birth, passport number, marital status, intended address in host country, flight number or other transport details, intended or actual length of stay, and purpose of visit. These data are required for migration officials to check the identity of the person traveling, as well as to administer migration policy. The information may also be used for statistical purposes; for this reason, requests for additional data may be added to migration cards or forms. The compiler may, from

<sup>49</sup>An exception to the 12-month rule in BOP statistics is students. Students studying in foreign countries are considered, regardless of the length of stay in host countries, residents of their original countries.

<sup>50</sup>"Recommendations on Statistics of International Migration," *United Nations Statistical Papers*, Series M, No. 58 (New York, 1980).

<sup>51</sup>"International Migration Statistics," *United Nations Statistical Papers*, Series M, No. 53 (New York, 1953).

<sup>52</sup>For arrival data, the length of stay recorded would be the anticipated length of stay. For departures, the actual length of stay would be recorded.

<sup>53</sup>Guidelines on international tourism statistics are contained in "Provisional Guidelines on Statistics of International Tourism," *United Nations Statistical Papers*, Series M, No. 62 (New York, 1978).

time to time, have the opportunity to influence the design of these documents and should take advantage of these opportunities to facilitate data collection for BOP purposes. Data from these cards or from population registers or field inquiries are the basis of migration statistics.

**313.** From the compiler's viewpoint, the information shown in table 7.1 is generally required to compile various BOP transactions data. For each category shown in table 7.1, data may also be required on country of destination or origin, length of stay, purpose of journey, etc. Also, supplementary data may be required on nonresident students who stay in host countries for periods of 12 months or longer, or on national students who leave for 12 months or longer, in order to treat these cases correctly in the BOP. These data, together with data on the patterns of expenditure and compensation of employees, could form the basis for a data model (such as that described in chapter 12, paragraph 536) to estimate various BOP items.

**Table 7.1 Categories of Data Required from Migration Statistics**

<b>Arrivals</b>	Residents returning from short-term visits abroad Nonresidents arriving for short-term visits Immigrants
<b>Departures</b>	Residents departing for short-term visits abroad Nonresidents leaving after short-term visits Emigrants

### Alternative Statistics on Across-the-border Movements

**314.** A country's official migration statistics are usually compiled, in conjunction with the migration authorities, by the central statistical agency. However, these statistics—especially in relation to short-term visitors—may not always be available, so the compiler may require another source of data on short-term movements. As an alternative to migration statistics, the compiler could investigate the possibility of using data, to be provided by transport enterprises, on the number of passengers moving across a country's borders by means of various transport modes (such as plane, ship, or train). Data on passengers traveling by road may be available from official sources or, in the case of bus travel, from bus or tour

companies. For island countries and countries where the majority of across-the-border movement of persons is via organized transport, data from transport entities can be an effective source for measuring such movements. Data on the number of nonresident travelers registering at hotels may also be available as a source of information on some short-term visitors.<sup>54</sup> The compiler should become aware of these sources and seek to influence their development when they prove useful in BOP compilation.

### Surveys of Travelers

**315.** Surveys in various forms are conducted by many countries to measure activities of travelers. Some surveys may be designed purely to meet BOP requirements for measuring travel and, possibly, other forms of expenditure and income. Other surveys with broader purposes may contain information on travel expenditure and therefore be of interest to the compiler. Travelers may be surveyed when they arrive or depart or sometime after they have returned to their home countries. Table 7.2 on page 54 sets out various categories of traveler surveys and whether these surveys measure anticipated or actual expenditure (and earnings).

**316.** Surveys of arrivals measure actual expenditures abroad of residents returning home and anticipated expenditures of nonresident visitors. Conversely, surveys of departures measure actual expenditures of departing nonresident visitors and anticipated expenditures of departing resident visitors. Surveys of returned travelers collect data from residents some time after they return home. In some countries, these surveys include questions on income earned (compensation of employees) and other possible BOP transactions, such as transfers and financial account transactions.

**317.** Survey methodology may take a number of forms. If a survey is made in respect of arrivals or departures, it may take place on board aircraft or in passenger terminals. The survey may be conducted by distributing and collecting forms or by personal interview. Surveys of returned visitors may be conducted by mail or by personal or telephone interview. In these surveys, returned visitors can be identified from migration cards or similar sources. Surveys may be carried out by an official statistical organization, another government agency, or a private agency working on behalf of an official agency.

<sup>54</sup>In terms of numbers of visitors, hotel registrations will double count visitors staying at more than one hotel and miss those visitors who do not stay at hotels (for example, those who stay only with relatives and friends).

**Table 7.2 Different Categories for Surveys of Travelers**

Surveys of	Residents Visiting Abroad	Nonresidents Visiting Compiling Country
Arrivals	Actual expenditure while abroad	Anticipated expenditure while visiting compiling country
Departures	Anticipated expenditure abroad	Actual expenditure while visiting compiling country
Returned travelers	Actual expenditure while abroad	Not applicable

**318.** A number of countries conduct surveys based on interviews of departing nonresident visitors. In some countries, this approach is also used to measure expenditure by returning resident travelers. These surveys are often conducted, on behalf of the national tourist authority, by a private survey company. The primary purpose of the survey is to gather information on travel activities and attitudes of departing (or returning) visitors to facilitate tourism analysis and policy determination. Interviews include many questions; those of particular interest to the BOP compiler concern travel expenditure by, and earnings of, nonresident visitors in the host country and similar information for residents returning from abroad. Travel expenditure may be broken down into a number of categories, including expenditure at hotels and restaurants and on transportation, entertainment, shopping, and other services.<sup>55</sup> Additionally, travel expenditure may be classified by type of payments used (for example, package tour, credit cards, and travelers' checks) to reconcile such data with data from other sources.

**319.** Some countries use surveys of international air travelers to provide information on travel and passenger fare receipts and payments. Cooperating airlines distribute questionnaires (to be completed on a voluntary basis) to all passengers on selected flights, collect completed forms, and return the forms to the BOP compiler. Like surveys based on interviews, these typically serve the interests of the tourism industry as well as those of the BOP compiler. Key items for the compiler include destination or origin, expenditures in host countries, length of stay, and passenger fares. Information is combined with migration statistics to produce final results.

<sup>55</sup>This type of classification is relevant when one is relating travel estimates to national accounts data. Domestic consumption of particular goods and services is often estimated by subtracting sales to nonresidents from, and adding residents' acquisitions of goods and services abroad to, domestic sales.

**320.** As surveys of travelers are typically sample surveys, results should be expanded to determine aggregate results for the population of visitors. Aggregates can be obtained by number raising (that is, results for each person sampled are expanded by the inverse of their chance of selection) or by ratio estimation (that is, results for persons in each category—however defined—are expanded by the ratio of the number of persons in the population in that category to the number of persons in the sample in that category). A ratio estimation procedure should produce more accurate results; therefore, sample surveys are often linked to sources, such as international migration data. However, less rigorous sampling techniques may be acceptable if the survey is simply designed to derive per capita estimates for input into data models rather than actual aggregate travel expenditure. In any case, the compiler should either gain some familiarity with statistical theory and mathematical aspects of sample design and selection and/or seek professional assistance from mathematical statisticians. Sample surveys are discussed further in chapter 18, paragraphs 886-891.

**321.** In surveys of travelers, group travel, which is largely associated with families, requires particular attention. It is important to determine whether or not a traveler is a member of a traveling group. As sample expansion procedures usually are based on the individual as the statistical unit, it is necessary to assign group travel expenditure to individuals. It is possible to adopt a variety of procedures, but the procedures must be consistent. One procedure is to prorate all group expenditure to the adults in the group. (An adult could be defined as a person of more than a certain age.) A related issue is the expenditure of children. In many surveys of travelers, children are not included in the sample. As children (other than students) often travel in groups with adults, their omission should not be a concern, especially if there are alternative methodologies for measuring students' expenditures when amounts are significant. Procedures should be developed, however, for assigning

the expenditure of non-student children traveling in a group. For example, all expenditure of children could be assigned to the head of the household or another adult. Also, it is important that the absence of children be taken into consideration in any sample estimation.

**322.** One problem with surveys of travelers is memory recall. This difficulty can be overcome in interview surveys by encouraging the interviewee to consult records and/or by providing suitable prompts. During the interview, the interviewer may encourage the interviewee to consult credit card slips, travelers' check records, etc. Countries that conduct surveys of travelers some time after their return almost always collect expenditure information classified by type of payment, rather than by types of goods and services acquired, because the financial records required to support this approach are normally retained by travelers for some time.

**323.** Another problem, particularly for package tours, is the splitting of traveler expenditures into passenger fare and travel components. To overcome this problem, survey questionnaires may seek the total value of a trip—that is, passenger fares plus travel expenditure. The BOP compiler could then estimate travel by deducting from the total value of the trip an estimate of international passenger fares obtained from another source, such as ES of transportation enterprises (described in chapter 5). Alternatively, the BOP compiler could consult with travel industry representatives to break down trip expenditure into the two components.

**324.** The compiler should play an active role in the development and monitoring of traveler surveys conducted by other agencies. Particular attention should be paid to the wording of questions, the location of questions on forms or the sequence of questions in interviews, the training of interviewers, and data validation and sampling techniques. It is desirable that individual records (or completed forms) from surveys be given to the

compiling authority for validation checks of data, examination of collection procedures, review of possible sample problems (such as outliers), and expansion of sample results via, for example, a ratio estimation procedure used in conjunction with international migration statistics.

### Other Collections

**325.** Most countries conduct household expenditure surveys (for example, to arrive at weights for consumer price indexes). These surveys could be used to estimate travel expenditure abroad, which is a component of household expenditure. Experience with this approach is not particularly encouraging as the sample of persons who traveled is usually not large enough to provide accurate answers for BOP purposes. However, in the absence of alternative data sources, this approach could be used to generate broad estimates of travel and also to provide estimates of workers' remittances to persons abroad. (The survey could include a supplementary question on this issue.)

**326.** Closely related to household expenditure surveys are household income surveys, which obtain information on household sources of income. The BOP compiler could investigate the possibility of using (particularly in the absence of alternative data sources) these surveys to measure remittances received from relatives working abroad and income earned from household investments made abroad.

**327.** A number of other data sources may also be used to measure BOP transactions of persons and households. Examples are: surveys of business migrants to seek information on amounts of assets and liabilities transferred; surveys of nonresident students to measure sources of income and expenditure patterns; and household surveys of guest workers to collect data on income, expenditures, and taxes.

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## VIII. Official Data Sources Not Included Elsewhere

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### Overview

**328.** Data sources available from the official sector (the general government sector and the monetary authorities) are examined in chapter 8. The chapter covers sources of data on own-account transactions and stocks of external financial assets and liabilities of the general government sector and the monetary authorities.<sup>56</sup> These transactions can have a significant impact on the BOP; therefore, their measurement requires careful attention. The chapter also examines data (which may be relevant to the BOP) gathered by official sector institutions as a by-product of carrying out their various functions. Examples are data from applications to invest, to acquire foreign exchange, and to export, and data from taxation, education, and health authorities.

**329.** Data sources described in this chapter may be the sole sources for various BOP items. These sources may be used to supplement sources such as an ITRS or ES, or the sources may be used to validate data collected elsewhere.

**330.** It is useful to consider alternative sources of data on the official sector. Data on BOP activities of the central bank may be obtained directly from the bank or from an ITRS—if the central bank is included. While many agencies of general government may be involved in international transactions, payments or receipts associated with most transactions would be recorded, in the government ledger, by the central accounting unit of the government. These transactions are often settled through the central bank, which acts as banker to the government. Government debt management functions are likely to be organized separately in a debt control or management office, and the central bank is likely to be the banker. Therefore, to collect data on international transactions of general government, the compiler may approach either the central accounting office and the debt office (through a specific collection) of the government or the central bank (through an ITRS).

**331.** It may be necessary to approach other units of government to obtain complete information on some

general government transactions. Tax authorities may be an appropriate source of data on withholding taxes and other taxes payable by nonresidents. Port and transport authorities may be good sources of various transport fees payable to the government. Certain government entities that take delivery of goods and services from abroad may have the responsibility for making payments, and it may be necessary to approach these entities directly to acquire information required for BOP purposes. These entities may include the ministry of defense, the ministry of external relations, the ministry of public works (particularly if the ministry is responsible for organizing projects funded from foreign aid), the foreign aid office, and the ministry of education. It may also be necessary to approach government agencies providing technical staff or employing staff on secondment from abroad in respect of these activities.

**332.** Furthermore, in addition to the national government, there may be other levels of government, such as state and local, that are involved in BOP transactions. If so, the compiler may have to approach the appropriate institution(s) within each level of government in order to measure particular types of BOP transactions. For example, each Australian state government maintains a central authority responsible for borrowings. Australian BOP compilers approach these authorities to obtain information on the external debt of state governments.

**333.** While many government-owned companies may be involved in international transactions, these corporations are considered enterprises and, as such, are not considered as part of the general government sector.

### Data on the Official Sector

#### *Introduction*

**334.** The compiler should develop a good understanding of expenditure, revenue, and finance patterns of the general government and monetary authorities. It is especially important, as well, for the compiler to understand how data are recorded in government accounts at different (national, regional, and local) levels. Official institutions that have a significant impact on the BOP should be accorded high priority for the purpose of data collection.

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<sup>56</sup>In this chapter, the term *central bank* is used interchangeably with the term *monetary authorities*.

335. For the national government, there is often a central accounting unit—typically within the ministry of finance—that is responsible for most, if not all, receipts and expenditures. While there may be some delegation of authority to make payments, the central accounting unit should have reliable accounting data on the majority of BOP transactions undertaken by national government. Therefore, it should be possible to use these central accounts—often called “the ledger”—to extract the BOP data required. In some countries, all government payments made abroad are identified and extracted each month from the central government ledger for the purpose of compiling BOP items relating to government transactions. As the government accounting system is often computerized, required data are often available a day or two after the end of the month.

336. However, as these centralized accounting units are usually concerned with receipts and expenditures, they may not be a good source for all data items. For example, to measure trade credit on imports, it is necessary to establish actual change of ownership (delivery) dates for goods and services, as well as dates when payments are made. For information on delivery dates, a government accounting unit at a lower level may be a more satisfactory source of information because central government accounting units often rely on lower levels of government to organize contractual arrangements and to ensure that goods have been delivered, etc. Similarly, for data on foreign military and development assistance, government authorities directly concerned with these activities may be the most appropriate source as many of the transactions may not involve cash payments. It may even be desirable and necessary to collect such data on a project by project basis.

337. Once appropriate source(s) of data have been identified, the compiler should negotiate with relevant authorities to achieve any modifications required to extract required data and classifications from the government accounting system and to arrange a suitable and timely reporting mechanism. It is desirable for the BOP compiler to coordinate requirements with the compiler of government finance statistics.

### ***Embassy and Defense Transactions***

338. Direct expenditures made abroad for goods and services used by embassies, consulates, military installations, aid missions, information agencies, and other government institutions located abroad are included in government services n.i.e. in the BOP. Wages and salaries payable to host country residents who work for embassies, etc. should also be measured and included

in the BOP as compensation of employees. Wages and salaries payable to nationals who are posted to these institutions do not represent BOP transactions. However, the compiler may assume that all or a certain percentage of amounts paid abroad to such personnel will be spent abroad and, as such, included in government services n.i.e.<sup>57</sup> Expenditures associated with provision of joint military arrangements and peace-keeping forces should also be included in this item.

339. Information on transactions related to embassies, defense, and other government installations located abroad will typically be available from the government ledger or from agencies such as the ministries of external affairs and defense. For BOP purposes, the times at which these transactions are recorded (usually on a cash basis) in government records are normally considered to provide reasonable approximations of changes of ownership. However, if significant discrepancies arise between provision of a service and payment for it, a timing adjustment should be made.

340. While classification of embassy, defense service, and similar transactions into income (compensation of employees) and service components and classification by partner country are all that is required for BOP purposes, it may be advantageous if the compiler examines the various cost factors involved. Subdividing payments into rents, office services, entertainment, salaries, and other components and comparing these with the number of staff employed by country may be useful for BOP extrapolation purposes and for estimating foreign government expenditure in the home economy. This topic is discussed further in chapter 12, paragraphs 572–575.

### ***Other Current Expenditure and Revenue of the Official Sector***

341. Other current expenditure of the official sector includes payments for government imports, travel abroad by government employees, other services acquired by government, and pensions paid to former nonresident employees and to former residents who have emigrated abroad. These data should be available from government accounts and be appropriately classified for BOP compilation purposes. On the revenue side, data should be available on various fees, taxes, and charges payable to government. These may include:

withholding and income taxes collected from nonresidents;

<sup>57</sup>Amounts paid into domestic bank accounts of persons posted abroad probably would not be used for expenditure on goods and services in host countries.

airport departure tax collected from nonresidents;<sup>58</sup>

offshore fishing and other license fees collected from nonresidents;

transportation fees and service payments, such as airport landing fees and stevedoring charges, collected by government authorities.

### ***Official External Debt***

**342.** A country's debt management office may be responsible for official debt (other than central bank liabilities), for official asset management (other than reserves) and, sometimes, for publicly guaranteed debt. This office could be approached to measure the external liabilities and assets (other than reserves) of the official sector and—to the extent that the debt management office manages or monitors non-official debt—the non-official sector. Government-guaranteed debt should not be included in official debt unless actually acquired by the official sector.

**343.** Table 8.1 sets out the type of data the compiler may wish to collect from the official sector in respect of external financial assets and liabilities. The table is presented in the form of a reconciliation statement, which is described in chapter 1, paragraph 30. Details for monetary authorities and general government sectors should be compiled separately. If the debt management office has data on other sectors—for example, government-owned enterprises or government-guaranteed debt of other enterprises—these data may also be collected but should be compiled separately.

**344.** In item 8 of table 8.1, four sub-categories are included to identify various types of exceptional financing and LCFAR. These sub-categories are included for illustrative purposes (the full list of categories may be found in table 10.5), and it is not necessary to collect such data if the information is not applicable. These sub-categories may be applicable to any of the other liability items. While debt forgiveness transactions are not shown, the compiler should also identify these and, possibly, the other adjustment components in more detail. Close consultation between the compiler and the debt management office should guarantee that the compiler gathers all the required data.

**345.** The information shown in table 8.1 should be classified by country of creditor or debtor. In the country

classification, a separate category should be shown for international institutions. It may also be desirable to classify data by sector of nonresident party. That is, each cell in table 8.1 would be further subdivided into international institutions, foreign general government, foreign monetary authorities, nonresident banks, and other nonresident sectors.

**346.** The compiler should also obtain details on fees payable for financial services and withholding taxes relating to investment income on the official sector's external financial assets and liabilities.

**347.** Data could also be collected on the currency composition of external assets and liabilities. This data would be particularly important if less than complete data are available to the compiler to measure financial and income flows. (The use of currency data to estimate transactions from stocks data is discussed in chapter 16, paragraphs 778-783.)

**348.** Securities issued in the domestic market and purchased by nonresidents can pose special collection problems, and these are discussed in chapter 6. For securities issued abroad, the government or central bank should have the required data or may be able to obtain data from security brokers located abroad.

**349.** Stock positions should be valued at market values, and conversion rates for instruments denominated in foreign currencies should be based upon midpoint rates applicable to reference dates. Transactions denominated in foreign currencies should be converted at midpoint rates prevailing on dates transactions were made. The time of recording of transactions should not pose problems. However, the compiler should ensure that the time of recording is consistent with that used in other data sources, and timing adjustments should be made if necessary.

### ***Reserve Assets***

**350.** Data on reserve assets should be available from the relevant department of the central bank. Ideally, the data set out in table 8.2 on page 61 will be available.

**351.** Table 8.2 emphasizes that transactions (the increases and decreases) should be measured separately from the stock position to obtain reliable data on reserve transactions. Monetization and demonetization of gold and allocation and cancellation of special drawing rights should be identified separately under other adjustments. It is important to obtain, if possible, the complete instrument breakdown shown in the table. Each instrument, at least for stocks and transactions, should be classified by country

<sup>58</sup>In the BOP, airport departure taxes are considered to be part of travel services provided to nonresidents rather than transfers.

**Table 8.1 Data Required from Official Sector on External Financial Assets and Liabilities, Excluding Reserve Assets**

	Change in position							Investment Income
	Transactions		Valuation changes			Closing Position		
	Opening Position	Increase	Decrease	Price Changes	Exchange Rate Adjustments		Other Adjustments	
<i>Assets</i>								
1. Equity securities								
2. Bonds and notes								
3. Money market instruments								
4. Long-term loans								
5. Short-term loans								
6. Currency and deposits								
7. Other assets								
<i>Liabilities</i>								
8. Bonds and notes								
Of which:								
Rescheduled								
Overdue principal								
Overdue interest								
LCFAR <sup>1</sup>								
9. Money market instruments								
10. Use of Fund credit and loans from the Fund								
11. Trade credits								
12. Long-term loans								
13. Short-term loans								
14. Deposits								
15. Other liabilities								

<sup>1</sup>Liabilities constituting foreign authorities' reserves

of the nonresident party. Data should be converted to the domestic currency or unit of account by use of midpoint rates applicable at reference dates (for stocks) or on dates that transactions were made (for transactions).

**352.** Sometimes the compiler may only have access to the stock of reserve assets. The method for converting such data to a transactions basis is outlined in chapter 16, paragraphs 778-783. To apply this methodology properly, the compiler must know the currency composition of reserves.

### ***Measurement of Development Assistance in Donor Countries***

**353.** The development assistance agency in donor countries is an obvious source for measuring development assistance because this agency is usually responsible for disbursement of the major part of development assistance grants and loans and for overseeing and monitoring the foreign development assistance program. While development assistance is not a standard component item in the BOP, the compiler may wish to compile the item separately for analytic reasons. The components

Table 8.2 Data Required on Reserve Assets

	Change in position							
	Opening Position	Transactions		Valuation changes			Closing Position	Investment Income
		Increase	Decrease	Price Changes	Exchange Rate Adjustments	Other Adjustments		
Monetary gold								
Special drawing rights								
Reserve position in Fund								
Deposits								
Loans								
Foreign exchange								
Currency and deposits								
With banks								
With monetary authorities								
Securities								
Equities								
Bonds and notes								
Money market instruments and financial derivatives								
Other claims <sup>1</sup>								
Currency and deposits								
Securities								
Debt securities								
Equity securities								

<sup>1</sup>Foreign exchange covers claims that are shown as the **foreign exchange** element of the series for **international liquidity** published by the IMF in **International Financial Statistics (IFS)**. **Other claims** cover any additional claims that constitute reserve assets, as that concept is described in the *BPM*. For example, *IFS* data may not always cover working balances abroad of government nonmonetary agencies—for which it may be difficult to obtain information promptly or at monthly intervals. In addition, if foreign exchange holdings of commercial banks are included as part of reserve assets, these would then be shown as **other claims**.

of development assistance will generally be reflected in several items in the BOP.

**354.** The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) is responsible for collecting internationally comparable data on development assistance. This collection is referred to hereafter as the **DAC Reporting System**. The DAC has worked closely with other international agencies, including the International Monetary Fund's Statistics Department and member countries of the OECD, to develop reporting directives, which are generally consistent with those of the *BPM*, on uniform reporting of development

assistance flows. The compiler should be familiar with the reporting directives and work closely with the development assistance agency to ensure proper treatment of development assistance flows for the purpose of compiling the BOP and reporting to the DAC. It would be desirable to quantify any difference in treatment advocated by the reporting directives and the *BPM*. Some donors, who are not DAC members, also report to the DAC.

**355.** Data in the DAC Reporting System should, in practice, be compiled on a basis that closely parallels the concepts of timing and valuation advocated by the *BPM* and *SNA*. Transfers of military equipment or services and

transfers to or from individuals should not be included in statistics of development assistance, although such transfers would be included in transfers in the BOP. The reporting directives comment specifically on:

allocating flows through non-operational subsidiaries to principal parties involved in the transaction (The *BPM* advocates a different treatment.)<sup>59</sup>

excluding technical assistance by commercial enterprises (The *BPM* advocates the same treatment.)

including imputed costs of educating nonresident students when fees do not cover the costs of education (The *BPM* advocates this treatment.)

treating interest subsidies paid to residents to provide “soft” financing as part of development assistance (The *BPM* does not advocate this treatment.)

including, in development assistance, costs associated with technical cooperation, administration, education, and research incurred in the donor country. (The *BPM* advocates this treatment.)

**356.** Major aggregates, such as official development assistance, in reporting forms submitted to the DAC should be classified by country. Obviously, transactions with international institutions are not classified by country. Certain transactions, such as administrative expenditures in the donor country, are not—according to the reporting directives—allocated by country but shown unallocated. However, for the purpose of compiling partner country BOP statistics, which are described in chapter 17, costs incurred in the donor country should be classified by country. If it is not possible to allocate specific costs to specific countries, one option would be to prorate costs across recipient countries by using aid flows that can be allocated by partner country.

**357.** Reporting forms submitted to the DAC provide information on both commitments and disbursements of development assistance. The latter basis is relevant in compiling the BOP.

**358.** In developing, for BOP purposes, statistics on development assistance, the compiler should distinguish clearly between grants (which are recorded as transfers) and loans (which are recorded in the financial account). For grants, it is necessary that offsets (such as exports of goods, provision of education services, other technical assistance, and provision of cash) be identified and included appropriately in the BOP. Chapters 14 and 15

provide further information on recording grants in the BOP.

### *Measurement of Development Assistance in Recipient Countries*

**359.** Data on international development assistance in recipient countries is often poorly measured and, as a result, the value of foreign assistance is understated. Because of this understatement, the impact of such assistance on other major economic variables is difficult to measure. Measurement problems in recipient countries have also led to BOP global asymmetries for data on transfers. The following paragraphs provide possible sources that the compiler could use to measure the receipt of development assistance.

**360.** Most compilers in recipient countries can easily identify **cash grants** or payments received in development assistance because the information is often readily available from government records on revenue.

**361.** Many countries have established various administrative units to administer **program or project aid**. Complete accounts are often established to analyze costs, monitor progress, make reports to donors, and prepare invoices to claim cash payments from donors. These project accounts should include the value of materials and services supplied by donors. The compiler should encourage good record-keeping practices in this area. In addition, administrators of such aid projects should (if they are not already doing so) be encouraged to obtain, from donors with whom they maintain contact, data on the valuation of assistance received in kind.

**362.** It is necessary that offset entries to the aid be recorded in BOP accounts. To ensure proper recording, the compiler could, for example, undertake audit checks to verify that goods received under project aid are recorded in ITS at correct valuations. If project accounts are the only source of data for certain noncash items in the BOP, the compiler would use information from such accounts to record corresponding items in the BOP. For example, if a foreign technical assistance expert stationed in the host economy for less than one year and funded under an official aid program is employed by a local project, income earned by the expert should be included in the BOP as a compensation of employees debit and a transfer credit. The BOP treatment of technical assistance and other forms of project aid is further discussed in chapters 14 and 15.

**363.** Many countries receiving **food aid** have a centralized government agency responsible for distributing the food, and such agencies are generally a good source of

<sup>59</sup>See chapter 16, paragraphs 705-711.

information on this type of aid. When approaching distribution agencies for information, the compiler should ensure that both food imports and offsetting transfer entries are measured in accordance with BOP principles. Chapter 14, paragraph 648 should be consulted for a discussion of the BOP treatment of food aid.

**364.** In countries where residents receive **educational assistance** from foreign governments, there may be a government agency responsible for administering the program on behalf of nonresident donors. This agency could be a useful source of data for the BOP. The value of educational assistance should be measured at the cost to the donor. If such details are not readily available, BOP estimates could be based on the number of students studying abroad and classified by various types of educational institutions and length of stay. These data could then be used—in conjunction with per capita data (either actual or estimated) of the value of tuition fees, accommodation, passenger fares, and other expenses paid by donor countries for each category of student—to estimate the transfer credit item. Having compiled these estimates, the compiler should ensure that relevant offsets are included in the current account. Typically, offsets (other than those for passenger fares) will be shown in the travel item as debits.

## **Administrative By-product Data**

### ***Introduction***

**365.** While conducting various functions, official institutions frequently obtain data useful for compiling the BOP. Often these functions require applicants, or persons who must pay fees or taxes, to complete forms that could be relevant to the BOP. The compiler might be able to influence the design of collection forms or administrative procedures to maximize, from a BOP viewpoint, the usefulness of the data. ITS, ITRS data, and migration statistics are examples of information collected as a by-product of administrative functions and essential to BOP statistics. These particular collections are discussed in other chapters. This chapter examines lesser known by-product collections.

**366.** Administrative by-product data may be available at different levels of processing, including individual collection forms, semi-processed data (which may consist of records of individual collection forms, special tables, or reports), or statistical aggregates. The appropriate level, from the compiler's viewpoint, will depend upon a number of factors. If sufficient details and cross-classifications are available, statistical aggregates may be sufficient for the compiler's purpose. Nevertheless, it is often desirable

for the compiler to have access to completed collection forms or records of collection forms. Even data that cannot be used directly by the compiler may still be useful for BOP purposes. Subsequent paragraphs note some examples.

### ***Foreign Investment Approvals***

**367.** Many countries have foreign investment boards or similar institutions that promote, place conditions on, or monitor various forms of foreign investment. To make certain types of investments or to expand existing investments, investors may be required to submit application forms to the investment board, which assists investors in establishing enterprises and ensures that investments comply with government guidelines. These application forms may contain useful information and, in a number of countries, detailed statistics are published on foreign investment approvals. These statistics are generally not directly usable for BOP compilation purposes as they relate to approvals rather than transactions, although they may be useful for some BOP projection purposes. More importantly, individual application forms may serve as a very useful data source for compiling population lists of direct investment enterprises or direct investors. In some countries, application forms have proved particularly useful for identifying nonresidents who invest in real estate.

### ***Applications to Obtain Foreign Exchange or to Borrow from Abroad***

**368.** It is a requirement in some countries for residents to obtain approval to purchase foreign exchange or to borrow from abroad. These approval applications should not be confused with actual foreign exchange transactions measured in an ITRS. Paragraphs 98-99 of chapter 3 describe cases in which residents borrow or lend abroad, but no corresponding cash transaction appears in the ITRS until a repayment or interest payment is made. To identify these drawings, foreign borrowing applications could be monitored and followed up with the borrower or the lender. Once the drawing is made, details of the transaction should be recorded and included in the BOP. Data on foreign borrowing approvals could also be used to establish a list for conducting a survey of residents with external borrowings.

**369.** In some countries, direct investment enterprises are required to obtain approval before remitting, in the form of foreign exchange, dividends or profits abroad. As part of the application process, companies submit details of their profit and loss statements. These details could be

used by the compiler to measure reinvested earnings as well as remittances of dividends and profits.

### ***Applications to Export***

**370.** Residents of some countries are required to complete applications to export. Sometimes, these applications are used as a data source to compile goods items in the BOP. Alternatively, applications may provide a starting point for obtaining a list of exporters to improve coverage of ITS or applications may serve as a coverage source for an exploratory survey designed to identify enterprises engaged in certain BOP activities, such as trade credit.

### ***Immigrant Application Records***

**371.** Some countries encourage business immigrants to supply investment capital in return for being allowed to migrate to the host country. Immigrant applications or supplementary inquiries may be a useful source of information on immigrants' transfers if monitoring of actual amounts transferred is undertaken. Alternatively, these records could be used as the basis of a survey of migrants after they have arrived in the compiling country.

### ***Tax Data***

**372.** Tax data can be used in a number of ways. Data, which is obtained from tax authorities, on dividend and interest withholding taxes payable by nonresidents may be used to compile part of government transfer credits. Lists of companies paying withholding taxes on behalf of nonresident investors may be a useful source for identifying enterprises with external borrowings or nonresident shareholders.

**373.** Tax records of direct investment enterprises could provide data on intercompany services and remitted and retained profits when other sources are not readily available. Lists obtained from tax files of enterprises with direct investment transactions could also be used as

a source of coverage for ES of direct investment. Tax records often identify income from foreign sources separately from income earned from domestic operations. These records can be useful, for conducting surveys or for checking information obtained from other sources,<sup>60</sup> to identify enterprises and individuals with investments abroad.

**374.** Tax authorities may conduct surveillance of certain transactions, particularly those associated with tax havens, to ensure that certain taxes are not avoided. Forms filed with tax authorities in respect of certain classes of foreign exchange remittances could provide a coverage source for listing the population for ES.

### ***Education and Health Data***

**375.** Governments may maintain data on education and health services provided to or by nonresidents.<sup>61</sup> For education, data may be available on the number of students, costs of tuition and other services provided by educational institutions (e.g., accommodation for students living on campuses or boarding at school), and other expenses of nonresident students studying in the host country or resident students studying abroad. It is also important to know what proportion of these costs is funded by development assistance grants. Fewer data may be available on health care, but the compiler should seek out data that may be available on health care services and expenditures of patients who cross international frontiers to seek health care. In countries that have universal health care systems funded or administered by the government, nonresident patients can often be identified separately because such patients will typically be responsible for the full cost of their health care.

<sup>60</sup>As used by tax authorities, definitions of the terms foreign and income may differ significantly from those used in the BOP. The compiler should take care, in using tax data directly in BOP compilation, that any such differences are accounted for.

<sup>61</sup>Many of the education and health services provided to or by nonresidents are provided to persons traveling outside of their home countries. Accordingly, these services should be recorded in the travel item of the BOP.

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## IX. Data from Partner Countries and International Institutions

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### Introduction

376. Chapter 9 discusses data that may be available, from partner countries and international institutions, on transactions with compiling countries. Examples are data compiled by other countries; data, which is provided by foreign embassies and international institutions, on expenditure and bilateral development assistance in respect of compiling countries; and data from records of nonresident creditors. This chapter also discusses availability and use of statistics, which are compiled by international institutions, on development assistance and external debt.

### Partner Country Data

#### *Bilateral Reconciliation and Exchange of BOP Statistics*

377. A bilateral reconciliation of BOP statistics involves comparison of data that are compiled by two countries and that purport to measure the same set of transactions. For example, country A's estimate of resident travel expenditure in country B could be compared with country B's estimate of travel expenditure by residents of country A in country B.

378. In a well-known reconciliation involving Canada and the United States, each country under-recorded, in national statistics, exports of goods and travel credits by comparison with the other's data on imports of goods and travel debits. Each country uses the other's estimates for imports of goods and travel debits as estimates of exports of goods and travel credits with respect to the other country.

379. One country's data may also be used to validate another country's estimates. As discrepancies are identified and explained, compilers can improve areas of the BOP that are not of high quality. In recent years, various international analysts have made increasing use of cross-country data comparisons to correct anomalies in individual country compilation. Some of this work has been used by the IMF and various Fund-sponsored

working groups to prepare world aggregate BOP estimates.<sup>62</sup>

#### *Surveys of Foreign Embassies and International Institutions*

380. Countries conduct surveys of foreign embassies and international institutions to measure own-account expenditures of these institutions and other transactions involving these entities and the compiling country. While some foreign embassies are not always cooperative, use of such surveys has increased. Response is often improved if the foreign embassy is aware that the BOP compiler in the foreign embassy's home country approaches the host country's embassy abroad for comparable data.

381. Model form 14 in appendix 2 requests the type of data that could be collected from foreign embassies and international institutions located in compiling countries. Part A of the form collects data on numbers of locally engaged (resident) staff and nonresident staff, such as diplomats. Part B collects data on such forms of expenditure as:

wages and salaries paid to local staff, including wages paid in kind and employer contributions to social security;

wages and salaries paid to nonresident staff (and estimates of amounts spent in the host country are requested);

other operating expenditure;

capital expenditure.

382. Data on numbers of employees and corresponding wages and salaries may be utilized to estimate expenditure patterns for nonreporting embassies and to provide a basis for projections. Techniques for making such estimates and projections are discussed in chapter 12, paragraphs 572-575.

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<sup>62</sup>See, for example, the International Monetary Fund's *Report on the World Current Account Discrepancy* (Washington, D.C., 1987) and the *Report on the Measurement of International Capital Flows* (Washington, D.C., 1992).

**383.** Model form 14 also requests—for capital receipts, foreign aid transfers, and official loans—the type of information that could be collected from foreign embassies and international institutions located in compiling countries. Part C of the form requests data on receipts from the sale of land, buildings, and other capital items. Part D of the form requests separate data on cash grants (for recurrent expenditure and project financing), other official grants (for goods, services, and educational scholarships), military assistance, and the estimated value of donations from private institutions. Part E of the form seeks details of official loans—including arrears—in the form of a reconciliation statement.

### ***Other Partner Country Data***

**384.** In some instances, partner countries are approached directly for information required for BOP compilation purposes. For example, certain compilers approach governments in other countries to obtain data on numbers, classified by broad groups, of compiler country nationals employed in the other countries. These data, together with estimates of wage rates, are used to measure employee compensation for residents working abroad.

**385.** BOP compilers could also consult the published statistics of partner countries to obtain data for particular transactions, such as embassy expenditure and aid flows, with a compiling country.

**386.** Some countries collect data from other governments on the military expenditures of those governments in the compiling countries. In Germany, for example, authorities collect data from the U.S. government on U.S. military expenditures.

### **Data from International Institutions**

**387.** This portion of the chapter examines development assistance data maintained by the DAC and external debt databases maintained by the World Bank, the Bank for International Settlements (BIS), the OECD, and the IMF. Data from these sources can be used in the absence of national data or as a check on the BOP compiler's estimates. If such data (especially external debt data) are used, the compiler should recognize the inherent limitations of this information.

### ***Development Assistance Data***

**388.** The DAC is a useful source of data on international development assistance. Data, which are cross-

classified by donor and recipient countries, on grants and financing are provided in DAC annual publications.<sup>63</sup>

**389.** Reporting directives to donor countries are explained in chapter 8, paragraphs 354-356. DAC bilateral flow figures are based on questionnaires submitted by OECD members and supplemented with data compiled from published reports of multilateral organizations, data supplied directly by these organizations, bilateral aid figures supplied by certain Arab countries,<sup>64</sup> and OECD staff estimates for certain other data. As mentioned in chapter 8, in DAC statistics, disbursements—rather than information on commitments—are most pertinent to the BOP.

**390.** Three problems arise from the use of DAC data. The first concerns conceptual differences, which are discussed in chapter 8, between DAC reporting directives and the *BPM*. However, interest rate subsidies—significant items included in the scope of reporting directives but not in the BOP—are separately allocated by country in DAC data. Second, some DAC items (such as administrative costs in the donor country) that are within the scope of the BOP are not allocated by recipient country. A technique for dealing with this problem is outlined in chapter 12, paragraph 576. Third, DAC data are compiled with a certain time lag. However, until actual data are available, extrapolations, which are discussed in chapters 14, 15, and 16, could be used.

### ***External Debt***

**391.** Statistics relating to external debt are published by the World Bank, the BIS, the OECD, and the IMF. An overview of these statistics is provided subsequently. A full description of the definitions, coverage, and methodology used in these statistics may be found in a joint publication produced by these organizations.<sup>65</sup>

### ***World Bank Debt Data***

**392.** The World Bank publishes, in respect of external debt of developing countries, data on stock positions,

<sup>63</sup>Development Assistance Committee, Organisation for Economic Cooperation and Development, *Report on Development Cooperation: Efforts and Policies of the Members of the Development Assistance Committee* (Paris, 1962-) and the *Geographical Distribution of Financial Flows to Developing Countries* (Paris, 1966-).

<sup>64</sup>These data are supplied by the finance ministries of Kuwait, Saudi Arabia, and the United Arab Emirates; the Abu Dhabi Fund for Arab Economic Development; the Kuwait Fund for Arab Economic Development; the Saudi Fund for Development; and the General Board for the South and Arab Gulf.

<sup>65</sup>Bank for International Settlements, International Monetary Fund, Organisation for Economic Cooperation and Development, and the World Bank, *External Debt: Definition, Statistical Coverage, and Methodology* (Paris, 1988).

disbursements (drawings), repayments, interest payable, and debt reorganization in annual *World Debt Tables: External Debt of Developing Countries*.<sup>66</sup> The publication contains, for developing countries, data on long-term public and publicly guaranteed debt; significant private, long-term, non-guaranteed debt; short-term debt; and Fund credit and loans. Developing countries report data primarily on a loan-by-loan basis by using the World Bank Debtor Reporting System (DRS).<sup>67</sup> These data are supplemented, when necessary, by World Bank staff estimates and by estimates from other sources. These sources include creditors such as the African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the Central Bank for Economic Integration, the IMF, the International Development Association, and the World Bank itself—as well as organizations such as the OECD and BIS.

**393.** Private, non-guaranteed debt is reported by 25 countries. This number represents about half the countries considered to have significant external debt of this type. For other countries, data are compiled from information on guaranteed export credit; this information is supplemented with loan-by-loan information on official lending to the private sector from the OECD Creditor Reporting System (CRS).

**394.** Reports by debtor countries on short-term debt are accepted when available. Data are also compiled, from the OECD CRS, on officially guaranteed, short-term export credit and from other sources. The most important source is the BIS semiannual series showing the maturity distribution of commercial bank claims on developing countries. Data on Fund credit and loans from the Fund comes from the IMF.

**395.** Therefore, World Bank data may be better than that supplied by individual reporters because debtor reports used by the bank are supplemented by data from creditors and other sources. The compiler should be familiar with these data and should reconcile any differences in World Bank and national BOP data.

### *BIS International Banking Statistics*

**396.** The BIS collects quarterly data on the stock positions and flows of external claims and liabilities of reporting banks and on the stock positions and flows of securities issued in the international securities market.

<sup>66</sup>These data are updated by supplements issued throughout the year.

<sup>67</sup>Data on private, non-guaranteed debt are reported in aggregate rather than on a loan-by-loan basis.

The information is published in *International Banking and Financial Market Developments*.<sup>68</sup> In addition to quarterly data, the BIS also collects and publishes half yearly data on the maturity and sector of bank lending.<sup>69</sup>

**397.** Data are collected from banks in 18 industrial countries and a number of offshore banking centers.<sup>70</sup> Banks report all their foreign currency claims and liabilities (although these are classified separately as claims on, and liabilities to, residents and nonresidents) and their domestic currency claims on, and liabilities to, nonresidents. Claims and liabilities are classified, respectively, by country of residence of debtor or creditor and, in turn, each category is classified by bank or nonbank counterparts.<sup>71</sup> Securities issued are classified by country of issuer. More information on the methodology used in compiling these statistics may be found in the BIS publication *Guide to BIS Statistics on International Banking*.

**398.** From a BOP perspective, BIS statistics have some limitations and inconsistencies that include:

- the definition of *bank* varies from country to country;
- the international bank business of central banks is not reported, except in the United Kingdom and the United States;
- reports of banks in about half the reporting countries include investments in equity in related banks;
- the treatment of trade-related credits varies from country to country;
- not all reporting provides full country classification.

Compilers should also note that BIS statistics do not cover nonbank-to-nonbank positions.

**399.** Nevertheless, BIS statistics provide useful information on international financial flows—particularly the derived data on individual countries' nonbank claims on,

<sup>68</sup>Published quarterly by the Monetary and Economic Department of the BIS, Basle, Switzerland.

<sup>69</sup>Data on these lendings, together with technical notes, are published semiannually by the BIS in *The Maturity and Sectorial Distribution of International Bank Lending*, Basle, Switzerland.

<sup>70</sup>Reporting industrial countries are Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Offshore banking centers include the Bahamas, Bahrain, the Cayman Islands, Hong Kong, the Netherlands Antilles, Singapore, and branches of U.S. banks in Panama.

<sup>71</sup>Other classifications, such as currency of lending/borrowing and nationality of lender/borrower, are also collected. A Belgium resident bank owned by a U.S. resident would be classified as "United States" in the nationality classification.

and liabilities to, the rest of the world. These statistics can be a useful source in the absence of national data or a cross-check on national data. A number of countries use these data or IMF international banking statistics, which are discussed subsequently, to compile certain financial flows and investment income items for the BOP. Paragraphs 770-775 of chapter 16 describe a methodology for deriving BOP statistics by using international banking statistics.

### *IMF International Banking Statistics*

**400.** The IMF Statistics Department publishes, in *International Financial Statistics (IFS)*, data on the stock of external assets and liabilities of deposit banks. (In this context, *external* refers to claims on, and liabilities to, nonresidents.) These statistics are based upon data, which are reported to the department by IMF member countries. IMF statistics are also based upon special reports from 33 banking centers; the reports include detailed geographic analysis of external assets and liabilities of resident deposit banks.<sup>72</sup> On the basis of the data reported by IMF member countries, it is possible to compile, for each country, data for bank claims on, and liabilities to, nonresidents. From the data supplied by the 33 banking centers, it is possible to derive, for each country, data on resident bank and nonbank liabilities to, and claims on, banks in the 33 banking centers.<sup>73</sup>

<sup>72</sup>The IMF has access to the BIS database (described earlier) that is supplemented with reports from Australia, Chile, Korea, Lebanon, the Philippines, Portugal, Saudi Arabia, and the United Arab Emirates.

<sup>73</sup>In *IFS*, eight tables on international banking are provided. The first two tables provide details on external liabilities (series 7yd) and assets (series 7xd) of deposit banks; these data come from data supplied by member countries. Remaining tables show cross-border liabilities and claims classified by interbank and bank/nonbank transactions (series 8yad, 8xad, 7yrd, 7xdd, 7ydd, and 7xrd). The series 8yad, 8xad, 7ydd, and 7xrd are essentially direct series; series 7yrd and 7xrd are derived series. Cross-border series differ in total from deposit bank series. The former include some data on central bank positions; positions with the BIS; positions with nonreporting and nonmember countries; and, in some instances, data (reported by a member of the group of 33) that may

**401.** IMF banking statistics have limitations similar to those of BIS international banking statistics, which are described in the preceding section. However, provided appropriate care is taken, IMF statistics can be used, particularly for the nonbank sector's stock of external assets and liabilities and associated financial and investment income transactions, as a source of BOP data. Paragraphs 770-775 of chapter 16 describe a methodology for compiling such estimates.

### *OECD Survey of External Debt of Developing Countries*

**402.** The OECD compiles and publishes data, which are derived from creditor records, on the external debt of developing countries.<sup>74</sup> The statistics cover official development assistance and officially supported lending, including insured export credit, reported in the OECD CRS<sup>75</sup> and BIS data on bank lending. The CRS shares many essential features of the World Bank DRS; the two systems are designed to be as complementary as possible. The CRS obtains data from 21 OECD member countries on a loan-by-loan basis.

**403.** OECD statistics provide another useful source of data on international debt and may be used to validate nationally compiled data or, in the absence of suitable national data, to compile national statistics of external debt.

differ from data reported in the deposit bank series. The deposit bank series, on the other hand, includes positions of banks with nonbanks in countries other than the group of 33 and positions between banks that are not among those in the group of 33. A description of these statistics may be found in Joslin Landell-Mills, *The Fund's International Banking Statistics* (Washington, D.C.: IMF, 1986). More information on data availability for individual countries can be obtained by writing to the IMF.

<sup>74</sup>Results are published annually by the OECD in *Financing and External Debt of Developing Countries* (Paris, 1981-).

<sup>75</sup>Data from the CRS are also published jointly, on a semi-annual basis, by the BIS and the OECD in *Statistics on External Indebtedness* (Basle, Switzerland, 1984-).

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## X. Compiling the BOP Statement: an Overview

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### Introduction

404. Previous chapters have focused on various data sources that may be used to compile a BOP statement. This chapter examines the compilation process itself. The BOP worksheet is discussed, and broad issues associated with estimation and projection are described. Introduction of a BOP coding system is followed by a discussion of the relationship between the *BPM* and the *SNA*. Selection of the unit of account for the BOP and treatment of multiple exchange rates are then described. The remainder of the chapter addresses compilation issues (including treatments of mobile equipment, construction activity, household transactions, and wealthy individuals) that could have significant impacts on a number of BOP components.

405. Chapters 11 through 17 of this *Guide* deal with compilation issues pertaining to particular components of the BOP. However, many transactions affect more than one component, and cross references are made when appropriate.

### The BOP Worksheet

406. As described in chapter 1, the BOP is a statistical statement designed to provide a record of an economy's economic transactions with the rest of the world. This statistical statement can be presented in a number of ways and with varying levels of detail. The most detailed level is the BOP worksheet, wherein the compiler assembles various source data (including estimates) in a manner consistent with the conceptual framework and classifications.

407. The BOP worksheet can be thought of as a document that records the BOP. However, in most cases, this worksheet will take the form of a computer database. Regardless of the form that the BOP worksheet takes, factors influencing its design will be similar. These factors are discussed in this chapter and in chapters 18 and 20.

408. Selection of items to be included in the BOP worksheet and methods of measuring them should be based upon the objectives and constraints of the BOP compilation process. The objective of the BOP process is to present, to users (such as economic analysts),

meaningful economic data on an economy's external economic activity. Data should be presented so that the analyst can see links between the BOP and other important bodies of statistics—such as the national accounts, money and banking statistics, and government finance statistics. As both domestic and international users may wish to compare one country's activity and performance with that of other countries, the compiler should provide internationally comparable data. The compiler should ensure that statistics meet user requirements in terms of quality, detail, and timeliness. In all cases, the compiler should take into account the quantity and quality of the staff and other resources available to undertake this work.

### Estimation and Projection

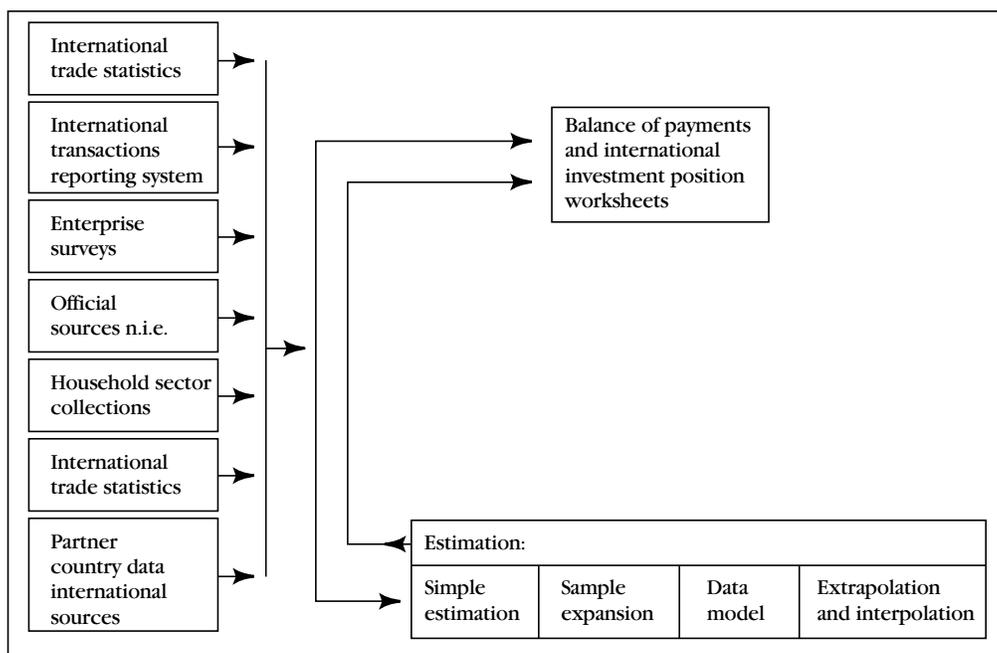
#### *Estimation*

409. Often, data that come from sources available to the BOP compiler can be entered directly into the BOP worksheet to compile the series included therein. However, in certain situations, the compiler may have to manipulate data before entering them into the worksheet. Illustration 10.1 highlights this point. It shows that data from various sources may be used directly in the worksheet or in estimation procedures that, in turn, provide input for the worksheet. Illustration 10.1 distinguishes four broad forms of estimation undertaken by the BOP compiler: (1) simple estimation, (2) sample expansion, (3) data model, and (4) extrapolation and interpolation.

410. Simple estimation involves relatively simple formulae or procedures that may be used to adjust or estimate source series. For example, certain source series may suffer from undercoverage, and the compiler may, for BOP compilation purposes, apply a ratio or add some amount to the source series. Also, a BOP series may be estimated by using an assumed ratio between that series and other BOP or economic statistical series. For example, freight and insurance on imports may be considered to be fixed ratios of imports c.i.f.

411. Sample expansion is the process of expanding results from a selection of respondents to measure the population as a whole. The use of sampling

**Illustration 10.1 Relationship of Data Sources, BOP Worksheet, and Estimation Procedures**



techniques in BOP collections is discussed in chapter 18, paragraphs 888-890.

412. A third type of estimation involves bringing data from different sources together in a data model; the output of the model is a particular BOP item. For example, estimates of nonresident traveler expenditure in an economy could be derived by obtaining, from migration statistics, the number of short-term visitors and multiplying this number by estimates, which were derived from a survey of travelers and other sources, of expenditure per capita. Selection and inclusion of some data model elements depend on the compiler’s judgment.

413. Data from some sources may not be available on a sufficiently timely basis for compilation of the BOP statement. Therefore, the compiler may extrapolate certain BOP series from earlier periods. Extrapolation also covers adjustments made to preliminary results from a collection source providing less than complete data. If the data source or data model used by the compiler provides data on a less frequent basis than the periodicity of BOP compilation, it will be necessary to interpolate data between measurement periods to obtain sufficiently frequent estimates for the BOP.

414. Many compilers consider all BOP statistics to be estimates—a perception that emphasizes how compilation of BOP accounts is subject to a range of processes and individual subjective judgments at different levels of

compilation. However, estimation should not be seen as a substitute for collecting reliable data.

**Projection**

415. Apart from compiling BOP series for historical periods, many compilers project BOP series for future periods if, for example, they are members of official committees that provide national accounts (including BOP) projections for government economic policy purposes. Compilers who have a good understanding of BOP compilation methodology and BOP series can play valuable roles on such committees. In turn, compilers develop greater understanding of the use of BOP series and insight essential for various data analyses and validation functions that compilers are expected to perform. Alternative sets of projections, each of which is predicated on different assumptions, may be produced.

416. In the *Guide*, the term *estimates* refers to derivation of series for historical periods and the term *projections* refers to compilation of BOP series for future periods. Subsequent chapters include some illustrative information on projection methodologies.

417. It is important that compilers involved in projecting the BOP be aware of projections—particularly official projections—of items related to the BOP and that these other projections be given appropriate consideration when BOP items are projected. It would not be proper,

for example, for BOP compilers to project imports of goods on the basis of national income projections that differ from official national accounts projections.<sup>76</sup>

**418.** BOP projections can be developed via a “bottom up” or “top down” approach. In the former, individual items are projected and broad aggregates are derived by summing these items. Derivations of broad aggregates should be verified in terms of appropriateness to expected economic circumstances. The “top down” approach is the reverse. Broad aggregates are projected first, and individual items are then projected to fit in with broad aggregates. In this case, projected individual items should be checked to ensure that each, per se, is sensible.

**419.** Econometric equations are often a useful tool for developing projections as such equations provide a systematic and objective framework. However, they should be used with caution. Historical data of high quality are required to establish the equations; specialized technical skills are required to develop them; and changes (particularly structural changes) in economic circumstances can have an impact on the quality of results. Also, “the real world” is significantly more complex than even the most sophisticated econometric equation or set of equations.

**420.** Econometric equations are generally more reliable for projecting some BOP items than others. Such equations often provide useful starting points for discussion. However, a result from an econometric equation should never be accepted unless it can be supported by reasonable economic argument.

**421.** Regardless of the techniques used to project BOP items, compilers should perform ongoing reviews to assess effectiveness and make necessary adjustments.

## BOP Coding System

**422.** The coding (reference number) system used in the *Guide* is one that has been agreed upon by the IMF, the OECD, and the European Union as the international standard for coding BOP and IIP data. Objectives underlying system design include completeness of coverage, simplicity, stability, and adaptability to automation.

**423.** The coding system consists of two parts: a four-digit topic code and a tag code that may contain any number of digits. The topic code is required; the tag code is

optional. Topic codes have been completely defined at the international level; tag codes have typically not been defined. The purpose of the tag code is to enable compilers in particular countries, or groups of countries, to adapt the coding system to their requirements and preferences. The tag code could be used, for example, to show levels of detail that exceed the international level or to show a commodity breakdown of trade in goods or additional details on services transactions.

**424.** When topic codes were determined, criteria were predicated on ease of use. Limiting the codes to numbers would ensure that codes would be acceptable to a wide range of computer software. Limiting the length to short numbers, which could be read and memorized easily, would also reduce computer storage and data entry costs.

**425.** It is useful to structure any group of codes so that components can be related to each other in a comprehensive way. For example, in BOP codes, it might be advantageous if the fourth digit always represented the domestic sector. However, the brevity criterion for topic codes limited incorporation of information. Only the first and second digits of topic codes have particular meanings.

**426.** The first digit of the topic code describes the position of the item in the IIP/BOP accounts as:

Value	Position in IIP/BOP Accounts
1	Stock at the beginning of the period
2	Credit flows
3	Debit flows
4	Net flows
5	Price changes
6	Exchange rate changes
7	Other adjustments
8	Stock at the end of the period

**427.** The second digit of the topic code identifies the section of the accounts as:

Value	Section in IIP/BOP Accounts
1	Goods
2	Services
3	Income and current transfers
4	Capital account
5	Direct investment
6	Portfolio investment
7	Other investment
8	Reserve assets
9	Major aggregates and supplementary information

**428.** The third and fourth digits of the topic code relate to specific items in the accounts and have generally been assigned sequentially.

<sup>76</sup>In many countries, there is a strong relationship between movements in imports of particular commodities and movements in national income; projections of imports are often largely based on this relationship.

429. Table 10.1 shows the relationship between the coding system and standard components set out in the *BPM* for the current account. Some items, which are shown with asterisks, contained in the coding system are not standard components of the *BPM*. These items have been included because of their potential analytical interest to a large number of countries. Tables 10.2, 10.3, and 10.4 (on pages 76-84) show the relationships between the coding system and the standard components set out in the *BPM* for the capital account, financial account, and IIP, respectively. Table 10.5 (on pages 85-86) shows—except for supplementary items included in table 10.1—the relationship between the coding system and supplementary classifications of the *BPM*.

### Relationship Between the *BPM* and the *SNA*

430. As chapter 1 notes, there is a close relationship between the balance of payments and the broader system of national accounts, which provides a comprehensive and systematic framework for collection and presentation of economic statistics for an economy. The two systems are linked by the rest of the world account of the national accounts. To meet full *SNA* requirements, some extensions of standard BOP components are required. These additional components are shown in table 10.6 (on pages 87-88). The *SNA* also requires that the price change and exchange rate change columns in the IIP be split into neutral holding gains/losses and real holding gains/losses.

431. The *Guide* does not intend to explain fully the relationship between the *BPM* and the *SNA* because the subject is adequately covered in appendix 1 of the *BPM*. However, the *Guide* does discuss, in the relevant chapters, compilation issues that arise from *SNA* requirements for additional components.

432. A general issue is to what extent the BOP compiler should compile data on these additional components. Many of the extensions are theoretical cells that complete articulation of the national accounts. When a particular extended item would have no impact on the BOP (and, consequently, the national accounts) for a particular country, measurement of the item would be unnecessary. That is, it could be considered a nil cell. For example, for most countries, subsidies payable to nonresident producers (an additional component relating to current transfers) would be nonexistent or negligible. When items are significant, the BOP compiler should provide information for the national accounts compiler. Decisions should be taken jointly about the type of data that should be collected to harmonize BOP and national accounts.

433. Because additional components required to harmonize the *BPM* and the *SNA* are typically not needed for international balance of payments analysis and because the extent to which additional detail is actually compiled will vary from country to country, standard codes have not been assigned to additional components. It is envisaged that tag fields of appropriate standard codes would be used to distinguish additional detail.

### Unit of Account and Multiple Exchange Rate Conversions

434. BOP accounts should be prepared in both the national unit of account and in terms of an international unit of account, such as the U.S. dollar or SDR. The national unit of account is required to compile the external sector of the national accounts and to meet the requirements of many domestic analysts, while the standard unit of account is required for purposes of international comparison—for example, in BOP statistics published by the IMF. In countries where a single exchange rate is used, the BOP compiler could prepare the accounts in national currency and leave it to others to make the conversion to U.S. dollars. However, for countries where the exchange rate of the national currency is relatively unstable, it is recommended that the BOP also be compiled in terms of a more stable standard unit of account, such as the U.S. dollar.<sup>77</sup>

435. In countries maintaining multiple exchange rate systems, it is essential that BOP statistics be compiled, for the purpose of external analysis, in terms of an international currency. It is also necessary for statistics to be compiled in the national currency. The existence of multiple exchange rates raises the issue of the most appropriate rate for converting transactions (which will be most BOP transactions) denominated in a foreign currency into the national currency.

436. The choice of conversion method should be one that approximates market rates and provides meaningful economic data. To demonstrate the options available, table 10.7 (on page 88) presents results from applying, to a hypothetical set of transactions, four different conversion rate methods—official rates, actual rates used in transactions, the predominant transaction rate, and the weighted average conversion rate. Each rate, apart from the actual rate, represents a unitary conversion rate.

437. In table 10.7, it is assumed that an economy has four conversion rates: an official rate (at par with the U.S. dollar), a commercial rate that is offered to commercial

<sup>77</sup>In broad terms, a stable unit of account is one that does not significantly depreciate or appreciate against other currencies.

**Table 10.1 Standard Components of the Current Account**

<i>BPM</i> Item Number	Description of Item	Standard Code		
		Credit	Debit	Net
1	Current account	2993	3993	4993
	Goods, services, and income*	2992	3992	4992
1A	Goods and services	2991	3991	4991
1Aa	Goods	2100	3100	4100
1Aa1	General merchandise	2110	3110	4110
1Aa2	Goods for processing	2150	3150	4150
1Aa21	Processing abroad	2151	3151	4151
1Aa22	Processing in the compiling economy	2152	3152	4152
1Aa3	Repairs on goods	2160	3160	4160
1Aa4	Goods procured in ports by carriers	2170	3170	4170
	In seaports*	2171	3171	4171
	In airports*	2172	3172	4172
	In other ports*	2173	3173	4173
1Aa5	Nonmonetary gold	2180	3180	4180
1Aa51	Held as a store of value	2181	3181	4181
1Aa52	Other	2182	3182	4182
1Ab	Services	2200	3200	4200
1Ab1	Transportation	2205	3205	4205
1Ab11	Sea transport	2206	3206	4206
1Ab111	Passenger	2207	3207	4207
1Ab112	Freight	2208	3208	4208
1Ab113	Other	2209	3209	4209
1Ab12	Air transport	2210	3210	4210
1An121	Passenger	2211	3211	4211
1Ab122	Freight	2212	3212	4212
1Ab123	Other	2213	3213	4213
1Ab13	Other transport	2214	3214	4214
1Ab131	Passenger	2215	3215	4215
1Ab132	Freight	2216	3216	4216
1Ab133	Other	2217	3217	4217
	Extended classification of other transport			
	Space transport*	2218	3218	4218
	Rail transport*	2219	3219	4219
	Passenger*	2220	3220	4220
	Freight*	2221	3221	4221
	Other*	2222	3222	4222
	Road transport	2223	3223	4223
	Passenger*	2224	3224	4224
	Freight*	2225	3225	4225
	Other*	2226	3226	4226
	Inland waterway transport*	2227	3227	4227
	Passenger*	2228	3228	4228
	Freight*	2229	3229	4229
	Other*	2230	3230	4230
	Pipeline transport*	2231	3231	4231
	Other supporting and auxiliary transport services*	2232	3232	4232

*(table continues)*

\*Items shown with asterisks are not standard components. These items have been included because they may be of analytical interest to many countries.

**Table 10.1 (continued)**

BPM Item Number	Description of Item	Standard Code		
		Credit	Debit	Net
1Ab2	Travel	2236	3236	4236
1Ab21	Business	2237	3237	4237
	Seasonal and border workers*	2238	3238	4238
	Other*	2239	3239	4239
1Ab22	Personal	2240	3240	4240
	Health-related*	2241	3241	4241
	Education-related*	2242	3242	4242
	Other*	2243	3243	4243
1Ab3	Communications services	2245	3245	4245
	Postal and courier*	2246	3246	4246
	Telecommunications*	2247	3247	4247
1Ab4	Construction services	2249	3249	4249
	Abroad*	2250	3250	4250
	In the compiling economy*	2251	3251	4251
1Ab5	Insurance services	2253	3253	4253
	Life insurance and pension funds*	2254	3254	4254
	Freight insurance*	2255	3255	4255
	Other direct insurance*	2256	3256	4256
	Reinsurance*	2257	3257	4257
	Auxiliary services*	2258	3258	4258
1Ab6	Financial services	2260	3260	4260
1Ab7	Computer and information services	2262	3262	4262
	Computer*	2263	3263	4263
	Other information*	2264	3264	4264
1Ab8	Royalties and license fees	2266	3266	4266
1Ab9	Other business services	2268	3268	4268
1Ab91	Merchandising and other trade-related services	2269	3269	4269
	Merchandising*	2270	3270	4270
	Other*	2271	3271	4271
1Ab92	Operational leasing services	2272	3272	4272
1Ab93	Miscellaneous business, professional, and technical services	2273	3273	4273
	Legal, accounting, management consulting, and public relations*	2274	3274	4274
	Legal*	2275	3275	4275
	Accounting, auditing, bookkeeping and tax consulting*	2276	3276	4276
	Business and management consulting and public relations*	2277	3277	4277
	Advertising, market research, and public opinion polling*	2278	3278	4278
	Research and development*	2279	3279	4279
	Architectural, engineering, and other technical services*	2280	3280	4280
	Agricultural, mining, and on-site processing services*	2281	3281	4281
	Waste treatment and depollution*	2282	3282	4282
	Other*	2283	3283	4283
	Other	2284	3284	4284
	Services between affiliated enterprises n.i.e.*	2285	3285	4285

*(table continues)*

\*Items shown with asterisks are not standard components. These items have been included because they may be of analytical interest to many countries.

Table 10.1 (concluded)

BPM Item Number	Description of Item	Standard Code		
		Credit	Debit	Net
1Ab10	Personal, cultural, and recreational services	2287	3287	4287
1Ab101	Audiovisual and related services	2288	3288	4288
1Ab102	Other	2289	3289	4289
1Ab11	Government services n.i.e.	2291	3291	4291
	Embassies and consulates*	2292	3292	4292
	Military units and agencies*	2293	3293	4293
	Other*	2294	3294	4294
1B	Income	2300	3300	4300
1B1	Compensation of employees	2310	3310	4310
1B2	Investment income	2320	3320	4320
1B21	Direct investment	2330	3330	4330
1B211	Income on equity	2331	3331	4331
1B2111	Dividends and distributed profits	2332	3332	4332
1B2112	Reinvested earnings	2333	3333	4333
1B212	Income on debt	2334	3334	4334
1B22	Portfolio investment	2339	3339	4339
1B221	Income on equity	2340	3340	4340
	Monetary authorities*	2341	3341	4341
	General government*	2342	3342	4342
	Banks*	2343	3343	4343
	Other sectors*	2344	3344	4344
1B222	Income on debt	2349	3349	4349
1B2221	Bonds and notes	2350	3350	4350
	Monetary authorities*	2351	3351	4351
	General government*	2352	3352	4352
	Banks*	2353	3353	4353
	Other sectors*	2354	3354	4354
1B2222	Money market instruments and financial derivatives	2360	3360	4360
	Monetary authorities*	2361	3361	4361
	General government*	2362	3362	4362
	Banks*	2363	3363	4363
	Other sectors*	2364	3364	4364
1B23	Other investment	2370	3370	4370
	Monetary authorities*	2371	3371	4371
	General government*	2372	3372	4372
	Banks*	2373	3373	4373
	Other sectors*	2374	3374	4374
1C	Current transfers	2379	3379	4379
1C1	General government	2380	3380	4380
1C2	Other sectors	2390	3390	4390
1C21	Workers' remittances	2391	3391	4391
1C22	Other transfers	2392	3392	4392

\*Items shown with asterisks are not standard components. These items have been included because they may be of analytical interest to many countries.

**Table 10.2 Standard Components of the Capital Account**

BPM Item Number	Description of Item	Standard Code		
		Credit	Debit	Net
2A	Capital account	2994	3994	4994
2A1	Capital transfers	2400	3400	4400
2A11	General government	2401	3401	4401
2A111	Debt forgiveness	2402	3402	4402
2A112	Other	2410	3410	4410
2A12	Other sectors	2430	3430	4430
2A121	Migrants' transfers	2431	3431	4431
2A122	Debt forgiveness	2432	3432	4432
2A123	Other	2440	3440	4440
2A2	Acquisition/disposal of non-produced, nonfinancial assets	2480	3480	4480

transactors (2 units of domestic currency are equal to 1 U.S. dollar), a tourist rate (2.5 units of domestic currency are equal to 1 U.S. dollar), and a parallel (black) market rate (3 units of domestic currency are equal to 1 U.S. dollar). The first three rates are offered by the economy's single bank. It is also assumed that, in the accounting period, the government imports goods valued at US\$ 20 (converted at the official rate); enterprises export goods valued at US\$ 100 and import goods valued at US\$ 80 (converted at the commercial rate); nonresident travelers exchange US\$ 5 with the bank at the tourist rate and US\$ 3 with parallel market operators at the parallel market rate; and the parallel market operators, in turn, use the proceeds to buy goods from abroad.

**438.** From the table, one may see that use of a unitary rate, regardless of the rate chosen, preserves relationships between each of the items. For example, in the table, travel credits are 8 percent of exports in each case for which a unitary rate is used. However, when actual rates are used, the relationships between items become distorted. For example, when actual rates are used, exports of goods exceed imports of goods—a result that is contrary to the result obtained by using either a unitary rate or recording transactions in U.S. dollars.

**439.** The *BPM* advocates that a single rate—either a weighted unitary rate or, if more practical, the predominant rate—should be used for transactions in official markets and that the parallel market rate should be used to convert transactions in that market.

**440.** In the national accounts, actual exchange rates would be the basis of conversion for deriving—in terms of

national currency—flows of goods and services and other transactions in domestic accounts. However, according to the *SNA*, adjustments, which represent the difference between values derived by using a unitary rate and values derived by applying actual rates, should be included to ensure that taxes and subsidies implicit in multiple exchange rates are measured in the accounts. Essentially the final result should be the same in the national accounts and the BOP.

**441.** It is important that BOP compilers in countries with multiple exchange rate schemes be aware of the impact of using different methods of conversion and that BOP compilers agree with national accounts compilers on how the two sets of statistics will be reconciled.

### Treatment of the Operation of Mobile Equipment

**442.** Treatment of the operation of mobile equipment, particularly equipment operating in a country other than the country of the legal or actual operator, often poses significant conceptual and practical problems for BOP compilers. The key to correct treatment of this equipment lies in determining the residency of the operator of the equipment. Once residency has been determined, the recording of transactions becomes more straightforward, and compilers can focus on the best methods of collecting necessary BOP information.

**443.** Table 10.8 shows various types of mobile equipment and factors that should be considered in establishing, for each of type of equipment, the country of residence of the operator. Table 10.8 (on page 89) shows that, in most cases, the operator's country of residence is also that of the legal operator. Exceptions occur with equipment operating for extended time periods in economies other than the economy of the legal operator. If circumstances described in table 10.8 exist for such equipment, the compiler should consider the equipment to be operated by a resident of the host economy. To ensure (if possible) consistency of treatment for significant operations, the BOP compiler should discuss residency assumptions with counterparts in partner countries.

**444.** To illustrate recording of the operation of mobile equipment in the balance of payments, table 10.9 (on page 89) sets out accounts relating to mobile equipment operated by a resident of country A. This operator is a branch of an enterprise with a head office in country B. All transactions, other than the initial provision of equipment, are assumed to involve a bank account in country A. Table 10.10 (on page 90) shows how these transactions would be recorded in the balance of payments of countries A and B.

Table 10.3 Standard Components of the Financial Account

BPM Item Number	Description of Item	Standard Code
		Net
2B	Financial account	4995
2B1	Direct investment	4500
2B11	Direct investment abroad	4505
	Equity capital & reinvested earnings*	4506
2B111	Equity capital	4510
2B1111	Claims on affiliated enterprises	4515
2B1112	Liabilities to affiliated enterprises	4520
2B112	Reinvested earnings	4525
	Claims	4526
	Liabilities	4527
2B113	Other capital	4530
2B1131	Claims on affiliated enterprises	4535
2B1132	Liabilities to enterprises	4540
2B12	Direct investment in reporting economy	4555
	Equity capital & reinvested earnings*	4556
2B121	Equity capital	4560
2B1211	Claims on direct investors	4565
2B1212	Liabilities to direct investors	4570
2B122	Reinvested earnings	4575
	Claims	4576
	Liabilities	4577
2B123	Other capital	4580
2B1231	Claims on direct investors	4585
2B1232	Liabilities to direct investors	4590
2B2	Portfolio investment	4600
2B21	Portfolio investment assets	4602
2B211	Equity securities	4610
2B2111	Monetary authorities	4611
2B2112	General government	4612
2B2113	Banks	4613
2B2114	Other sectors	4614
2B212	Debt securities	4619
2B2121	Bonds and notes	4620
2B21211	Monetary authorities	4621
2B21212	General government	4622
2B21213	Banks	4623
2B21214	Other sectors	4624
2B2122	Money market instruments	4630
2B21221	Monetary authorities	4631
2B21222	General government	4632
2B21223	Banks	4633
2B21224	Other sectors	4634

*(table continues)*

\*These items, which are not BOP standard components, are necessary to reconcile BOP and IIP standard components.

**Table 10.3** (continued)

<b>BPM Item Number</b>	<b>Description of Item</b>	<b>Standard Code</b>
		<b>Net</b>
2B2123	Financial derivatives	4640
2B21231	Monetary authorities	4641
2B21232	General government	4642
2B21233	Banks	4643
2B21234	Other sectors	4644
2B22	Portfolio investment liabilities	4652
2B221	Equity securities	4660
2B2211	Banks	4663
2B2212	Other sectors	4664
2B222	Debt securities	4669
2B2221	Bonds and notes	4670
2B22211	Monetary authorities	4671
2B22212	General government	4672
2B22213	Banks	4673
2B22214	Other sectors	4674
2B2222	Money market instruments	4680
2B22221	Monetary authorities	4681
2B22222	General government	4682
2B22223	Banks	4683
2B22224	Other sectors	4684
2B2223	Financial derivatives	4690
	Monetary authorities	4691
	General government	4692
2B22231	Banks	4693
2B22232	Other sectors	4694
2B3	Other investment	4700
2B31	Other investment assets	4703
2B311	Trade credits	4706
2B3111	General government	4707
2B31111	Long-term	4708
2B31112	Short-term	4709
2B3112	Other sectors	4710
2B31121	Long-term	4711
2B31122	Short-term	4712
2B312	Loans	4714
2B3121	Monetary authorities	4715
2B31211	Long-term	4717
2B31212	Short-term	4718
2B3122	General government	4719
2B31221	Long-term	4720
2B31222	Short-term	4721
2B3123	Banks	4722
2B31231	Long-term	4723
2B31232	Short-term	4724
2B3124	Other sectors	4725
2B31241	Long-term	4726
2B31242	Short-term	4727

(table continues)

Table 10.3 (continued)

BPM Item Number	Description of Item	Standard Code
		Net
2B313	Currency and deposits	4730
2B3131	Monetary authorities	4731
2B3132	General government	4732
2B3133	Banks	4733
2B3134	Other sectors	4734
2B314	Other assets	4736
2B3141	Monetary authorities	4737
2B31411	Long-term	4738
2B31412	Short-term	4739
2B3142	General government	4740
2B31421	Long-term	4741
2B31422	Short-term	4742
2B3143	Banks	4743
2B31431	Long-term	4744
2B31432	Short-term	4745
2B3144	Other sectors	4746
2B31441	Long-term	4747
2B31442	Short-term	4748
2B32	Other investment liabilities	4753
2B321	Trade credits	4756
2B3211	General government	4757
2B32111	Long-term	4758
2B32112	Short-term	4759
2B3212	Other sectors	4760
2B32121	Long-term	4761
2B32122	Short-term	4762
2B322	Loans	4764
2B3221	Monetary authorities	4765
2B32211	Use of Fund credit and loans from the Fund	4766
2B32212	Other long-term	4767
2B32213	Short-term	4768
2B3222	General government	4769
2B32221	Long-term	4770
2B32222	Short-term	4771
2B3223	Banks	4772
2B32231	Long-term	4773
2B32232	Short-term	4774
2B3224	Other sectors	4775
2B32241	Long-term	4776
2B32242	Short-term	4777
2B323	Currency and deposits	4780
2B3231	Monetary authorities	4781
2B3232	Banks	4783
2B324	Other liabilities	4786
2B3241	Monetary authorities	4787
2B32411	Long-term	4788
2B32412	Short-term	4789
2B3242	General government	4790
2B32421	Long-term	4791
2B32422	Short-term	4792

(table continues)

**Table 10.3 (concluded)**

<b>BPM Item Number</b>	<b>Description of Item</b>	<b>Standard Code</b>
		<b>Net</b>
2B3243	Banks	4793
2B32431	Long-term	4794
2B32432	Short-term	4795
2B3244	Other sectors	4796
2B32441	Long-term	4797
2B32442	Short-term	4798
2B4	Reserve assets	4800
2B41	Monetary gold	4810
2B42	Special drawing rights	4820
2B43	Reserve position in the Fund	4830
2B44	Foreign exchange	4840
2B441	Currency and deposits	4845
2B4411	With monetary authorities	4850
2B4412	With banks	4855
2B442	Securities	4860
2B4421	Equities	4865
2B4422	Bonds and notes	4870
2B4423	Money market instruments and financial derivatives	4875
2B45	Other claims	4880
	Net errors and omissions**	4998

\*\*This item is not part of the financial account; it has been included for convenience only.

445. Tables 10.11 and 10.12 (on pages 91-96) show, more comprehensively, information that the BOP compiler should collect on mobile equipment and how this information should be recorded in the BOP. Table 10.11 shows the treatment of transactions involving mobile equipment operated by a resident of country A; the resident is assumed to be a branch of a parent enterprise that is located in country B and has no other operations in country A.<sup>78</sup> Table 10.12 shows the treatment of similar transactions with regard to mobile equipment operated by a resident of country B. Both tables show the recording of transactions from country A's point of view. Where appropriate, the partner country to a transaction is shown in parentheses. Some transactions shown involve country X, which is any country other than A and can include country B.

<sup>78</sup>This assumption only affects financial account entries. Entries relating to the current account would remain unchanged if the assumption were not appropriate. In these cases, financial account entries should be modified as appropriate. The reader is referred to chapter 16 for a further discussion of the treatment of financial account transactions.

446. In both tables 10.11 and 10.12, transaction treatments are split between those that involve the operator's bank account in country A and those that do not.<sup>79</sup> It can be seen that this distinction only affects financial account entries. The financial aspect of transactions does not affect entries related to the current account.

447. Table 10.11 shows that some debit entries reflecting remittances pertain either to investment income (direct investment—equity) or to the financial account (direct investment in reporting economy—equity capital). The reason is that remittances of investment income can only relate to operating profits earned in the current or previous periods. Remittances that exceed these profits should be recorded as withdrawals of capital. The

<sup>79</sup>In the case of the operator being a resident of country A, those transactions not involving the operator's bank account in country A are assumed to involve parent enterprise bank accounts in other countries. These transactions are classified as direct investment because the parent is providing the necessary funds on behalf of its branch.

Table 10.4 Standard Components of the International Investment Position

BPM Item Number	Description of Item	Standard Code					Closing Position
		Opening Position	Changes in Position Reflecting			Other Adjustments	
			Transactions	Price Changes	Exchange Rate Changes		
A	Assets	1988	4988	5988	6988	7988	8988
A1	Direct investment abroad	1505	4505	5505	6505	7505	8505
A11	Equity capital & reinvested earnings	1506	4506	5506	6506	7506	8506
A111	Claims on affiliated enterprises	1514	4514	5514	6514	7514	8514
A112	Liabilities to affiliated enterprises	1519	4519	5519	6519	7519	8519
A12	Other capital	1530	4530	5530	6530	7530	8530
A121	Claims on affiliated enterprises	1535	4535	5535	6535	7535	8535
A122	Liabilities to affiliated enterprises	1540	4540	5540	6540	7540	8540
A2	Portfolio investment assets	1602	4602	5602	6602	7602	8602
A21	Equity securities	1610	4610	5610	6610	7610	8610
A211	Monetary authorities	1611	4611	5611	6611	7611	8611
A212	General government	1612	4612	5612	6612	7612	8612
A213	Banks	1613	4613	5613	6613	7613	8613
A214	Other sectors	1614	4614	5614	6614	7614	8614
A22	Debt securities	1619	4619	5619	6619	7619	8619
A221	Bonds and notes	1620	4620	5620	6620	7620	8620
A2211	Monetary authorities	1621	4621	5621	6621	7621	8621
A2212	General government	1622	4622	5622	6622	7622	8622
A2213	Banks	1623	4623	5623	6623	7623	8623
A2214	Other sectors	1624	4624	5624	6624	7624	8624
A222	Money market instruments	1630	4630	5630	6630	7630	8630
A2221	Monetary authorities	1631	4631	5631	6631	7631	8631
A2222	General government	1632	4632	5632	6632	7632	8632
A2223	Banks	1633	4633	5633	6633	7633	8633
A2224	Other sectors	1634	4634	5634	6634	7634	8634
A223	Financial derivatives	1640	4640	5640	6640	7640	8640
A2231	Monetary authorities	1641	4641	5641	6641	7641	8641
A2232	General government	1642	4642	5642	6642	7642	8642
A2233	Banks	1643	4643	5643	6643	7643	8643
A2234	Other sectors	1644	4644	5644	6644	7644	8644
A3	Other investment assets	1703	4703	5703	6703	7703	8703
A31	Trade credits	1706	4706	5706	6706	7706	8706
A311	General government	1707	4707	5707	6707	7707	8707
A3111	Long-term	1708	4708	5708	6708	7708	8708
A3112	Short-term	1709	4709	5709	6709	7709	8709
A312	Other sectors	1710	4710	5710	6710	7710	8710
A3121	Long-term	1711	4711	5711	6711	7711	8711
A3122	Short-term	1712	4712	5712	6712	7712	8712
A32	Loans	1714	4714	5714	6714	7714	8714
A321	Monetary authorities	1715	4715	5715	6715	7715	8715
A3211	Long-term	1717	4717	5717	6717	7717	8717
A3212	Short-term	1718	4718	5718	6718	7718	8718
A322	General government	1719	4719	5719	6719	7719	8719
A3221	Long-term	1720	4720	5720	6720	7720	8720
A3222	Short-term	1721	4721	5721	6721	7721	8721

*(table continues)*

Table 10.4 (continued)

BPM Item Number	Description of Item	Standard Code					
		Opening Position	Changes in Position Reflecting				Closing Position
			Trans- actions	Price Changes	Exchange Rate Changes	Other Adjust- ments	
A323	Banks	1722	4722	5722	6722	7722	8722
A3231	Long-term	1723	4723	5723	6723	7723	8723
A3232	Short-term	1724	4724	5724	6724	7724	8724
A324	Other sectors	1725	4725	5725	6725	7725	8725
A3241	Long-term	1726	4726	5726	6726	7726	8726
A3242	Short-term	1727	4727	5727	6727	7727	8727
A33	Currency and deposits	1730	4730	5730	6730	7730	8730
A331	Monetary authorities	1731	4731	5731	6731	7731	8731
A332	General government	1732	4732	5732	6732	7732	8732
A333	Banks	1733	4733	5733	6733	7733	8733
A334	Other sectors	1734	4734	5734	6734	7734	8734
A34	Other assets	1736	4736	5736	6736	7736	8736
A341	Monetary authorities	1737	4737	5737	6737	7737	8737
A3411	Long-term	1738	4738	5738	6738	7738	8738
A3412	Short-term	1739	4739	5739	6739	7739	8739
A342	General government	1740	4740	5740	6740	7740	8740
A3421	Long-term	1741	4741	5741	6741	7741	8741
A3422	Short-term	1742	4742	5742	6742	7742	8742
A343	Banks	1743	4743	5743	6743	7743	8743
A3431	Long-term	1744	4744	5744	6744	7744	8744
A3432	Short-term	1745	4745	5745	6745	7745	8745
A344	Other sectors	1746	4746	5746	6746	7746	8746
A3441	Long-term	1747	4747	5747	6747	7747	8747
A3442	Short-term	1748	4748	5748	6748	7748	8748
A4	Reserve assets	1800	4800	5800	6800	7800	8800
A41	Monetary gold	1810	4810	5810	6810	7810	8810
A42	Special drawing rights	1820	4820	5820	6820	7820	8820
A43	Reserve position in the Fund	1830	4830	5830	6830	7830	8830
A44	Foreign exchange	1840	4840	5840	6840	7840	8840
A441	Currency and deposits	1845	4845	5845	6845	7845	8845
A4411	With monetary authorities	1850	4850	5850	6850	7850	8850
A4412	With banks	1855	4855	5855	6855	7855	8855
A442	Securities	1860	4860	5860	6860	7860	8860
A4421	Equities	1865	4865	5865	6865	7865	8865
A4422	Bonds and notes	1870	4870	5870	6870	7870	8870
A4423	Money market instruments and financial derivatives	1875	4875	5875	6875	7875	8875
A45	Other claims	1880	4880	5880	6880	7880	8880
B	Liabilities	1889	4889	5889	6889	7889	8889
B1	Direct investment in reporting economy	1555	4555	5555	6555	7555	8555
B11	Equity capital & reinvested earnings	1556	4556	5556	6556	7556	8556
B111	Claims on direct investors	1557	4557	5557	6557	7557	8557
B112	Liabilities to direct investors	1558	4558	5558	6558	7558	8558
B12	Other capital	1580	4580	5580	6580	7580	8580
B121	Claims on direct investors	1585	4585	5585	6585	7585	8585
B122	Liabilities to direct investors	1590	4590	5590	6590	7590	8590

(table continues)

Table 10.4 (continued)

BPM Item Number	Description of Item	Standard Code					Closing Position
		Opening Position	Changes in Position Reflecting			Other Adjustments	
			Trans-actions	Price Changes	Exchange Rate Changes		
B2	Portfolio investment liabilities	1652	4652	5652	6652	7652	8652
B21	Equity securities	1660	4660	5660	6660	7660	8660
B211	Banks	1663	4663	5663	6663	7663	8663
B212	Other sectors	1664	4664	5664	6664	7664	8664
B22	Debt securities	1669	4669	5669	6669	7669	8669
B221	Bonds and notes	1670	4670	5670	6670	7670	8670
B2211	Monetary authorities	1671	4671	5671	6671	7671	8671
B2212	General government	1672	4672	5672	6672	7672	8672
B2213	Banks	1673	4673	5673	6673	7673	8673
B2214	Other sectors	1674	4674	5674	6674	7674	8674
B222	Money market instruments	1680	4680	5680	6680	7680	8680
B2221	Monetary authorities	1681	4681	5681	6681	7681	8681
B2222	General government	1682	4682	5682	6682	7682	8682
B2223	Banks	1683	4683	5683	6683	7683	8683
B2224	Other sectors	1684	4684	5684	6684	7684	8684
B223	Financial derivatives	1690	4690	5690	6690	7690	8690
	Monetary authorities	1691	4691	5691	6691	7691	8691
	General government	1692	4692	5692	6692	7692	8692
B2231	Banks	1693	4693	5693	6693	7693	8693
B2232	Other sectors	1694	4694	5694	6694	7694	8694
B3	Other investment liabilities	1753	4753	5753	6753	7753	8753
B31	Trade credits	1756	4756	5756	6756	7756	8756
B311	General government	1757	4757	5757	6757	7757	8757
B3111	Long-term	1758	4758	5758	6758	7758	8758
B3112	Short-term	1759	4759	5759	6759	7759	8759
B312	Other sectors	1760	4760	5760	6760	7760	8760
B3121	Long-term	1761	4761	5761	6761	7761	8761
B3122	Short-term	1762	4762	5762	6762	7762	8762
B32	Loans	1764	4764	5764	6764	7764	8764
B321	Monetary authorities	1765	4765	5765	6765	7765	8765
B3211	Use of Fund credit and loans from the Fund	1766	4766	5766	6766	7766	8766
B3212	Other long-term	1767	4767	5767	6767	7767	8767
B3213	Short-term	1768	4768	5768	6768	7768	8768
B322	General government	1769	4769	5769	6769	7769	8769
B3221	Long-term	1770	4770	5770	6770	7770	8770
B3222	Short-term	1771	4771	5771	6771	7771	8771
B323	Banks	1772	4772	5772	6772	7772	8772
B3231	Long-term	1773	4773	5773	6773	7773	8773
B3232	Short-term	1774	4774	5774	6774	7774	8774
B324	Other sectors	1775	4775	5775	6775	7775	8775
B3241	Long-term	1776	4776	5776	6776	7776	8776
B3242	Short-term	1777	4777	5777	6777	7777	8777
B33	Currency and deposits	1780	4780	5780	6780	7780	8780
B331	Monetary authorities	1781	4781	5781	6781	7781	8781
B332	Banks	1783	4783	5783	6783	7783	8783
B34	Other liabilities	1786	4786	5786	6786	7786	8786

(table continues)

**Table 10.4 (concluded)**

BPM Item Number	Description of Item	Standard Code					Closing Position
		Opening Position	Changes in Position Reflecting			Other Adjustments	
			Transactions	Price Changes	Exchange Rate Changes		
B341	Monetary authorities	1787	4787	5787	6787	7787	8787
B3411	Long-term	1788	4788	5788	6788	7788	8788
B3412	Short-term	1789	4789	5789	6789	7789	8789
B342	General government	1790	4790	5790	6790	7790	8790
B3421	Long-term	1791	4791	5791	6791	7791	8791
B3422	Short-term	1792	4792	5792	6792	7792	8792
B343	Banks	1793	4793	5793	6793	7793	8793
B3431	Long-term	1794	4794	5794	6794	7794	8794
B3432	Short-term	1795	4795	5795	6795	7795	8795
B344	Other sectors	1796	4796	5796	6796	7796	8796
B3441	Long-term	1797	4797	5797	6797	7797	8797
B3442	Short-term	1798	4798	5798	6798	7798	8798

calculation of operating profits is discussed in detail in chapter 13.

**448.** The compiler must determine the collection method that will produce the most acceptable results. It may not be necessary to collect information on all types of transactions shown in tables 10.11 and 10.12. Some types of transactions may be assumed to be nil or negligible. Much of the information required could come from collections other than a survey of mobile equipment operators. For example, information on imports and exports of goods could come from ITS, and estimates of some services and financial transactions from an ITRS.<sup>80</sup> However, when mobile equipment is considered to be operated by resident entities that are branches of nonresident enterprises, it will usually be necessary to approach operators to obtain some of the information.

**449.** Occasionally, the compiler may encounter a situation in which it is difficult to determine the residence of an enterprise that operates mobile equipment. For example, the operating enterprise may be registered in two or more countries as a result of special legislation. In such cases, the earnings, expenses, assets and other activities of the operator could be split between the countries in proportion to shares held in the operating enterprise. Alternatively, the country where the head office of the enterprise is located could be considered the operator's

country of residence, and the other countries could be considered shareholders in the operation. The *BPM* notes that both alternatives are consistent with concepts underlying the national accounts and balance of payments. While the *BPM* states that, on balance, the first method is preferred, accounting for transactions in this way is complicated and it may be difficult to obtain the full range of information required. Because of its relative simplicity, the second method may, in fact, be the method chosen by compilers. Regardless of the method chosen, the compiler should liaise with his or her counterparts in other countries to ensure consistency of treatment.

**450.** The following example should help illustrate the two possible treatments. Table 10.13 (on page 96) shows a set of transactions for an enterprise that is registered in countries A and B and operates mobile equipment. The enterprise is 60 percent owned by the government of country A and 40 percent owned by the government of country B. The head office of the enterprise is located in country A. Table 10.14(a) (on page 97) shows the balance of payments treatment of these transactions if the operations of the enterprise are split between countries A and B in proportion to shares held. Table 10.14(b) (on pages 97-98) shows the balance of payments treatment if the mobile equipment operator is considered a resident of country A and if country B is a 40 percent shareholder in the operation.

**451.** Similar problems in determining the residency of the mobile equipment operator could arise when equipment

<sup>80</sup>However, it may be necessary to obtain information from mobile equipment operators in order to make timing adjustments to data on goods; this issue is discussed in chapter 11.

Table 10.5 Supplementary Classifications of the BOP

BPM Item Number	Description of Item	Standard Code		
		Credit	Debit	Net
1	Liabilities constituting foreign authorities' reserves	*	*	4900
11	Bonds and other securities	*	*	4901
111	Monetary authorities	*	*	4902
112	General government	*	*	4903
113	Banks	*	*	4904
114	Other sectors	*	*	4905
12	Deposits	*	*	4906
121	Monetary authorities	*	*	4907
122	Banks	*	*	4910
13	Other liabilities	*	*	4911
131	Monetary authorities	*	*	4912
132	General government	*	*	4913
133	Banks	*	*	4914
134	Other sectors	*	*	4915
2	Exceptional financing transactions			4920
21	Transfers	2921	n.a.	4921
211	Debt forgiveness	2922	n.a.	4922
212	Other intergovernmental grants	2923	n.a.	4923
213	Grants received from Fund subsidy accounts	2924	n.a.	4924
22	Direct investment	2925	n.a.	4925
221	Investment associated with debt reduction	2926	n.a.	4926
222	Other	2927	n.a.	4927
23	Portfolio investment: borrowing by authorities or other sectors on authorities' behalf-liabilities	2928	n.a.	4928
24	Other investment-liabilities	2929	n.a.	4929
241	Drawings on new loans by authorities or other sectors on authorities' behalf	2930	n.a.	4930
242	Rescheduling of existing debt	2931	n.a.	4931
	Arrears**	2932	3932	4932
243	Accumulation of arrears	2933	n.a.	4933
2431	Principal on short-term debt	2934	n.a.	4934
2432	Principal on long-term debt	2935	n.a.	4935
2433	Original interest	2936	n.a.	4936
2434	Penalty interest	2937	n.a.	4937
244	Repayments of arrears	n.a.	3938	4938
2441	Principal	n.a.	3939	4939
2442	Interest	n.a.	3940	4940
245	Rescheduling of arrears	n.a.	3941	4941
2451	Principal	n.a.	3942	4942
2452	Interest	n.a.	3943	4943
246	Cancellation of arrears	n.a.	3944	4944
2461	Principal	n.a.	3945	4945
2462	Interest	n.a.	3946	4946
	Advance repayments	n.a.	3947	4947

(table continues)

\*Only net transactions are typically recorded for these items.

\*\*Items shown with double asterisks are not supplementary classifications noted in the BPM. These items have been included because they may be of analytical interest to many countries.

**Table 10.5 (concluded)**

<i>BPM</i> Item Number	Description of Item	Standard Code		
		Credit	Debit	Net
	Memorandum items			
	Freight transportation on the basis of ex-works valuation of merchandise**	2950	3950	4950
	Air freight**	2951	3951	4951
	Sea freight**	2952	3952	4952
	Road freight**	2953	3953	4953
	Other freight**	2954	3954	4954
	Travel			
	Tourists**	2955	3955	4955
	Goods purchased in frontier areas by travelers**	2956	3956	4956
	Hotel and restaurant services**	2957	3957	4957
	Postal services**	2958	3958	4958
	Courier services**	2959	3959	4959
	Gross insurance premiums	2960	3960	4960
	Gross insurance claims	2961	3961	4961
	Merchanting gross flows	2962	3962	4962
	Other miscellaneous, business, professional and technical services**	2963	3963	4963
	Agricultural**	2964	3964	4964
	Mining**	2965	3965	4965
	Waste treatment and depollution**	2966	3966	4966
	Other**	2967	3967	4967

\*\*Items shown with double asterisks are not supplementary classifications noted in the *BPM*. These items have been included as they may be of analytical interest to many countries.

is operated jointly by partners that are residents of two or more countries. The same two choices are available to compilers: to split equipment operations in proportion to shares held by each partner or to assign the operations to a particular country and consider each partner a shareholder in an enterprise operating the equipment. On both conceptual and practical grounds, the second method is encouraged. In determining the operator's country of residence, the compiler should consider such factors as the location of the office that directs the operations, the country to which the largest part of the operations relates, and the country in which the equipment is registered.

### Treatment of Construction Activity

**452.** It is quite common for an enterprise resident in one country to undertake construction activity in another. The first step in determining correct BOP treatment for such construction activity (and the information that should be collected) is to establish the residency of the enterprise engaged in the construction work. Chapter 4 of the

*BPM* discusses determination of enterprise residency in some detail. In summary, an enterprise that undertakes operations in an economy outside the economy in which it normally operates should be considered a resident of the host economy if *all* of the following conditions are met:

the enterprise operates in the host economy for a year or more;

complete and separate accounts are maintained in respect of the local activities;

the enterprise operates a bank account in respect of local operations;

income taxes are paid to the host economy.

**453.** If these conditions are met, the construction activity should be attributed to an enterprise that is resident in the host economy and involved in a direct investment relationship with a parent enterprise in another economy. If these conditions are not met, the activity should be attributed to a nonresident enterprise (from the point of view of the host economy), and the acquisition of output

**Table 10.6 Additional Components Required to Reconcile BOP Standard Components and the National Accounts**

<i>BPM</i> Item Number	Standard Code	Description of BOP Standard Component	Additional Components Required
IB23	2370 3370 4470	Current account—income—investment income— other investment	1. Financial intermediation charge indirectly measured 2. Other interest 3. Imputed income to households from net equity in life insurance reserves and in pension funds
1C1	2380 3380 4380	Current account—current transfers—general government	1. Current taxes on income, wealth, etc. (credit only) 2. Other taxes on production (credit only) 3. Subsidies on production (debit only) 4. Social contributions (credit only) 5. Social benefits (debit only) 6. Other current transfers of general government
1C22	2390 3390 4390	Current account—current transfers— other sectors—other transfers	1. Current taxes on income, wealth, etc. (debit only) 2. Other taxes on production (debit only) 3. Subsidies on production (credit only) 4. Social contributions (debit only) 5. Social benefits (credit only) 6. Other current transfers of other sectors
2B1131	4535	Financial account—direct investment abroad— other capital—claims on affiliated enterprises	1. Debt securities issued by affiliated enterprises 2. Other claims on affiliated enterprises
2B1132	4540	Financial account—direct investment abroad—other capital- liabilities to affiliated enterprises	1. Debt securities issued by direct investors 2. Other liabilities of direct investors
2B1231	4585	Financial account—direct investment in the reporting economy—other capital—claims on direct investors	1. Debt securities issued by direct investors 2. Other claims on direct investors
2B1232	4590	Financial account—direct investment in the reporting economy—other capital—liabilities to direct investors	1. Debt securities issued by affiliated enterprises 2. Other liabilities to direct investors
2B31411	4738	Financial account—other investment-assets—other assets- monetary authorities—long term	1. Prepayments of premiums and reserves against outstanding claims 2. Other assets
2B31421	4741	Financial account—other investment-assets—other assets- general government—long term	1. Prepayments of premiums and reserves against outstanding claims 2. Other assets

*(table continues)*

**Table 10.6 (concluded)**

<b>BPM Item Number</b>	<b>Standard Code</b>	<b>Description of BOP Standard Component</b>	<b>Additional Components Required</b>
2B31431	4744	Financial account—other investment-assets—other assets-banks-long term	1. Prepayments of premiums and reserves against outstanding claims 2. Other assets
2B31441	4747	Financial account—other investment-assets—other assets-other sectors—long term	1. Net equity of households in life insurance reserves and in pension funds 2. Prepayments of premiums and reserves against outstanding claims 3. Other assets
2B32441	4797	Financial account—other investment-liabilities—other liabilities—other sectors—long term	1. Net equity of households in life insurance reserves and in pension funds 2. Prepayments of premiums and reserves against outstanding claims 3. Other liabilities
2B45	4880	Financial account—reserve assets—other claims	1. Currency and deposits 2. Securities 2.1 Equities 2.2 Debt securities

**Table 10.7 Impact of Using Alternative Conversion Methods**

	<b>Official Rate</b>		<b>Actual Rate</b>		<b>Predominant Rate</b>		<b>Weighted Average Rate</b>	
	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>	<b>Credit</b>	<b>Debit</b>
Exports	100	...	200	...	200	...	195	...
Imports by								
Government	...	20	...	20	...	40	...	39
Enterprises	...	80	...	160	...	160	...	156
Other	...	3	...	9	...	6	...	6
Travel at								
Tourist rate	5	...	13	...	10	...	10	...
Parallel rate	3	...	9	...	6	...	6	...
Bank assets	...	5	...	33	...	10	...	10
<b>Total</b>	<b>108</b>	<b>108</b>	<b>222</b>	<b>222</b>	<b>216</b>	<b>216</b>	<b>210</b>	<b>210</b>

Note: The **official rate** is calculated at par; results are equivalent to U.S. dollar values. **Actual rates** are those quoted in paragraph 437; bank assets are calculated at corresponding transaction values or as a residual. (By definition, these are equivalent.) The **predominant rate** is the commercial rate. The **weighted average rate** is derived by summing the transactions (excluding bank assets, which are derived residually) at actual rates and dividing by the equivalent sum valued in U.S. dollars.

**Table 10.8 Determining the Residency of Mobile Equipment Operators**

Type of Mobile Equipment	Country of Residence of Operator
Equipment operating in international waters or airspace	<i>Country of legal operator</i> For equipment under financial lease, the lessee is considered the legal operator. For a ship flying a flag of convenience, the country of the operator is the country of the company directing the ship's operations, which may not necessarily be the country of registration. If the operator establishes, for tax or other considerations, a branch or subsidiary in another country to manage the operation, the operation is attributable to the country of the branch.
Equipment moving frequently between two or more countries	See previous category
Equipment operating for more than one year within the country in which the legal operator is resident	See previous category
Equipment operating for more than one year within a country other than the country in which the legal operator is resident	<i>Host country</i> If equipment is accounted for separately by the operator and recognized as a separate entity by the host country's tax and licensing authorities, the host country is the operator's country of residence. Otherwise, the country of the legal operator is, if previously outlined qualifications are met, the country of residence.

**Table 10.9 Sample Accounting Statement for Transactions Relating to Mobile Equipment**

Transaction	Amount
Provision of equipment by parent enterprise	1000
Funds provided by parent and deposited in bank account in country A	100
Revenue	
Transportation of country A's exports to country B	75
Transportation of country A's imports from country B	60
Passenger fares—residents of B traveling within A	15
Passenger fares—residents of A traveling within A	105
Passenger fares—residents of A traveling between A and B	25
Total revenue	280
Expenses	
Fuel purchased in country A	50
Provisions purchased in country B	10
Port services in country A	6
Port services in country B	4
Depreciation	90
Total expenses	160
Amounts remitted to parent in country B	170

**Table 10.10 BOP Treatment of Sample Transactions Shown in Table 10.9**

	Country A		Country B	
	Credit	Debit	Credit	Debit
Goods				
General merchandise	...	1000	1000	...
Procurement of goods in ports	...	10	10	...
Transportation services				
Freight	75	...	...	75
Passenger	...	...	...	...
Other	...	4	4	...
Travel	15	...	...	15
Investment income				
Direct investment-equity	...	120 <sup>1</sup>	120 <sup>1</sup>	...
Direct investment				
Equity capital	1000	50 <sup>2</sup>	50 <sup>2</sup>	1000
	100			100
Other investment				
Currency and deposits	10	100	100	10
	4	75	75	4
	170	15	15	170

<sup>1</sup>Operating profit (In this case, operating profit is less than total remittances, so all operating profit is considered to have been remitted.)

<sup>2</sup>Total remittances (170) less operating profit (120)

by the host economy should be regarded as an import of a service.

**454.** Table 10.15 (on pages 98-99) shows the BOP treatment of transactions that are typical of an enterprise engaged in construction activity in a country other than the one where the enterprise normally operates. Two treatments are shown; the first is in respect of the activity being attributed to an enterprise that is a resident of the host economy (country A), and the second is in respect of the activity being attributed to a nonresident enterprise in country B. It is assumed in both cases that transactions involve a bank account established by the construction enterprise in country A. The treatment of transactions is presented from the point of view of country A. When appropriate, the partner country to a transaction is shown in parentheses. Some transactions shown involve country X, which is any country other than A and can include B.

**455.** The treatment and measurement of construction activity in the BOP is discussed further in chapter 12 (in respect of services) and chapter 16 (in respect of direct investment enterprises).

### Selected Household Transactions

**456.** Table 10.16 (on pages 100-102) sets out a number of cases for persons who may be involved in BOP transactions. The table describes the treatment of these

transactions in the BOP and indicates chapters in the *Guide* where information on sources and methods can be obtained. The list of categories in table 10.16 should not be regarded as an exhaustive statement of household transactions; rather, it is illustrative of the more common household transactions and related BOP treatments.

### Treatment of Individuals with Multiple Residences

**457.** It is often difficult to determine the proper treatment of individuals who maintain residences in more than one country and actively participate in the activities of enterprises in a number of countries. The treatment of these individuals, either as residents or nonresidents, could have an important impact on the BOP. Often, criteria for determining country of residence may not be definitive; for example, such individuals may change citizenship without changing their centers of economic interest. It is important that the national treatment for such individuals be sensible and that partner countries adopt consistent treatment. In this respect, the IMF Statistics Department has agreed to play a coordinating role by accepting information supplied by BOP compilers on these individuals and the treatments thereof in individual countries. The Statistics Department will, if it is not subject to any national confidentiality restrictions, transmit this information to other national BOP compilers.

**Table 10.11 Treatment of Transactions Involving Mobile Equipment—BOP of Country A**  
(The resident operator is a branch of a parent enterprise in country B.)

Type of Transaction	Transaction Does Not Involve Operator's Bank Account in Country A		Transaction Involves Operator's Bank Account in Country A	
	Credit	Debit	Credit	Debit
Outright acquisition of equipment from resident of country A	Direct investment in reporting economy—equity capital (B)	Appropriate item in financial accounts (e.g., reserve assets)	Not applicable	Not applicable
Outright acquisition of equipment from resident of country X	Direct investment in reporting economy—equity capital (B)	Goods—general merchandise (X)	Appropriate item in financial accounts (e.g., reserve assets)	Goods—general merchandise (X)
Disposal of equipment to resident of country A	Appropriate item in financial accounts (e.g., reserve assets)	Direct investment in reporting economy—equity capital (B)	Not applicable	Not applicable
Disposal of equipment to resident of country X	Goods—general merchandise (X)	Direct investment in reporting economy—equity capital (B)	Goods—general merchandise (X)	Appropriate item in financial accounts (e.g., reserve assets)
Acquisition of equipment under financial lease; lessor resident of country A	Not applicable	Not applicable	Not applicable	Not applicable
Acquisition of equipment under financial lease; lessor resident of country X	Other investment liabilities—loans (X)	Goods—general merchandise (X)	Other investment liabilities—loans (X)	Goods—general merchandise (X)
Financial lease payments to residents of country A	Direct investment in reporting economy—equity capital (B)	Appropriate item in financial accounts (e.g., reserve assets)	Not applicable	Not applicable
Financial lease payments to residents of country X	Direct investment in reporting economy—equity capital (B)	Investment income—other investment and other investment liabilities—loans (X) <sup>1</sup>	Appropriate item in financial accounts (e.g., reserve assets)	Investment income—other investment and other investment liabilities—loans (X) <sup>1</sup>
Operational lease payments to residents of country A	Direct investment in reporting economy—equity capital (B)	Appropriate item in financial accounts (e.g., reserve assets)	Not applicable	Not applicable
Operational lease payments to residents of country X	Direct investment in reporting economy—equity capital (B)	Other business services—operational leasing (X)	Appropriate item in financial account (e.g., reserve assets)	Other business services—operational leasing (X)

(table continues)

<sup>1</sup>For a discussion on apportioning financial lease payments into income and financial components, see chapter 16, paragraph 784-786.

**Table 10.11** *(continued)*

Type of Transaction	Transaction Does Not Involve Operator's Bank Account in Country A		Transaction Involves Operator's Bank Account in Country A	
	Credit	Debit	Credit	Debit
Receipts from carriage of country A's exports to country X	Transportation services—freight (X)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Transportation services—freight (X)	Appropriate item in financial account (e.g., reserves)
Receipts from carriage of country A's imports and other goods belonging to country A	Appropriate item in financial accounts (e.g., reserve assets)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Not applicable	Not applicable
Receipts from carriage of country X's exports (other than country A's imports)	Transportation services—freight (X)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Transportation services—freight (X)	Appropriate item in financial account (e.g., reserves)
Receipts from carriage of country X's imports (other than country A's exports) and other goods belonging to country X	Transportation services—freight (X)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Transportation services—freight (X)	Appropriate item in financial account (e.g., reserves)
Receipts from carriage of residents of country A	Appropriate item in financial accounts (e.g., reserve assets)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Not applicable	Not applicable
Receipts from carriage of persons from country X within country A	Travel (X)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Travel (X)	Appropriate item in financial account (e.g., reserves)

*(table continues)*
<sup>2</sup>Remittances of funds can only be considered income if such funds relate to the operating profit of the current or a previous period.

Table 10.11 (concluded)

Type of Transaction	Transaction Does Not Involve Operator's Bank Account in Country A		Transaction Involves Operator's Bank Account in Country A	
	Credit	Debit	Credit	Debit
Receipts from carriage of persons from country X on international routes	Transportation services—passenger (X)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>	Transportation services—passenger (X)	Appropriate item in financial account (e.g., reserves)
Expenses (other than depreciation) in country A	Direct investment in reporting economy—equity capital (B)	Appropriate item in financial accounts (e.g., reserve assets)	Not applicable	Not applicable
Expenses (other than depreciation) in country X	Direct investment in reporting economy—equity capital (B)	Appropriate item in goods or services (X)	Appropriate item in financial account (e.g., reserves)	Appropriate item in goods or services (X)
Amounts deposited by parent enterprise in bank account in country A	Not applicable	Not applicable	Direct investment in reporting economy—equity capital (B)	Appropriate item in financial account (e.g., reserves)
Amounts remitted to parent enterprise from bank account in country A	Not applicable	Not applicable	Appropriate item in financial account (e.g., reserves)	Direct investment in reporting economy—equity capital or investment income—direct investment—equity (B) <sup>2</sup>
Depreciation	Information on depreciation is required to calculate investment income debits.			

<sup>2</sup>Remittances of funds can only be considered income if such funds relate to the operating profit of the current or a previous period.

**Table 10.12 Treatment of Transactions Involving Mobile Equipment—BOP of Country A  
(Operator Resident of Country B)**

Type of Transaction	Transaction Does Not Involve Operator's Bank Account in Country A		Transaction Involves Operator's Bank Account in Country A	
	Credit	Debit	Credit	Debit
Outright purchase of equipment from resident of country A	Goods—general merchandise (B)	Appropriate item in financial account (e.g., reserve assets)	Goods—general merchandise (B)	Other investment liabilities—currency and deposits (B)
Outright purchase of equipment from resident of country X	Not applicable	Not applicable	Appropriate item in financial account (e.g., reserve assets)	Other investment liabilities—currency and deposits (B)
Disposal of equipment to resident of country A	Appropriate item in financial account (e.g., reserve assets)	Goods—general merchandise (B)	Other investment liabilities—currency and deposits (B)	Goods—general merchandise (B)
Disposal of equipment to resident of country X	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)
Acquisition of equipment under financial lease; lessor resident of country A	Goods—general merchandise (B)	Other investment assets—loans (B)	Goods—general merchandise (B)	Other investment assets—loans (B)
Acquisition of equipment under financial lease; lessor resident of country X	Not applicable	Not applicable	Not applicable	Not applicable
Financial lease payments to residents of country A	Investment income—other investment and other investment assets—loans (B) <sup>1</sup>	Appropriate item in financial accounts (e.g., reserve assets)	Investment income—other investment and other investment assets—loans (B) <sup>1</sup>	Other investment liabilities—currency and deposits (B)
Financial lease payments to residents of country X	Not applicable	Not applicable	Appropriate item in financial account (e.g., reserve assets)	Other investment liabilities—currency and deposits (B)
Operational lease payments to residents of country A	Other business services—operational leasing (B)	Appropriate item in financial accounts (e.g., reserve assets)	Other business services—operational leasing (B)	Other investment liabilities—currency and deposits (B)
Operational lease payments to residents of country X	Not applicable	Not applicable	Appropriate item in financial account (e.g., reserve assets)	Other investment liabilities—currency and deposits (B)

*(table continues)*

<sup>1</sup>For a discussion on apportioning financial lease payments into income and financial components, see chapter 16, paragraphs 784-786.

Table 10.12 (continued)

Type of Transaction	Transaction Does Not Involve Operator's Bank Account in Country A		Transaction Involves Operator's Bank Account in Country A	
	Credit	Debit	Credit	Debit
Receipts from carriage of country A's exports	Not applicable	Not applicable	Other investment—liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)
Receipts from carriage of country A's imports and other goods belonging to country A	Appropriate item in financial accounts (e.g., reserve assets)	Transportation services—freight (B)	Other investment liabilities—currency and deposits (B)	Transportation services—freight (B)
Receipts from carriage of country X's exports (other than country A's imports)	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)
Receipts from carriage of country X's imports (other than country A's exports) and other goods belonging to country X	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)
Receipts from carriage of residents of country A	Appropriate item in financial accounts (e.g., reserve assets)	Transportation services—passenger (B)	Other investment liabilities—currency and deposits (B)	Transportation services—passenger (B)
Receipts from carriage of persons from country X within country A	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)
Receipts from carriage of persons from country X on international routes	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)
Expenses (other than depreciation) in country A	Appropriate item in goods or services (B)	Appropriate item in financial accounts (e.g., reserve assets)	Appropriate item in goods or services (B)	Other investment liabilities—currency and deposits (B)
Expenses (other than depreciation) in country X	Not applicable	Not applicable	Appropriate item in financial account (e.g., reserve assets)	Other investment liabilities—currency and deposits (B)
Amounts deposited in bank account in country A	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserve assets)

(table continues)

**Table 10.12 (conclusion)**

Type of Transaction	Transaction Does Not Involve Operator's Bank Account in Country A		Transaction Involves Operator's Bank Account in Country A	
	Credit	Debit	Credit	Debit
Amounts withdrawn from bank account in country A	Not applicable	Not applicable	Appropriate item in financial account (e.g., reserve assets)	Other investment liabilities—currency and deposits (B)
Depreciation	Not applicable	Not applicable	Not applicable	Not applicable

**Table 10.13 Sample Accounting Statement for Transactions Relating to Mobile Equipment**

Transaction	Amount
1. Purchase of equipment from country C <sup>1</sup>	2000
Revenue	
2. Transportation of country A's exports to country B <sup>1</sup>	120
3. Transportation of country A's imports from country B <sup>2</sup>	100
4. Passenger fares—residents of country A traveling between country A and country B <sup>1</sup>	80
5. Passenger fares—residents of country B traveling between country A and country B <sup>2</sup>	<u>140</u>
Total revenue	440
Expenses	
6. Fuel purchased in country A <sup>1</sup>	50
7. Provisions purchased in country B <sup>2</sup>	30
8. Port services in country A <sup>1</sup>	10
9. Port services in country B <sup>2</sup>	20
10. Depreciation	<u>200</u>
Total expenses	310
11. Amounts remitted from bank account in country B to bank account in country A	160
12. Dividends paid to government of country A <sup>1</sup>	60
13. Dividends paid to government of country B <sup>1</sup>	40

<sup>1</sup>Transaction involving operator's bank account in country A

<sup>2</sup>Transaction involving operator's bank account in country B

**Table 10.14(a) BOP Treatment of Sample Transactions Shown in Table 10.13  
Operations Split in Proportion to Shares Held**

	Country A		Country B	
	Credit	Debit	Credit	Debit
Goods				
General merchandise	...	1200 (1)	...	800 (1)
Procurement of goods in ports	20 (6)	18 (7)	18 (7)	20 (6)
Transportation services				
Freight	72 (2)	40 (3)	40 (3)	72 (2)
Passenger	84 (5)	32 (4)	32 (4)	84 (5)
Other	4 (8)	12 (9)	12 (9)	4 (8)
Other investment assets—currency and deposits	18 (7)	60 (3)	800 (1)	48 (2)
	12 (9)	84 (5)	20 (6)	32 (4)
	96 (11)		4 (8)	64 (11)
			40 (13)	
Other investment liabilities—currency and deposits	48 (2)	800 (1)	60 (3)	18 (7)
	32 (4)	20 (6)	84 (5)	12 (9)
	64 (11)	4 (8)		96 (11)
		40 (13)		
Reserve assets (or other appropriate financial account item)	2000 (1)	120 (2)	120 (2)	100 (3)
	100 (3)	160 (11)	160 (11)	40 (13)
	40 (13)			

Note: Numbers in parentheses correspond to the numbering of transactions in table 10.13.

**Table 10.14(b) BOP Treatment of Sample Transactions Shown in Table 10.13  
Mobile Equipment Operated by Resident of Country A**

	Country A		Country B	
	Credit	Debit	Credit	Debit
Goods				
General merchandise	...	2000 (1)	...	...
Procurement of goods in ports	...	30 (7)	30 (7)	...
Transportation services				
Freight	120 (2)	...	...	120 (2)
Passenger	140 (5)	...	...	140 (5)
Other	...	20 (9)	20 (9)	...
Investment income—direct investment				
Dividends	...	40 (13)	40 (13)	...
Reinvested earnings	...	12*	12*	...
Direct investment				
Abroad—reinvested earnings	...	...	...	12*
In compiling economy—reinvested earnings	12*	...	...	...
Other investment assets—currency and deposits	30 (7)	100 (3)	...	...
	20 (9)	140 (5)		
	160 (11)			

(table continues)

Notes: Numbers in parentheses correspond to the numbering of transactions in table 10.13.

\*40 percent of operating profit (130) less dividends paid (100)

**Table 10.14(b) (concluded)**

	Country A		Country B	
	Credit	Debit	Credit	Debit
Other investment liabilities—currency and deposits	...	...	100 (3) 140 (5)	30 (7) 20 (9) 160 (11)
Reserve assets (or other appropriate financial account item)	2000 (1) 100 (3) 40 (13)	120 (2) 160 (11)	120 (2) 160 (11)	100 (3) 40 (13)

Note: Numbers in parentheses correspond to the numbering of transactions in table 10.13.

**Table 10.15 Treatment of Construction Activity in Country A—BOP of Country A**

Type of Transaction	Construction Activity Attributed to Country A		Construction Activity Attributed to Country B	
	Credit	Debit	Credit	Debit
Provision of equipment by parent enterprise in country B	Direct investment in reporting economy—equity capital (B)	Goods—general merchandise (B)	Not applicable	Not applicable
Return of equipment to parent enterprise in country B (valued at depreciated value)	Goods—general merchandise (B)	Direct investment in reporting economy—equity capital (B)	Not applicable	Not applicable
Acquisition by construction enterprise of goods and services from country A	Not applicable	Not applicable	Other business services—miscellaneous (B)	Other investment liabilities—currency and deposits (B)
Acquisition by construction enterprise of goods and services from country X	Appropriate item in financial account (e.g., reserves)	Appropriate item in goods and services (X)	Appropriate item in financial account (e.g., reserves)	Other investment liabilities—currency and deposits (B)
Wages and salaries payable to residents of country A	Not applicable	Not applicable	Compensation of employees (B)	Other investment liabilities—currency and deposits (B)

(table continues)

Table 10.15 (concluded)

Type of Transaction	Construction Activity Attributed to Country A		Construction Activity Attributed to Country B	
	Credit	Debit	Credit	Debit
Wages and salaries payable to residents of country X	Appropriate item in financial account (e.g., reserves)	Compensation of employees (X)	Appropriate item in financial account (e.g., reserves)	Other investment liabilities—currency and deposits (B)
Income taxes payable to government of country A	Not applicable	Not applicable	Current transfers—general government (B)	Other investment liabilities—currency and deposits (B)
Amounts deposited by parent enterprise in bank account in country A	Direct investment in reporting economy—equity capital (B)	Appropriate item in financial account (e.g., reserves)	Other investment liabilities—currency and deposits (B)	Appropriate item in financial account (e.g., reserves)
Interest earned on bank account in country A	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Investment income—other investment (B)
Progress payments received by construction enterprise	Not applicable	Not applicable	Other investment liabilities—currency and deposits (B)	Other investment liabilities—other liabilities (B)
Amounts remitted to parent enterprise from bank account in country A	Appropriate item in financial account (e.g., reserves)	Direct investment in reporting economy—equity capital (B) or investment income—direct investment—equity (B) <sup>1</sup>	Appropriate item in financial account (e.g., reserves)	Other investment—liabilities—currency and deposits (B)
Gross value of output produced during period	Information is required to calculate operating profit, which is used in calculation of investment income debits		Other investment—liabilities—other liabilities (B)	Construction services (B)
Depreciation during period	Information is required to calculate operating profit, which is used in calculation of investment income debits, and the written-down value of any equipment returned to the parent enterprise		Not applicable	

<sup>1</sup>Remittances of funds can only be considered income if such funds relate to the operating profit of current or previous periods.

**Table 10.16 Types of Household Sector Transactions Recorded in the Balance of Payments**

**Category 1:** Migrants, including workers who are residents but not nationals of the countries in which they work

**BOP treatment:**

These are persons who, for BOP purposes, change their countries of residence when they arrive in the countries where they intend to live for 12 months or more and (if applicable) when they return to their countries of origin. At these times, goods owned by such migrants should be recorded in the BOP as transactions in goods, and offsets should be recorded as migrants' transfers. Changes of ownership, from one economy to another, should also be recorded for their financial assets and liabilities, and offsets should be recorded in migrants' transfers.

During the periods that migrants stay in the host economy, the compiler should ensure that any monies they remit to their home countries are recorded as workers' remittances. The compiler should also measure transactions, stocks, and income relating to migrants' external financial assets and liabilities-including financial claims on, and liabilities to, residents of migrants' countries of origin.

Migrants may make trips abroad during their stay in the host economy, and their passenger fares and travel abroad should be measured on the same basis as passenger fares and travel expenditure of any other resident of the host economy. For example, if a worker in country A travels to his country of origin (B) on the national airline of country B, country A should record passenger fare and travel debits, while country B should record corresponding credits.

The treatment of initial and return passenger fares depends upon whether these are paid by migrants or their employers. When fares are paid by an employer, the employer's residence determines the country of residence of the entity acquiring the passenger services. When fares are paid by the migrant, the country that the migrant leaves is by definition his or her country of residence and is therefore the country acquiring the passenger fare service.

**Data sources and methods:**

For migrants' transfers, see chapter 15.

For workers' remittances, see chapter 14.

For transactions in, and stocks of, external financial assets and liabilities, see chapter 16.

For investment income on external financial assets and liabilities, see chapter 13.

For passenger fares and travel, see chapter 12.

**Category 2:** Persons who are not residents of the countries where they work

**BOP treatment:**

The compiler should measure: (1) as part of compensation of employees, gross wages and salaries, including any employers' contributions to insurance, social security, etc. of these workers; (2) as part of travel, any expenditure of the workers on goods and services in the countries of employment; and (3) as part of current transfers, income taxes payable to the host economy's government and offsets to any employers' social contributions.

**Data sources and methods:**

For compensation of employees, see chapter 13.

For travel, see chapter 12.

For current transfers, see chapter 14.

*(table continues)*

**Table 10.16** *(continued)*

<p><b>Category 3:</b> Persons (for example, local staff of foreign embassies) who work for entities that are not residents of the countries where the entities are located</p> <p><b>BOP treatment:</b></p> <p>The compiler should measure, as part of compensation of employees, gross wages and salaries, including any employers' contributions to insurance, social security, etc., of these workers.</p> <p><b>Data sources and methods:</b></p> <p>For compensation of employees, see chapter 13.</p>
<p><b>Category 4:</b> Students studying in foreign countries</p> <p><b>BOP treatment:</b></p> <p>The compiler should measure: (1) as part of travel, student acquisitions (regardless of whether actually paid for or received in kind) of goods and services, including education services, in the host economy; (2) as part of compensation of employees, any gross wages and salaries, including any employers' contributions to insurance, social security etc, earned by students while working in the host economy; and (3) as part of current transfers, taxes payable to the host economy's government and offsets to any employers' social contributions and any goods and services received in kind.</p> <p><b>Data sources and methods:</b></p> <p>For travel, see chapter 12. For compensation of employees, see chapter 13. For current transfers, see chapter 14.</p>
<p><b>Category 5:</b> Medical patients receiving treatment in foreign countries</p> <p><b>BOP treatment:</b></p> <p>The compiler should measure, as part of travel, patient expenditures, including those for medical services, on goods and services in the host economy.</p> <p><b>Data sources and methods:</b></p> <p>For travel, see chapter 12.</p>
<p><b>Category 6:</b> Persons, excluding transport crews and excursionists, traveling for business or personal reasons</p> <p><b>BOP treatment:</b></p> <p>All acquisitions of goods and services for personal use, regardless of whether paid for by the traveler or provided in kind by residents of the host economy, in the host economy should be recorded as part of travel. Separate data should be compiled for business and other travel. Paid holidays by an employer should be treated as personal rather than business travel. Travelers' international passenger fares should be measured as part of passenger services. Travel services may also be acquired by persons working in economies other than the ones in which they are residents, students, and health care patients. The BOP treatment of these persons was discussed previously.</p> <p><b>Data sources and methods:</b></p> <p>For passenger fares and travel, see chapter 12.</p>

*(table continues)*

**Table 10.16** *(concluded)*

<p><b>Category 7:</b> Persons, such as transport crews and excursionists, staying in a country for a short period of time</p> <p><b>BOP treatment:</b></p> <p>The compiler should record, as part of travel, the expenditure of these persons on goods and services in the economy visited. The expenditures of crews should be recorded as a part of business travel.</p> <p><b>Data sources and methods:</b></p> <p>For travel, see chapter 12.</p>
<p><b>Category 8:</b> Persons having external financial assets and/or liabilities</p> <p><b>BOP treatment:</b></p> <p>The compiler should measure transactions, stocks, and income relating to external financial assets and liabilities of individuals and households.</p> <p><b>Data sources and methods:</b></p> <p>For transactions in and stocks of external financial assets and liabilities, see chapter 16. For investment income on external financial assets and liabilities, see chapter 13.</p>

# XI. Compiling the BOP Current Account: Goods

## Introduction

458. The goods component of the BOP current account covers (with a few exceptions) moveable goods for which changes of ownership (between residents and nonresidents) occur. These goods should be measured at market value on an f.o.b. basis. Exceptions to the change of ownership rule include goods on financial lease, goods transferred between a parent enterprise and a branch, and some goods for processing; transactions in these items are also recorded in goods.<sup>81</sup> Table 11.1 presents the primary entries for the compilation of goods in the BOP. The table shows the various adjustments to source data. These adjustments are required to satisfy requirements of the *BPM* and are covered in more detail in subsequent tables. Also shown are the standard components required by the *BPM* and the corresponding codes in the *Guide*.

**Table 11.1 Compilation of Goods**

Item Numbers in		Description
<i>BPM</i>	<i>Guide</i>	
		Goods
		a. Recorded trade (ITS, ITRS, ES, etc.)
		b. Adjustments for coverage
		c. Adjustments for classification
		d. Adjustments for valuation
		e. Adjustments for timing
1Aa	×100	f. Total goods ( $a + b + c + d + e$ )
		Of which:
1Aa1	×110	General merchandise <sup>1</sup>
1Aa2	×150	Goods for processing
1Aa3	×160	Repairs on goods
1Aa4	×170	Goods procured in ports by carriers
1Aa5	×180	Nonmonetary gold
1Aa51	×181	Held as a store of value
1Aa52	×182	Other

<sup>1</sup>Derived as item ×100 less the sum of items ×150, ×160, ×170, and ×180

459. The next three sections in this chapter describe how goods items may be compiled by using information

<sup>81</sup>For a full description of the coverage of goods, see chapter 10 of the *BPM*.

from ITS, an ITRS, and ES. A discussion of commodity classifications follows. The preparation of estimates in the absence of data and the projection of goods items are then discussed. The chapter concludes with descriptions of treatments of goods for processing and transfer pricing.

## ITS as a Primary Source for Compilation of Goods

### Introduction

460. ITS are the subject of chapter 2, which discusses the nature, conceptual framework, classifications, and measurement of these statistics. Most BOP compilers use ITS as the main source of data to compile goods for the BOP; consequently, compilers should be aware of the extent to which ITS meet international statistical standards and the extent to which ITS comply with requirements of the *BPM*. BOP compilers should note any deficiencies, encourage ITS compilers to make any appropriate amendments to procedures. Alternatively, BOP compilers may make any necessary coverage, classification, timing, and valuation adjustments to ITS to align them more closely with BOP requirements.

461. Adjustments that may be required to ITS are shown in tables 11.2 through 11.5. These tables should not be regarded as an exhaustive list, and compilers should add any other items considered important. Adjustments that have a material impact on the calculation of exports and imports should be made. If a compiler is unsure of the potential significance of some adjustments, investigating and quantifying the possible magnitude is appropriate, particularly when a large adjustment may be in order. If adjustments are not made as a result of these investigations, publication of the findings may provide a suitable alternative.

462. Investigation of potential adjustments should be undertaken in close consultation with ITS compilers, who may have much of the data necessary to make the BOP adjustments. If such data are unavailable in ITS, these statistics may nonetheless provide a starting point for identification of enterprises to be approached. Many of the adjustments may be made by approaching enterprises—typically on a selective basis—through ES

or through supplementary ITRS inquiries. (Paragraphs 140-146 of chapter 4 outline the use of ES to supplement ITS, and many of the observations made there are also relevant to supplementary ITRS inquiries.) In some circumstances, it may be more appropriate to approach official sources or partner countries. In making adjustments to ITS, BOP compilers should ensure that any relevant offsetting entries are identified and correctly treated in the BOP.

### ***Coverage Adjustments***

463. BOP compilers may make coverage adjustments to ITS by excluding from the BOP goods that have not changed ownership but have been recorded in ITS. Compilers may also make adjustments to include in the BOP goods that have changed ownership but have not been recorded in ITS.<sup>82</sup> Adjustments may be necessary to:

- exclude goods that should, according to the guidelines for these statistics, be excluded from ITS but are not;

- include goods that should, according to the guidelines for these statistics, be included in ITS but are not;

- include certain goods for processing, goods under financial lease, and the value of repairs, which may be included in ITS but recorded separately;

- adjust for goods (other than goods lost or destroyed) that may have crossed only one national boundary;

- adjust for goods that were lost or destroyed after they crossed the national boundary of the exporter's country but before they crossed the frontier of the importer's economy;

- record the change in stocks of goods associated with merchanting transactions; and

- overcome general undercoverage problems.

Each of these categories is explained in table 11.2.

### ***Classification Adjustments***

464. Classification adjustments are required when certain transactions not appropriate for goods items in the BOP are classified as goods in ITS. Generally, the most important classification adjustment is correction of

<sup>82</sup>As used here, *change of ownership*, includes goods under financial lease, goods transferred between affiliated enterprises, and certain goods for processing.

distributive services, such as international freight and insurance, that have been included in import values. This adjustment and other classification adjustments that may be appropriate to ITS are explained in table 11.3 (on page 106).

### ***Valuation Adjustments***

465. Paragraphs 47-51 of chapter 2 discuss valuation issues that may have an impact on the compilation of goods. These issues include:

- replacement, when actual values become available, of estimated values for certain exports;

- replacement of transfer prices with market prices;

- use of transaction values instead of customs values;

- correction for any biases in conversion rates.

These adjustments are outlined in table 11.4 (on page 107).

### ***Timing Adjustments***

466. As chapter 2 states, the timing basis of ITS may be a special trade or a general trade basis. Of the two, the general trade basis is usually thought to be the closest proxy for change of ownership, but neither the general nor the special trade basis will necessarily coincide with the principal of change of ownership used in the BOP. As a result, various timing adjustments of the type set out in table 11.5 (on page 107) are made to ITS by BOP compilers. For certain goods, such as large items of transportation equipment and bulk goods sold on consignment, the cost of obtaining data necessary for timing adjustments is relatively inexpensive, and these adjustments can have a significant impact on the quality of the BOP.

### **An ITRS as a Primary Source for Compilation of Goods**

467. Some countries use an ITRS as the primary source for compilation of goods in the BOP. In most cases, goods are recorded in an ITRS when payments for the goods are made. As described in chapter 3, paragraphs 97-102, there are a number of adjustments that a compiler should make to record noncash transactions involving goods. Adjustments to goods recorded in an ITRS may also be made under the headings of coverage, classification, timing, and valuation adjustments. These adjustments are set out in table 11.6 (on pages 108-109).

**Table 11.2 Use of ITS for Compilation of Goods: Adjustments for Coverage**

Description	Source and Method of Compilation
<p><b>Possible deductions from ITS</b></p> <ul style="list-style-type: none"> <li>Government goods consigned to armed forces and diplomatic representatives abroad</li> <li>Goods for temporary admission</li> <li>Transit trade</li> </ul>	<p>These items should be excluded from ITS by the ITS compiler. (See table 2.1; items 10, 13, and 14.) If not, these items should be excluded by the BOP compiler. If included in ITS, these items should be readily identifiable.</p>
<p><b>Possible additions to ITS</b></p> <ul style="list-style-type: none"> <li>Nonmonetary gold</li> <li>Trade on government account</li> <li>Military goods</li> <li>Electricity and water</li> <li>Postal items</li> <li>Migrants' effects</li> </ul>	<p>These goods should be included in ITS by the ITS compiler. (See table 2.1; items 1 through 5.) If not, these goods should be included by the BOP compiler. Data on some of these items may have to be collected in ES (see chapter 4, paragraphs 140-146) or through a supplement to an ITRS. Note that the offset to migrants' effects should be recorded as a transfer in the capital account (item ×431).</p>
<p>Goods for processing (without a legal change of ownership)</p>	<p>Goods for processing should be included as goods in the BOP if the processed goods will be returned to the countries of origin. Other goods for processing should be excluded from goods. All goods for processing will probably be excluded from ITS but may be recorded separately. (See table 2.1; item 8.) ITS may therefore provide a source of information for BOP adjustments. However, the BOP compiler may have to use ES or a supplementary inquiry to an ITRS to obtain the full range of information required. See paragraphs 484-486 of this chapter for further information on goods for processing.</p>
<p>Goods for repair</p>	<p>The value of repairs should be included in the BOP as part of goods. However, the underlying values of goods being repaired are excluded from the BOP. Goods for repair will probably be excluded from ITS but may be recorded separately. (See table 2.1; item 8.) ITS may therefore provide a source of information for BOP adjustments. However, the BOP compiler may have to use ES or an ITRS to obtain information on the values of repairs.</p>
<p>Goods under financial lease</p>	<p>These items should be included as goods in the BOP. Leased goods (both operational and financial) should be excluded from ITS but may be recorded separately. (See table 2.1; item 9.) ITS may therefore provide a source of information for BOP adjustments. However, the BOP compiler may have to use ES or a supplementary inquiry to an ITRS to obtain, particularly with regard to the treatment of lease payments, the full range of information required. See paragraphs 784-786 of chapter 16 for further information on financial leases.</p>
<p><b>Goods not crossing both borders</b></p> <ul style="list-style-type: none"> <li>Mobile equipment used in international waters or airspace</li> <li>Goods delivered to offshore installations</li> <li>Fuel, provisions, stores, ballast, and dunnage</li> <li>Certain fish catches</li> <li>Certain products mined from seabed</li> </ul>	<p>Theoretically, these goods should be included in ITS. (See table 2.1; item 7.) However, in practice, many of these goods will be excluded from ITS, and the BOP compiler will have to use other sources, such as ES (possibly as part of ES of transportation enterprises) or a supplementary ITRS collection to obtain the necessary information for BOP adjustments.</p>

*(table continues)*

**Table 11.2 (concluded)**

Description	Source and Method of Compilation
Goods lost or destroyed after having crossed one national boundary	Goods that change ownership before being lost or destroyed should be recorded as imports by the acquiring economy. Goods that do not change ownership before being lost or destroyed should be deducted from the producing economy's exports. The information for BOP adjustments could, at least in significant cases, be obtained by approaching exporters, importers, or insurance enterprises through ES.
Changes in stocks of goods that never cross the border of the owner's economy	These changes in stocks (which arise from merchanting) should be included in goods. Possible sources of data are ES or an ITRS supplement. Paragraphs 138-139 of chapter 4 provide further information on the treatment of merchanting in the BOP.
Other coverage adjustments	Other coverage adjustments might be necessary if ITS suffer from some general coverage deficiency. Such deficiencies are sometimes identified from partner country analysis, and partner country data could be used as the basis for appropriate BOP adjustments. The Canada/United States reconciliation is an example of this type of adjustment. (See chapter 9, paragraph 378.)

**Table 11.3 Use of ITS for Compilation of Goods: Adjustments for Classification**

Description	Source and Method of Compilation
<b>Financial items</b> Monetary gold Securities, bank notes, coin in circulation	These items should be excluded from ITS by the ITS compiler. (See table 2.1; items 11 and 12.) If not, these items should be excluded from goods by the BOP compiler and included in the financial account. If included in ITS, these items should be readily identifiable.
Conversion of imports from c.i.f. to f.o.b. valuation	Several methods may be used to make this adjustment, which reclassifies an element of goods to services. The service transactions should be included in the services component of the BOP to the extent that the services have been provided by nonresidents. See paragraphs 505-507 of chapter 12 for further details on methods for making the necessary BOP adjustments.
Goods forming part of service transactions	The material values of these goods, which include blueprints, videos, tapes, and computer disks, should be excluded from goods in the BOP. These values should be readily identifiable from ITS. The full values of these products, including their material contents, should be included in appropriate services items, such as ×266 and ×288.

### ES as Primary Sources for Compilation of Goods

468. Paragraphs 133-135 of chapter 4 discuss the use, in the absence of ITS or an ITRS, of ES to measure goods. The material describes a model form that a compiler may use to collect across-the-board data on goods exported and imported and data on goods for processing and the value of repairs. Paragraphs 212-217 of chapter 5 discuss model forms that a compiler may use to collect

information, inter alia, on goods procured by resident transportation operators in ports abroad (imports) and on goods procured by nonresident transport operators in ports of the compiling economy (exports).

469. The *Guide* does not recommend one collection system above others. However, compilers who use ES (in lieu of ITS or an ITRS) as the data source for goods items in the BOP must be particularly careful that adequate coverage is maintained—particularly in economies that

**Table 11.4 Use of ITS for Compilation of Goods: Adjustments for Valuation**

Description	Source and Method of Compilation
Replacement of estimates with actual values	The values of certain exports may not be known at the time of export; therefore, the values may have to be estimated. The ITS compiler should make the necessary adjustments when actual data become available. If not, the BOP compiler should make the necessary adjustments by approaching exporters through ES or by using an ITRS.
Replacement of transfer prices with market prices	The <i>BPM</i> recommends that the BOP compiler make this type of adjustment in certain circumstances and that corresponding changes be made to the distributed income or financial transactions of the direct investors/direct investment enterprises affected. The replacement of transfer prices might be made by the ITS compiler in ITS; if not, a special approach in ES or an ITRS may be necessary. If the ITS compiler does make adjustments, the BOP compiler should be made aware of these so that the necessary adjustments to other BOP items can be made. The issue of transfer pricing is discussed further in paragraphs 487-491 of this chapter.
Replacement of customs values used in ITS with transactions values	In some circumstances, the value for duty recorded by customs officials may differ from the actual transaction price. In these cases, an adjustment should be made in the BOP to reflect the transaction price. The required information could come from customs records, if both valuations are recorded, or from a sample investigation of import entries.
Corrections for inappropriate exchange rates used in ITS	The impact of inappropriate exchange rates could be assessed by sampling import and export entries. The results of such investigations could be used to adjust BOP statistics.

**Table 11.5 Use of ITS for Compilation of Goods: Adjustments for Timing**

Description	Source and Method of Compilation
Replacing ITS with data from the books of enterprises	Adjustments may be made when it is known that the period in which a transaction is recorded in the accounts of an enterprise does not coincide with the period in which the transaction is recorded in ITS. Such adjustments are typically made only when significant amounts, such as for large items of transportation equipment, are involved. ES or a supplementary approach through an ITRS can be used to obtain the information necessary for these adjustments.
Consignment trade adjustments and adjustments for goods sold from stocks	Goods shipped abroad on consignment should be deducted from exports recorded in ITS and replaced with the actual sales of goods from stocks held abroad by residents. Similarly, goods shipped to the compiling country on consignment should be deducted from imports recorded in ITS and replaced with actual sales from stocks held in the compiling country by nonresidents. Such adjustments are typically made only when the amounts involved are significant. ES or an ITRS can be used to obtain the information necessary for these adjustments.
Adjustments to correct ITS recorded on the basis of processing dates	In countries where ITS are based on the date on which customs entries are processed rather than on a true general or special trade basis, adjustments may be made (or, at least, supplementary data published) to show the impact of not using a true basis. Such adjustments may be made by analyzing changes in customs processing rates, including the stockpile of entries that remains unprocessed.

**Table 11.6 Use of an ITRS for Compilation of Goods**

Description	Source and Method of Compilation
<p><b>Coverage adjustments</b></p> <ul style="list-style-type: none"> <li>Exports and imports financed by loans</li> <li>Goods covered by foreign aid programs</li> <li>Goods transferred between enterprises in a direct investment relationship for noncash consideration</li> <li>Goods for processing</li> <li>Migrants' effects</li> <li>Other goods not recorded in ITRS</li> </ul>	<p>The BOP compiler should identify such goods and make the necessary adjustments. (See chapter 3, paragraphs 104-107.) The data for adjustments could come from official sources (for example, for foreign aid, see chapter 8), partner countries (see chapter 9), ES (see chapter 4), or as a supplement to an ITRS.</p>
<p><b>Classification adjustments</b></p> <ul style="list-style-type: none"> <li>Exports converted to f.o.b. valuation (exports may be valued in an ITRS on a variety of bases)</li>   <li>Imports converted to f.o.b. valuation (imports may be valued in an ITRS on a variety of bases)</li> </ul>	<p>Data for this adjustment could be extracted from an ITRS if the reporter is asked to provide a breakdown of the value of exports. Alternatively, data on freight and insurance premium payments made by exporters to resident transport operators and insurance enterprises could be obtained from the operators and enterprises. To estimate exports valued at f.o.b., the compiler should deduct these data and data (which should be identifiable from an ITRS) on payments made by exporters to nonresident transport operators from the value of exports recorded in the ITRS.</p> <p>Offsets to this adjustment should be included in the calculation of credits for freight and insurance services in the BOP.</p> <p>Data for this adjustment could be extracted from an ITRS if the reporter is asked to provide a breakdown of the cost of imports. Alternatively, estimates of total international freight and insurance on imports could be independently estimated (see table 12.2). To derive an estimate of the value of freight and insurance included in amounts paid by importers to nonresident exporters, the compiler should deduct, from the total value of international freight and insurance, (a) fees earned by resident transport operators from freight charges paid by residents on imports, (b) insurance premiums paid by residents to resident insurance enterprises, and (c) freight and insurance payments made directly by importers to nonresidents. Data for (a) and (b) could be derived from ES; data on (c) could be obtained from an ITRS. To arrive at an estimate of imports valued at f.o.b., the compiler should deduct the estimate of the value of freight and insurance included in amounts paid by importers to nonresident importers from the value of imports recorded in the ITRS.</p> <p>Offsets to this adjustment should be included in the calculation of debits for freight and insurance in the BOP.</p>
<p><b>Valuation adjustments</b></p> <ul style="list-style-type: none"> <li>Replacement of transfer prices with market prices</li> </ul>	<p>The <i>BPM</i> recommends that the BOP compiler should make this type of adjustment in certain circumstances, with corresponding changes to the distributed income or financial transactions of the direct investors/enterprises affected. The replacement of transfer prices could be made by a special approach in ES or the ITRS. The issue of transfer pricing is discussed further in paragraphs 487-491 of this chapter.</p>

*(table continues)*

Table 11.6 (concluded)

Description	Source and Method of Compilation
<p><i>Timing adjustments</i> Trade credit</p>	<p>An ITRS may collect, as supplementary information, data on date of change in ownership of goods (or similar data, such as date of shipment). Such data could be used as a basis for timing adjustments. The value of goods that change ownership in a different period from the period in which payment is made should be deducted from reported trade for the period in which payment is made and added to reported trade for the period in which change of ownership occurred. Offsetting adjustments should be made to trade credit items in the financial account. The disadvantage with this approach is that the adjustments can only be made retrospectively in cases of trade credits other than prepayments. An alternative approach would be to measure trade credits by conducting an enterprise survey of significant exporters and importers and using this information to adjust reported trade from an ITRS.</p>

are growing significantly, undergoing liberalization of trading relations, or are in transition to a market-based economy. (For further information on maintaining the coverage of ES, see chapter 18, paragraphs 853–872.)

### Subclassification of Commodities

470. As listed in the *BPM*, standard components of the BOP contain a limited subclassification of goods. Because transactions classified as goods may be quite dissimilar, the BOP compiler should provide a more detailed breakdown than that contained in the *BPM*. Some goods are more durable than others. Some goods may be sold quickly; others may be stored to await stronger demand. Exports and imports of foods follow patterns of production and demand that differ greatly from those of investment goods. It is also important that the BOP compiler provide a subclassification that is nationally appropriate.<sup>83</sup>

471. Two particularly useful classifications of goods are the SITC and the BEC.<sup>84</sup> Tables 11.7 and 11.8 show the main groupings of goods in these classifications.

### Estimation in the Absence of Data

#### *Across-the-board Estimation*

472. While prepared to estimate certain BOP items, many compilers avoid estimating goods. Therefore, the timing of BOP publications is often predicated on the availability of data from ITS, an ITRS, or ES (whichever is the main

source) on goods transactions. However, compilers may have to estimate goods when basic data do not exist, are untimely, or reflect poor coverage.

473. One approach to estimation consists of gathering available data, using known relationships between national account aggregates, and estimating the BOP goods item as a residual. For example, in a country with a simple economic structure, it may be possible for the compiler to collect data on exports from a few major exporters and data on services from a few large enterprises and the official sector. These data may then be used with other national account aggregates to derive imports of goods as a residual.<sup>85</sup>

474. Another approach uses—especially for major agricultural and mineral products—**supply and utilization analysis** of commodity flows. Because, for a specific period, the closing stock of a commodity equals the opening stock plus production and imports less consumption and exports, any component can be derived as a residual from the others. For example, if a compiler knows the volumes of production, consumption, and changes in stock and if there are no imports, export volumes may be derived as residuals. Price data may then be applied to these estimates to derive current values of exports.

#### *Use of Preliminary ITS*

475. Although ITS may provide preliminary broad aggregate data for more recent periods, some data

<sup>83</sup>One reason that standard component provide such a limited breakdown of goods is that appropriate subclassifications of these transactions vary significantly from country to country.

<sup>84</sup>See paragraph 46 of chapter 2 for background details on these classifications.

<sup>85</sup>In the SNA accounting entity  $M = C + I + G + X - Y$ ,  $M$  is imports of goods and services;  $Y$  is gross domestic product;  $C$  is consumption;  $G$  is government expenditure;  $I$  is investment; and  $X$  is exports of goods and services. Imports of goods are derived after identified imports of services are deducted from  $M$ .

**Table 11.7 SITC (Rev 3) Main Groupings**

SITC Section	Description
0	Food and live animals
1	Beverages and tobacco
2	Crude materials, inedible, except fuels
3	Mineral fuels, lubricants, and related materials
4	Animal and vegetable oils, fats and waxes
5	Chemicals and related products
6	Manufactured goods classified chiefly by material
7	Machinery and transport equipment
8	Miscellaneous manufactured articles
9	Commodities and transactions not specified elsewhere

**Table 11.8 BEC Main Groupings**

BEC Group	Description
1	Food and beverages
2	Industrial supplies not elsewhere specified
3	Fuels and lubricants
4	Capital goods (except transport equipment) and parts and accessories thereof
5	Transport equipment and parts and accessories thereof
6	Consumer goods not elsewhere specified
7	Goods not elsewhere specified

required to complete BOP accounts may be missing. The BOP compiler may, with relative ease, be able to estimate missing components by taking into account the relationship between those components and various aggregates for past periods. For example, there may be a reliable relationship between exports of a particular agricultural commodity and the size of the harvest. If the latter is known, this relationship could be used, in the absence of data, to estimate exports. Another method of estimation would consist of assuming that trade in missing components has increased (or decreased) at the same rate as measured trade; the rate of increase (or decrease) would then be applied to the estimate for the previous period to obtain an estimate of the missing component for the current period.

476. Preliminary data may be subject to known biases, and the BOP compiler may adjust for these biases to reduce the size of subsequent revisions to data. In evaluating preliminary results from ITS, the compiler may find some anomalies. Less than complete data validation procedures may have been applied to preliminary ITS, and

the BOP compiler may have data from other sources that cast some doubt on the validity of certain components of ITS.<sup>86</sup> In these circumstances, the BOP compiler may have to obtain more reliable data from exporters and importers or even to estimate certain components.

### ***Other Estimations Required***

477. The compiler may have to adjust imports valued on a c.i.f. basis to an f.o.b. basis. Methods for doing so are discussed in chapter 12, paragraphs 505-507. Other adjustments may be made by compilers to overcome coverage, timing, and valuation errors resulting from periodic examinations of trade data. For example, compilers could, by using supply and utilization analysis

<sup>86</sup>To prepare preliminary ITS, some validation procedures (such as comparing day-to-day consistency of reporting, querying returns that look unusually large, checking on non-response, etc.) should be undertaken. However, more detailed checking of value/quantity relationships, which usually reveals errors in the reporting of physical quantities rather than values, is sometimes skipped at the preliminary estimation stage.

for selected commodities or periodic estimates obtained from customs officials, make adjustments for smuggling (undercoverage).<sup>87</sup>

## Projections

### Exports

478. Projections for exports of goods may be undertaken by using one of several methods or a combination of methods. In one method—supply and utilization analysis—volumes of opening and closing stocks, production, consumption, imports (if any), exports, and prices are projected separately. The price may consist of two elements: the projected world price (often quoted in U.S. dollars) and the projected conversion rate between the unit of account and a foreign currency. Market conditions may vary from country to country and from commodity to commodity. Some or all of the exportable production may have a guaranteed market, or a market may have to be found for surplus production; alternatively, surplus production may be placed in closing stock. Markets may be segmented—for example, some sugar exporters may have quotas in the European Union and the United States and sell remaining production on the world market—and each market has a separate price. A country's production may affect the world price or a country may be a "price-taker."

479. Data on world prices may come from a number of sources. For example, *International Financial Statistics* and *Primary Commodities: Market Development and Outlook*, both published by the IMF, provide comprehensive information on world commodity prices. Data on projections of production and consumption may also come from many sources, including industrial organizations or marketing authorities. These organizations might also be good sources of information on market arrangements, known or likely orders, price information, etc. Because of the importance of these commodities, official projections of commodity production and exports are, in many countries, made on a commodity-by-commodity basis by other institutions. The compiler may use these projections but should allow for factors unknown at the time such projections were made

<sup>87</sup> Customs officials may be able to estimate undercoverage by examining their procedures. For example, if the baggage of 1 in 20 persons (selected at random) arriving in a country is examined, and  $y$  value of goods is discovered undeclared by these persons, an estimate of undercoverage would be 20 times the value of  $y$ . It would be more difficult (but still possible) to estimate undercoverage if selection procedures were based upon non-random factors.

and for any biases on the part of those making the projections.

480. Econometric equations may be used to project export volumes and prices. In such equations, identified historical relationships are used to project future activity. Projections of volume are often based on levels of economic activity in importing countries and on changes in relative prices. Production indexes, which are weighted according to the relative importance of the partners, of trading partner countries may be used as proxies for economic activity. To assess changes in relative prices, price indexes (such as wholesale prices) from trading partners may be used in conjunction with the comparable price index in the home country and with exchange rates. *World Economic Outlook*, which is published by the IMF in May and October of each year, is a particularly valuable source of information on projections of world economic activity. This information may be used as input for equations. Equations may range from simple to complex. Equation results should be used with an appropriate degree of judgement.

481. Another method for projecting exports is to measure export orders. Performed selectively, this approach is particularly useful for commodities with large order-to-delivery lags and for high value items, such as mobile equipment and defense goods. Exporters may be approached for details of orders.

482. The compiler may also use a simple projection that takes into account past historical trends to make projections.

### Imports

483. Projecting imports involves methodologies similar to those previously discussed for exports. The compiler may use supply and utilization analysis for certain commodities, such as food and raw materials (including petroleum). Supply and utilization analysis uses information on stocks held at the beginning of the projection period, target stocks for the end of the period, domestic production, consumption requirements, and the likely level of world production (if the country is a significant consumer of world production). This approach also takes into account, with regard both to price and the level of domestic economic activity, any elasticities of demand and the effect of substitutes. A supply and utilization model developed for certain exports with components that are imported—for example, the manufacturing of textiles or motor vehicles could involve a significant

**Table 11.9 Balance of Payments Treatment of Goods for Processing**  
*Example 1*

	Year 1		Year 2		Year 3	
	Credit	Debit	Credit	Debit	Credit	Debit
Goods	...	550	620	560	630	...
Transportation	...	50	...	50	...	...
Direct investment in reporting economy— other capital— liabilities to direct investors	600	...	10	...	...	610
Banks' assets	...	...	...	20	...	20

number of imported components—may be used to project imports of intermediate goods. The compiler may use econometric equations that take into account the projected level of economic activity in the home country and relative prices. The derivation of imports as a residual, as discussed in paragraph 473 of this chapter, is an example of a simple model approach. Alternatively, sets of equations may be developed to link broad ranges of goods, such as BEC categories, to various national account aggregates, such as national income, consumption, and investment. Also, the compiler may collect data on orders placed for large items of equipment. In addition, projection (at least in respect of some items) may involve continuing trends observed in historical data.

### Treatment of Goods for Processing

**484.** The *BPM* requires that goods for processing be included, on a gross basis, in the goods item if goods are returned to the country of origin after the completion of processing. The value of materials imported and the value of finished products exported could be identified in ITS, in ES, or in a supplementary inquiry in an ITRS. The BOP treatment of goods for processing also requires entries in the financial account to offset changes in stocks. Such entries are shown in the example provided in table 11.9. An importer in country A imports from country B materials valued at 600 and 610 in years 1 and 2, respectively, and exports back to country B the finished products, which are valued at 620 and 630, in years 2 and 3, respectively. It is assumed that, as part of the value of imports, there are international transportation costs, payable to a resident of country C, of 50 in each year and no insurance costs. The earnings

on processing are therefore 20 in each of years 2 and 3. Table 11.9 shows the entries required in the BOP of country A.

**485.** If processing arrangements are undertaken by branches and subsidiaries of companies owned by nonresidents, a transaction equivalent to the change in stocks should be included in direct investment, as shown in the example. If there is no direct investment relationship between the owner of the materials and the enterprise providing the processing, the change in stocks would be included in other investment—trade credits.

**486.** If goods for processing are sold to a third country or on-sold into the country of processing rather than returned to the country of origin, the *BPM* recommends that only the actual change of ownership be recorded in the goods item of the BOP and that the processing fee be shown as a service under the merchandising and other trade-related services item ( $\times 269$ ). In the previous example, if the goods sent to country A in year 1 had been sold to country C and the goods sent to country A in year 2 had been on-sold in country A during year 3 (rather than both sets of goods being returned to country B after the completion of processing), the entries shown in table 11.10 would be recorded in the BOP of country A.

### Treatment of Transfer Pricing

**487.** Between enterprises in a direct investment relationship, transactions may occur wherein values shown in the books of transactors are significantly distorted from market values. An enterprise may sell goods to a related enterprise for prices unrelated to the cost of production or the acquisition cost of the goods.

**Table 11.10 Balance of Payments Treatment of Goods for Processing**  
*Example 2*

	Year 1		Year 2		Year 3	
	Credit	Debit	Credit	Debit	Credit	Debit
Goods	...	...	...	...	...	580 <sup>1</sup>
Transportation	...	...	...	...	...	50
Merchandising and other trade-related services	...	...	20	...	20	...
Banks' assets	...	...	...	20	610	...

<sup>1</sup>Value of goods on-sold in country A less international transportation costs

**Table 11.11 Adjustments to BOP in Cases of Transfer Pricing**

Direction of Flow of Goods	<i>The transaction price is less than market value.</i>		<i>The transaction price is greater than market value.</i>	
	Economy of Direct Investor	Economy of Direct Investment Enterprise	Economy of Direct Investor	Economy of Direct Investment Enterprise
Direct investment enterprise to direct investor	Increase goods imports by difference in prices  Add difference in prices to direct investment income credits	Increase goods exports by difference in prices  Add difference in prices to direct investment income debits	Decrease goods imports by difference in prices  Add difference in prices to financial account—direct investment—equity debits	Decrease goods exports by difference in prices  Add difference in prices to financial account—direct investment—equity credits
Direct investor to direct investment enterprise	Increase goods exports by difference in prices  Add difference in prices to financial account—direct investment—equity debits	Increase goods imports by difference in prices  Add difference in prices to financial account—direct investment—equity credits	Decrease goods exports by difference in prices  Add difference in prices to direct investment income credits	Decrease goods imports by difference in prices  Add difference in prices to direct investment income debits

Such a sale might be made, for example, to transfer profits from one country to another for tax reasons or because the country of the direct investment enterprise imposes restrictions on the repatriation of income. In other instances, transfer prices may be used as a means by which a direct investor makes a financial investment in a direct investment enterprise.

**488.** The *BPM* recommends that the compiler make an adjustment to transaction prices in the BOP when actual

transaction prices of transfers of real resources between enterprises in a direct investment relationship differ from values that could have been expected if the enterprises had been independent. However, the *BPM* cautions that such adjustments should be made only when significant distortions are encountered.

**489.** When adjustments are made to one side of a BOP transaction, offsetting adjustments must be made to preserve equality between credit and debit entries.

For adjustments to transfer prices, offsetting adjustments should always be made to direct investment income or to financial account transactions.

**490.** The following example illustrates these adjustments. In a certain country, a direct investment enterprise produces copper. If this copper is sold to unrelated enterprises, the direct investment enterprise could expect, on the basis of the production cost of the copper, to earn 50 units per ton. However, as the government of the country has imposed restrictions on repatriation of income to nonresidents, the direct investment enterprise sells to its direct investor 1,000 tons of copper at only 10 units per ton. In this case, transfer pricing is used to repatriate income. The following entries should be

made in the BOP of the country of the direct investment enterprise:

	Credit	Debit
Goods		
As recorded in transactors' books	10,000	...
Adjustment to market valuation	40,000	...
Direct investment income		
Income on equity	...	40,000
Foreign exchange (e.g., reserve assets)	...	10,000

**491.** Table 11.11 shows all possible cases of transfer pricing and adjustments required in the BOP.

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## XII. Compiling the BOP Current Account: Services

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### Transportation

#### Introduction

492. Transportation services include passenger, freight, and other transportation services provided by residents of one economy to residents of another economy.<sup>88</sup> The *BPM* recommends that transportation services be classified by mode of transport (namely, sea, air, and other, which includes rail, road, inland waterway, and space) and, in turn, that these categories be classified by type of service (namely, passenger, freight, and other transportation services).

493. To record transportation and associated services correctly in the BOP, it is necessary to distinguish between the owner of mobile equipment and the operator of the equipment. Both entities may be the same, but often they are not. In fact, for some items of equipment, a chain of leasing arrangements may separate the owner from the operator.

494. The owner is generally the enterprise that has legal title to the equipment. Because a change of ownership is presumed in the case of financial leases, the lessee of mobile equipment is considered the owner for BOP purposes. If a parent enterprise transfers mobile equipment to a branch located abroad, the branch is—for BOP purposes—considered the owner if the equipment is recorded, for tax purposes, in the books of the branch. Ships registered under flags of convenience should be attributed to the legal owners.

495. The enterprise that controls the operation and movement of the equipment is regarded as the operator. The operator is usually responsible for supplying a crew; maintaining equipment in proper working order; and deciding when, and to which location, equipment will be moved.

496. An owner and an operator may be the same or different entities. As separate entities, they may be residents of different economies. In this case, the compiler should record operational lease payments, which are

made by the operator to the owner, in the operational leasing item under services.

497. Owners may enter into a number of leasing or chartering arrangements. Various terms are used to describe these arrangements, but a broad description should suffice for purposes of the *Guide*.

498. There are **bare boat or bare bottom charter** arrangements whereby an owner leases a vessel to an operator, who is responsible for equipping the vessel and supplying the crew. These leases usually cover long periods. The compiler should be satisfied that the leases are operating leases and not financial leases. If, for example, a vessel is owned by a bank or other type of financial institution, the compiler should, for BOP purposes, regard the vessel as being owned by the lessee.

499. There are **time charter** arrangements whereby a vessel is leased to an operator who provides a crew. The bare boat or bare bottom charter is a form of time charter. A time charterer may also lease a vessel from a bare boat charterer. For BOP purposes, the time charterer should be regarded as the operator although, if there are several time charters involved, the charterer supplying a crew is regarded as the operator.

500. In addition, there are **voyage charters**. For example, an exporter or an importer may hire, for a single voyage, a vessel to ship a bulk commodity such as wheat or minerals. The voyage charterer has no responsibility for operation of the vessel and is not, therefore, considered the operator. A variation of the voyage charter, the **space charter** or **slot charter**, consists of an arrangement in which space on the vessel, rather than the whole vessel, is hired. Payments for voyage, space, and slot charters should be recorded as freight.

501. It is the transport operator who supplies services involving the movements of goods, persons, and mail—that is, freight, passenger, and other transportation services. For freight, the compiler should distinguish among freight on imports, freight on exports, and other freight. With regard to transport of persons, the compiler must distinguish between international services (included in passenger

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<sup>88</sup>For a full discussion on coverage of transportation services in the BOP, see chapter 11 of the *BPM*.

services) and domestic services (included in travel).<sup>89</sup> Other forms of services may be provided by mobile equipment and, if these services involve transactions between residents and nonresidents, such services should be included in the BOP. For example, drilling services provided by a mobile oil rig would be recorded in agricultural, engineering, and technical services.

**502.** The operators of mobile equipment visiting ports will incur various port charges and acquire goods and services, such as fuel (bunkers), provisions and catering services, repairs (all included in goods), and loading and unloading services (included in other transportation services).<sup>90</sup> In addition, if an agent looks after an operator's affairs while the vessel is in port, the operator will be charged for the agent's services (included in other transportation services). Other port expenses may also be incurred by operators and by owners; these should be identified and recorded in the BOP as appropriate. While in port, the crew may make various expenditures that should be identified and included in business travel.

**503.** In addition to expenses incurred in port, other expenses, such as commissions paid to selling agents for sales of passenger fares and freight services (other transportation services) may be incurred by nonresident operators.

**504.** Table 12.1 sets out items in transportation services and outlines data sources and methods that could be used to compile them. Data on mode of transport should be readily attainable from any of the sources. The sources and methods summarized in the table are subsequently explained in more detail.

### ***Freight and Insurance on Imports***

**505.** The BOP compiler should measure international freight services provided by nonresident transport operators on imports of the compiling country as these services comprise part of freight debit items. However, when it is not possible to measure these services directly, the compiler may measure total international freight on imports and deduct those services (if any) provided by resident transport operators. (It may also be necessary to measure total international freight in order to adjust

<sup>89</sup>Passenger services provided within a country are treated as travel services when provided by operators who are residents of that country and as passenger services (part of transportation services) when provided by nonresident operators.

<sup>90</sup>Loading and unloading expenses should include any demurrage expenses.

imports of goods that have been measured on a c.i.f. basis to the preferred f.o.b. basis.)<sup>91</sup>

**506.** While insurance premiums on international freight are not part of transportation services, there is a close relationship between these premiums and the freight services themselves.<sup>92</sup> Because of this relationship, it is often convenient to estimate these two items at the same time.

**507.** The compiler may use several methods to estimate freight and insurance on imports, and these are set out in table 12.2 (on pages 119-120). Many of these methods require detailed collection and/or assembly of data, and it may not be possible to undertake the work required on a regular or timely basis. Therefore, until data become available, the compiler may have to estimate freight and insurance premiums on imports by: (a) calculating ratios of freight and insurance premiums to total imports (or to groups of commodities imported) from a detailed analysis and (b) extrapolating ratios for more recent periods. Factors such as changes in freight and insurance rates, capacity, and the commodity composition of imports should be taken into account.<sup>93</sup> This method of extrapolation may also be used to make BOP projections of freight and insurance on imports.

### ***Alternative Bases for Collection of Passenger Fares***

**508.** To measure passenger fares, which will typically be the largest component of passenger services, the compiler has two broad options: to collect information on the basis of travel revenue or on the basis of ticket sales. Regardless of the basis used, the data provider should report revenue or sales before the deduction of commissions.

**509.** It is common for an airline ticket sold by one airline to be used by a passenger on a number of airlines when segments of the journey are traveled on airlines other than the airline issuing the ticket. Therefore, for BOP purposes, the compiler should—when possible—obtain data on revenue earned by an airline from residents of

<sup>91</sup>See chapter 11 of this *Guide* for a discussion of classification adjustments to reported trade in goods.

<sup>92</sup>Data on insurance premiums on international freight should be used in compilation of the insurance services item, which is discussed in paragraphs 551 through 561 of this chapter.

<sup>93</sup>Freight rates differ among commodities, particularly when freight is expressed as a percentage of the value of goods. For example, freight rates on bulk mineral commodities tend to be higher (in terms of the percentage of the value of underlying goods) than freight rates on manufactured goods such as electronic equipment. Therefore, even if freight rates remain unchanged, a country's average freight rate can alter because of a change in the composition of imports.

Table 12.1 Compilation of Items in Transportation Services

Item Number	Description	Source and Method of Compilation
x206	<i>Sea transport</i>	
x207	<i>Passenger</i>	<p><i>Services Provided by Resident Transport Operators (credit)</i> Data could be collected, through ES or an ITRS, from resident operators. Fares earned from nonresident travelers on domestic flights should be excluded and included in the travel items x237 and x240. Alternatively, a data model based upon the number of nonresident travelers carried by resident operators, travelers' countries of origin and destination, and average fare rates could be used.</p> <p><i>Services Provided by Nonresident Transport Operators (debit)</i> Data could be collected, through ES or an ITRS, from branches of nonresident operators or ticket selling agents. Ideally, data should be collected on an earnings, rather than a ticket sale, basis. Gross data should be recorded—that is, before the deduction of commissions that are included in item x209. Alternatively, a data model on numbers of resident travelers carried by nonresident operators and classified by destination and data on average fares could be used.</p>
x208	<i>Freight</i> Freight on exports and imports of the compiling economy	<p><i>Export Freight Services Provided by Residents (credit)</i> Data could be collected, through ES or an ITRS, from resident operators. If an ITRS is used, freight paid on exports by exporters to resident operators should be measured and added to freight paid on exports by nonresidents to residents. Alternatively, a data model could be used.</p> <p><i>Import Freight Services Provided by Nonresidents (debit)</i> This item could be collected in an ITRS if the ITRS provides a breakdown of import costs and if the amounts paid to resident operators by nonresident exporters are deducted. Alternatively, freight on imports could be measured by approaching, via ES, branch offices and agents for nonresident operators. Another way to derive this item is to estimate total freight on imports (see table 12.2 for various methods) and to deduct from this estimate the income earned by resident transport operators from freight on imports. The latter item could be collected through ES.</p>
	Freight on other goods	<p><i>Services Provided by Resident Transport Operators (credit)</i> Data could be collected, through ES or an ITRS, from resident operators.</p> <p><i>Services Provided by Nonresident Transport Operators (debit)</i> Data on these services could be collected, through ES or an ITRS, either by approaching branch offices and agents for nonresident operators or by approaching resident users of the transportation services. Alternatively, some form of estimation could be required.</p>
x209	<i>Other</i> Other earnings by transport operators—for example, salvage and postal services	<p><i>Services Provided by Resident Transport Operators (credit)</i> Data could be collected, through ES or an ITRS, from resident operators.</p> <p><i>Services Provided by Nonresident Transport Operators (debit)</i> Data could be collected, through ES or an ITRS, either by approaching branch offices and agents for nonresident operators or by approaching resident users of the services.</p>

(table continues)

**Table 12.1 (concluded)**

Item Number	Description	Source and Method of Compilation
	Services provided to transport operators—for example, agent fees and commissions; loading, unloading, and demurrage charges; and port charges	<p><i>Services Provided to Resident Transport Operators (debit)</i> Data could be collected, through ES or an ITRS, from the operators. Alternatively, a data model could be used.</p> <p><i>Services Provided to Nonresident Transport Operators (credit)</i> Data could be collected from the branch offices or agents of the nonresident transport operators, from the resident enterprises providing the services, or from official sources (such as port authorities). Rules should be clearly defined so that there is no omission or duplication in reporting. Alternatively, a data model based on related information could be used.</p> <p>Even if the owner is not the operator, in a port of call, the owner may have expenditures that should be included in this item.</p>
x210	<i>Air transport</i>	
x211	Passenger	Same as item x207
x212	Freight	Same as item x208
x213	Other	Same as item x209
x214	<i>Other transport</i>	
x215	Passenger	Same as item x207
x216	Freight	Same as item x208
x217	Other	Same as item x209

other countries rather than data on sales by an airline to residents of other countries. It is possible to collect such data as airlines keep records on revenue generated by point of sale. The compiler must make a simple, but not altogether unreasonable, assumption that tickets sold in a particular country are sold to residents of that country. (The validity of this assumption can sometimes be tested, and adjustments made to estimates as necessary, by using surveys of travelers.) However, as not all airlines earning revenue from residents of a particular country will have offices in that country, it may be difficult for the compiler to obtain complete coverage of passenger fare revenue earned by nonresident operators from residents of the home country.

**510.** An alternative means of measuring passenger fare revenue earned by nonresident operators is to collect information on the total value of tickets sold in the compiling country and deduct from this total value the earnings of resident carriers. It should be possible to approach airlines with offices in the compiling country

and travel agents who place business directly abroad with nonresident carriers to obtain data on total ticket sales—but this measure should be used with caution. Many tickets are purchased and not used; therefore, allowance should be made for refunds as well as for the time lag between ticket purchase and revenue generated. In some cases, passenger fares may be a component of package tour payments, and the compiler may, in consultation with travel industry representatives, have to separate passenger and travel components.

### ***Transportation Activities of Resident Transport Operators***

**511.** Information on BOP transactions of resident transport operators will often be available, through ES or an ITRS, from the operators themselves. An ITRS (as discussed in chapter 3) would measure transactions made by these enterprises through the banking system. In addition, these entities are likely to have numerous BOP transactions that bypass an ITRS or are recorded on a net

**Table 12.2 Methods for Estimating Freight and Insurance on Imports**

<p><b>Option 1 <i>Extract data from ITS.</i></b></p> <p>Some ITS record both the f.o.b. and c.i.f. values of imports; therefore, the values of freight costs and insurance premiums can be directly taken from ITS. (However, some method is needed to identify freight costs and insurance premiums separately.) When both valuations are not reported as a matter of course, it may be possible to analyze the supporting import documentation supplied to customs to obtain freight costs and insurance premiums. Such analysis could be achieved by means of a properly designed sample survey of the customs records.</p> <p>In some countries, import documentation may also provide the name or registration of the vessel carrying the imports. The compiler could match this information against lists of vessels operated by residents; if no match is found, it could be assumed that the freight service was provided by a nonresident operator.</p>
<p><b>Option 2 <i>Collect, from importers, data on freight and insurance premiums paid on imports.</i></b></p> <p>Data could be collected from importers through ES or an ITRS. In an ITRS, the basic breakdown of freight and insurance costs could be collected on a supplementary basis, or the ITRS could be used as a basis for identifying certain importers who could then be approached on a sample or selective basis. Alternatively, ES could be used to obtain across-the-board measures or selective data on commodities, modes of transport, and/or operators.</p>
<p><b>Option 3 <i>Collect freight data from resident operators and branch offices or agents of nonresident operators.</i></b></p> <p>Through ES, data could be collected from branch offices or agents of foreign transport operators on the value of freight and the value and volume of imports. These data could be categorized by type of cargo (containerized, bulk, etc.) or commodity carried, the country from which the goods were consigned, and the mode of transport. Unfortunately, agents for nonresident operators may not always have these data in respect of their principals. Therefore, although ES represent a partial approach in some cases, they could be useful to identify freight for selected commodities and/or modes of transport.</p>
<p><b>Option 4 <i>Analyze trade flows, freight, and insurance rates.</i></b></p> <p>Tables on the value (c.i.f. or f.o.b.) and volume of imports broken down by commodity, mode of transport, and country from which the goods were consigned could be derived from ITS. Freight and insurance rates could then be applied to these to derive freight costs and insurance premiums. Freight and insurance rates could come from several sources, including trade journals, any of the sources described elsewhere in this table, or surveys of industry prices. (These surveys could range from highly sophisticated surveys to small selective surveys.) In this option, some cells of data may be very accurate, but other cells may be less accurate. This is a good example of a data model approach.</p>
<p><b>Option 5 <i>Use an arbitrary ratio approach.</i></b></p> <p>Some compilers may consider it unnecessary to measure freight and insurance accurately and may therefore apply somewhat arbitrary ratios to determine the value of freight and insurance on imports. For example, they may assume that freight is <math>x</math> percent of the value of imports and insurance premiums are <math>y</math> percent. To the extent that these ratios are inaccurate, there will be a misclassification of current account debits between imports and freight and insurance. This method of ratio estimation should be used sparingly. Most analysts would find accurate data on transport costs to be an advantage. By undertaking even a small survey of selected importers, the estimates would be greatly improved.</p>

*(table continues)*

**Table 12.2 (concluded)****Option 6 Extrapolate from residents' experiences.**

Data on freight and insurance rates could be collected, through ES or an ITRS, from resident transport operators and insurance companies. These data could be broken down by commodity, mode of transport, country of origin, etc. and used in conjunction with option 4, for example, to derive the amounts earned by nonresidents.

basis. Proper measurement of these transactions typically requires a direct approach to operators. Such an approach would be similar to the approach, which is outlined in chapter 5, used in ES. Also, payments by nonresidents to resident operators for transportation of the compiling country's imports should be deducted from freight debits rather than recorded as freight credits.

**512.** It may also be necessary to approach resident transport operators for information on non-BOP transactions. For example, freight (paid by both residents and nonresidents) on imports could be deducted from total freight on imports to estimate the services provided by nonresidents.

**513.** When actual data on BOP transactions is unavailable, data models utilizing related information could be established. For example, data on passenger fare earnings of resident operators could be estimated by multiplying appropriate fares by numbers of nonresident passengers carried by resident carriers and classified by country of origin/destination combinations. After a total earnings figure is determined, BOP expenses, such as commissions on ticket sales and port charges associated with these earnings could then be determined by applying ratios of expenses to earnings. Such ratios could be determined in consultation with industry representatives or by an analysis of historical data.

**514.** Freight services provided by resident transport operators on exports could be based upon an analysis of exports (from ITS) carried by the operators and classified by commodity, country, and mode of transport. Various freight rates could be applied in a manner similar to the method outlined in option 4 of table 12.2. Associated data on port expenditure and commissions abroad could be determined by using expense-to-earnings ratios established in consultation with the industry.

**515.** Until data from operators or data models become available, it may be necessary for the compiler to extrapolate the relevant transportation series. The extrapolation could be accomplished by establishing the historical relationship between transportation series

and other aggregates (for example, passenger fares to nonresident arrivals or freight services to exports). Similar methods could be used to project transportation. Volumes and prices should be projected separately. Extrapolations and projections should take into account factors affecting the demand for services, known changes in capacity, and changes in prices.

***Transportation Services Associated with Nonresident Operators***

**516.** BOP transactions of nonresident transport operators with the compiling country are typically more difficult to measure than BOP transactions of resident operators. Nevertheless, by using a well-designed ITRS, ES of agents and branches of nonresident operators, certain official sources, data models, or a combination of these approaches, it should be possible to compile reliable estimates for relevant components in the BOP.

**517.** Data on import freight services that are provided by nonresident transport operators could be obtained from agents and branches of nonresident operators or from importers themselves. ES or an ITRS could be used for either approach. However, if an ITRS is used, it would be necessary to estimate the value of international freight services included in amounts paid by importers to nonresident exporters. Such amounts, which may be available from importers, should be added to freight debits actually measured in an ITRS.<sup>94</sup> Data on payments made by nonresidents to resident operators for transportation of imports should be deducted from freight on imports rather than recorded as freight credits. Also, it would be important to identify in the ITRS, or through a supplement to the ITRS, any payments made in domestic currency by importers to

<sup>94</sup>Alternatively, these amounts could be calculated by: estimating total freight on imports (see table 12.2); deducting import freight fees earned by residents (an item that could be derived from ES); and deducting importer payments to nonresident transport operators (an item that could be obtained from an ITRS).

nonresident transport operators.<sup>95</sup> If, on the other hand, ES of agents and branches of nonresident operators are used, the compiler should be satisfied that coverage is adequate and that branches and agents are fully aware of relevant BOP transactions of enterprises for which they act. If this is not the case, alternative strategies should be investigated.

**518.** An alternative method for estimating import freight services provided by nonresidents is to estimate total freight on imports (as previously described) and to deduct from the estimate freight services provided by resident transport operators. The latter could be collected through a supplement to an ITRS or through ES. This may be the most effective way to measure freight on imports.

**519.** In some countries, customs records provide information, such as name and Lloyd's number, on vessels carrying the country's imports. From this information, it should be possible to identify vessels operated by nonresidents.<sup>96</sup> If customs data can also be used to measure freight on imports—for example, by taking the difference between imports c.i.f. and imports f.o.b. and deducting an estimate for insurance—this data could be matched with information on the vessel to determine freight services provided by vessels operated by nonresidents.

**520.** Data on passenger fares could be collected by approaching branch offices and ticket selling agents of nonresident operators. Alternatively, total ticket revenue earned from the transportation of residents by nonresident operators could be estimated by: (a) multiplying, by average fares, the number of resident passengers (classified by destination of travel and mode of transport) who are leaving and entering the compiling country and (b) deducting earnings by resident operators. Data on the number of passengers may come from migration statistics or from other statistics, such as reports by airports or airline operators, on arrivals and departures.<sup>97</sup> Data on average fares could, with allowances made for different fare structures, be obtained from travel agents or airline companies.

<sup>95</sup>Nonresident transport operators often maintain domestic currency accounts with resident banks. Payments for services provided to residents may be paid into these accounts, and payments for services acquired from residents may be made from these accounts. Any withdrawals (remittances) from these accounts by nonresident operators therefore reflect net, not gross, BOP transactions. Consequently, it is necessary to measure the flows through these accounts in order to derive correct BOP entries.

<sup>96</sup>Vessels operated by residents could be identified from information provided by resident operators; all other vessels could be assumed to be operated by nonresidents.

<sup>97</sup>When migration statistics are used, allowance should be made for the possibility of a more complete accounting for arrivals than for departures.

**521.** Other earnings for services provided by nonresident operators could be measured by using an ITRS, ES of resident users of the services, or ES of local agents and branches of nonresident transport operators.

**522.** Data on services provided to nonresident transport operators could be collected through an ITRS, through ES of resident providers of the services or of local agents and branches of nonresident transport operators, or through official sources (such as port records). Alternatively, for some or all of the services, a data model could be developed. The compiler could establish a set of cost ratios (such as agent fees, loading and unloading services, and various taxes and charges) to freight on imports and/or exports. Such analyses should be performed on the basis of commodity and mode of transport. Historical data could be used to establish ratios, or local agents and branch offices of nonresident transport operators could be approached on a selective basis. Next, shares of freight on imports and exports carried by nonresident operators should be established. Information for imports should be available from the relevant BOP item. For exports, information may be available from ITS, or an estimate could be made on the basis of discussions with, or a collection from, a representative group of importers and exporters.

**523.** After nonresident shares of freight on exports and imports are established, relevant ratios would be applied to these shares for the purpose of estimating values of services provided to nonresident operators.

**524.** Alternatively, for some services (such as port charges) provided to nonresidents, the value could be obtained by: (a) estimating the value of total services provided to all operators and (b) deducting from this estimate the value of services provided to resident operators. (Data on the latter could be collected from resident operators.)

**525.** Some of the methods previously outlined will require collection and/or assembly of detailed data, and it may not be possible to undertake the work required on a frequent or timely basis. Therefore, until data become available, the compiler may have to extrapolate certain transportation services.

**526.** Passenger fares and related services could be extrapolated by using ratios that reflect the historical relationship between passenger fares (in constant prices) and arrivals and departures. Results should be inflated by using a price index for passenger fares. This approach also applies to projections of this item. Factors such as projected changes in disposable income of travelers, possible changes in industry capacity, government policy

changes that may have an impact on the number of arrivals and departures, and other aspects of travel should also be considered.

**527.** Other transportation services could be extrapolated by using ratios of services to various aggregates (such as import and/or export volumes) and adjusting for price changes. This approach also applies to BOP projections for which it would be necessary to project trade volumes, industry capacities, and prices of services.

## Travel

### *Description and Classification*

**528.** Travel covers expenditure by residents of one economy who are traveling in another.<sup>98</sup> These expenditures should be classified to business and personal travel because, in the national accounts, the former represents an intermediate expenditure of business and the latter represents final consumption expenditure.<sup>99</sup>

### *Data Sources and Methods*

**529.** Four broad approaches could be used to measure travel expenditure, and these are summarized in table 12.3. One approach measures instruments used to pay for travel. The most common instruments are travelers' checks, credit and debit cards, prepaid tours and advances, and currency notes and coin. Another approach measures the types of goods and services acquired by travelers. A third approach uses partner country data, and a fourth uses a data model.

**530.** An ITRS could be employed to measure instruments used by travelers to pay for travel. These instruments include travelers' checks that pass through the banking system or through nonresident bank accounts of other resident entities, credit and debit card payments, payments for prepaid package tours and advances for travel, foreign currency notes and coin surrendered to the banking system or to foreign exchange dealers (for travel credits), and domestic currency repatriated from abroad (for travel debits). In respect of travelers' checks, the compiler should ensure that data are reported on a gross basis—that is, before the deduction of commissions on travelers' check sales that should be included in other business services. Collection rules should be designed to ensure that there is no overlap or duplication of the information captured.

<sup>98</sup>For a complete description of BOP travel items, see chapter 12 of the *BPM*.

<sup>99</sup>More strictly, in the case of business travel, the travel service is considered to be provided to the employer of the traveler rather than to the traveler.

**531.** One problem with relying solely on an ITRS is that it could be difficult to determine the breakdown between business and personal travel (and between travel and certain other services). Using some other criterion, the compiler must subclassify total travel expenditure. An ITRS may have to be supplemented by other sources to obtain such data as expenditure financed from income earned in the host economy and travel services provided in kind—particularly in respect of nonresident workers and students.

**532.** ES may employ an approach similar to that taken in an ITRS, which measures instruments used to pay for travel, or ES may collect information from enterprises that provide services to nonresident travelers. The latter only applies to the measurement of travel credits. These ES may have to be supplemented by other sources to obtain such data as expenditure by short-term, nonresident workers and students. Paragraphs 152-160 of chapter 4 contain a discussion on the use of ES to measure travel services.

**533.** Surveys of travelers, which are discussed in chapter 7, paragraphs 315-324, can be used as the primary source of information for the travel item, as a supplement to ES or an ITRS, or as input for a data model. When surveys of travelers are used as primary sources of information on travel, information could be collected on instruments used for payment or on actual goods and services acquired by travelers. The former approach tends to work best when travel debits are measured by surveying resident travelers some time after they have returned to their home economies; the travelers are likely to retain appropriate financial records of their trips or are able to provide reasonable estimates. The latter approach works best when travel debits are measured by surveying returning resident travelers upon or shortly after their return, or when travel credits are measured by surveying nonresident travelers as they depart from the compiling country.

**534.** In some countries, certain groups of travelers (such as students and medical patients) may be significant. As the expenditure of these travelers may be substantially different from the expenditure of other travelers, it may be necessary to conduct separate surveys of travelers in these special categories.

**535.** The use of partner country data to compile travel items is outlined in chapter 9, paragraph 378, which describes the United States-Canada exchange of data on travel.

**536.** A data model to measure travel could be constructed from a number of sources, including data on numbers of travelers and estimates of per capita expenditure.

**Table 12.3 Compilation of Travel Services**

Type of Approach	Credits	Debits
Instruments used by travelers for payment of services	ES or an ITRS could be used to measure expenditures of nonresidents traveling in the compiling economy and using travelers' checks, credit and debit cards, foreign currency notes and coins, bank accounts held with domestic banks, and prepaid tours and packages. (See paragraphs 152-160 of chapter 4 for further details.) Supplementary estimates may be required for travel services financed by domestic currency acquired abroad by nonresident travelers or from income earned by nonresident travelers in the host economy. (Information could possibly be obtained from surveys of travelers; see paragraphs 315-324 of chapter 7 for details.) Supplementary estimates may also be required for travel services provided in kind, such as scholarships and other aid provided to nonresident students. (Information could possibly be obtained from surveys of students or educational institutions or from official records.)	ES or an ITRS could be used to measure expenditures of residents traveling abroad and using travelers' checks, credit and debit cards, foreign currency notes and coins, prepaid tours and packages, and domestic currency repatriated by nonresident banks to resident banks. (See paragraphs 152-160 of chapter 4 for further details.) Supplementary estimates may be required for travel services financed from accounts held abroad or earnings acquired abroad by resident travelers and travel services provided in kind, such as scholarships and other aid provided to students. Such estimates could be obtained from surveys of travelers. (See paragraphs 315-324 of chapter 7 for further details.) Alternatively, surveys of returned travelers could be used to measure all expenditures by instrument of expenditure.
Types of services acquired by travelers	This approach is typically used in surveys of nonresident travelers. (See paragraphs 315-324 of chapter 7 for details.) Alternatively, ES—described in paragraphs 152-160 of chapter 4—of hotels, domestic airlines, restaurants, etc. could be used if these organizations can identify nonresident expenditure and if allowances are made for expenditures (for example, purchase of souvenirs) not passing through these organizations.	This approach would typically be restricted to surveys of returned travelers. (See paragraphs 315-324 of chapter 7 for details.)
Partner country date	A partner country's travel debits in respect of the compiling economy could be used to measure the compiling economy's travel credits vis-à-vis the partner country.	A partner country's travel credits in respect of the compiling economy could be used to measure the compiling economy's travel debits vis-à-vis the partner country.
Data model	Most data models involve multiplying estimates of numbers of nonresident visitors—typically obtained from migration statistics (see paragraphs 304-313 of chapter 7 for details)—by a per capita estimate of traveler expenditure.	Most data models involve multiplying estimates of numbers of residents traveling abroad—typically obtained from migration statistics (see paragraphs 304-313 of chapter 7 for details)—by a per capita estimate of traveler expenditure.

Data on numbers of travelers are typically available from migration statistics, which are discussed in paragraphs 304-313 of chapter 7. Alternatively, various transport operators, such as airline and bus companies, may be able to provide information in respect of at least part of the total number of travelers. Estimates of per capita expenditure could be obtained from occasional surveys of travelers or from historical relationships (adjusted for inflation, exchange rate changes,<sup>100</sup> and any other factors considered relevant) between total travel expenditure and numbers of travelers.

**537.** When data from these sources are not available in time to compile travel series for the most recent periods, extrapolation methods may be used. Data models of the type described previously are often used in extrapolations (and interpolations). Projections use similar models; for these, the impact of economic activity and promotions on numbers of travelers must also be considered.<sup>101</sup> Information from the travel industry should be helpful in this regard.

## Other Services

### *Introduction*

**538.** Other services include communications; construction; insurance; other financial services; computer and information services; royalties and license fees; other business services; personal, cultural, and recreational services; and government services n.i.e. provided by residents of one economy to residents of another economy. The complete list recommended by the *BPM* is set out in table 12.4.<sup>102</sup>

**539.** Sources and methods that could be used to compile items in other services are described subsequently, and a discussion follows on some of the more complex transactions recorded in these items—that is, those involving construction services, insurance services, foreign exchange services (part of financial services), and government services n.i.e.

<sup>100</sup>For travel credits, the domestic rate of inflation would be the most appropriate to use; for travel debits, a weighted average of partner country inflation rates would be preferable. Movements in exchange rates are likely to have a more significant impact on travel debits than on travel credits when expenditure is estimated in the national currency.

<sup>101</sup>Partner country economic activity will influence travel credits, while domestic economic activity will have an impact on travel debits. Movements in exchange rates will also have an impact on numbers of travelers.

<sup>102</sup>A full description of each of these items is provided in chapter 13 of the *BPM*.

### *Data Sources and Methods*

**540.** Table 12.4 summarizes data sources and methods that could be used to compile items in other services. An ITRS can provide a comprehensive source of most BOP transactions in services. ES and official sources could also be used—either instead of, or as a supplement to, an ITRS. Whatever approach is adopted, collections should be well designed.

**541.** In an ITRS, some inherent problems require attention if the compiler is to measure transactions in other services accurately. Many international services do not necessarily involve cash payments and merely give rise to entries in intercompany accounts. Such situations are more likely to occur when transactions in other services take place between enterprises in a direct investment relationship. The compiler should ensure that transactions settled through these accounts are reported in the system and that the gross entries giving rise to these transactions are recorded. Reporters may record certain transactions on a net basis—that is, after certain costs, such as finance charges and commissions, have been deducted. Clear rules are required to ensure that reporters supply data according to BOP requirements—that is, on a gross basis. Classification of transactions may be a problem as persons completing an ITRS form may be somewhat overwhelmed by the level of detail requested in the form. A well-designed ITRS should address these issues.

**542.** A specialized type of ITRS relevant to government services n.i.e. is a survey of banks to report on the value of transactions passing through accounts of foreign governments and international institutions.

**543.** ES can be selective (for example, concentrating on members of a particular industry, such as insurance) or broadly based (for example, covering all enterprises that may provide or use international services). Paragraphs 167-168 of chapter 4 discuss ES of transactions in other services. To overcome problems inherent in ES, the compiler should set an objective of obtaining complete coverage and develop a clear set of reporting rules to avoid omission or duplication of data. Good survey design, which is discussed in chapter 18, is essential.

**544.** Official sector data (essentially government accounting records) could be used to measure expenses of diplomatic and other representation abroad; defence expenditure abroad; and other services acquired abroad.

**545.** For measuring the expenditure of nonresident government entities and international institutions located in the compiling country, partner country data obtained from BOP compilers in partner countries or surveys of

**Table 12.4 Compilation of Items in Other Services**

<b>Item Number</b>	<b>Description</b>	<b>Source and Method of Compilation</b>
x245	Communications services	An ITRS or ES could be used to compile this item.
x249	Construction services	An ITRS or ES could be used to compile this item. If an ITRS is used, particular care should be taken to measure transactions involving bank accounts of construction enterprises in the host economy. Special note should be taken of the treatment of construction activity, which is discussed in paragraphs 452-455 of chapter 10 and in paragraphs 547-550 of this chapter.
x253	Insurance services	An ITRS or ES could be used to obtain the underlying premiums and claims data necessary to compile this item. However, as explained in paragraphs 551-561 of this chapter, these data must be manipulated in order to derive estimates of insurance services.
x260	Financial services	An ITRS or ES could be used as a primary source to compile this item. Care should be taken to ensure that financial service fees are reported separately from underlying financial transactions, particularly if an ITRS is used. If primary source data are unavailable, this item could be estimated by applying appropriate ratios to various measures of financial activity involving nonresidents. If significant, the collection of supplementary information will probably be necessary to derive estimates of foreign exchange services when the service element is implicit in transactions rates. The treatment of these services is described in paragraphs 562-568 of this chapter.
x262	Computer and information services	An ITRS or ES could be used to compile this item.
x266	Royalties and license fees	An ITRS or ES could be used to compile this item. It is important that royalties, fees, etc. be reported separately from transactions in underlying licenses, patents, and copyrights. Transactions in these underlying items should be recorded in the capital account (item ×480).
x268 x269 x272 x273	Other business services Merchandising and trade-related Operational leasing Miscellaneous	An ITRS or ES could be used to compile these items. For the compilation of merchandising services, the discussion in paragraphs 138-139 of chapter 4 is relevant. For leasing, it is important to note the different treatments of financial and operational leasing. (The treatment of financial leasing is discussed in paragraphs 784-786 of chapter 16.) For the operational leasing of mobile equipment, only leases of equipment without crew should be included in the operational leasing item. The leasing of equipment with crew should be shown as part of other transportation services.
x287 x288 x289	Personal, cultural, and recreational services Audio-visual and related Other	An ITRS or ES could be used to compile these items.

*(table continues)*

**Table 12.4 (concluded)**

Item Number	Description	Source and Method of Compilation
x291	Government services n.i.e.	For debits, most information could be obtained from an ITRS or from official sources (as discussed in paragraphs 338-340 of chapter 8). For credits, most information could be obtained from BOP compilers in partner countries, surveys of embassies (as discussed in paragraphs 380-383 of chapter 9), an ITRS, or a data model. Paragraphs 569-576 of this chapter contain additional information on the compilation of this item.

foreign embassies and international institutions could be used. Alternatively, some form of estimation based on a data model may be used.

**546.** Projections of items in other services are typically made by extrapolating historical data and taking into account expected changes in quantity and price or by relating the series to some other economic aggregate. For example, there may be a good relationship between financial service debits and the value of drawdowns on loans from nonresidents. If projections of the latter are available, projections of the former could be derived by using this relationship.

### **Construction Services**

**547.** As discussed in paragraphs 452-455 of chapter 10, construction services should be recorded in the BOP when an enterprise undertakes construction activity in an economy other than the one in which it is resident. (Chapter 10 discusses issues that should be addressed to determine the residency of construction enterprises.) The value of construction services recorded in the BOP should equal the gross value of output by the producing enterprise.

**548.** An example should help clarify the recording of construction services in the BOP. An enterprise from country B undertakes a construction project in country A for a period of six months. The total value of the project is 20,000, and the following costs are incurred by the construction enterprise:

Wages paid to residents of country A	4,000
Wages paid to residents of country B	1,000
Materials purchased in country A	10,000
Net profit	5,000

**549.** The following transactions should be recorded in the BOP of country A:

	Credit	Debit
Services		
Construction services	...	20,000
Other business services <sup>1</sup>	10,000	...
Income		
Compensation of employees	4,000	...
Financial account		
Reserves	6,000	...

<sup>1</sup>Materials purchased in country A

**550.** Table 10.15, which shows the range of BOP entries that should be recorded for construction activity, should be consulted for further details.

### **Insurance Services**

**551.** According to the *SNA*, on which the *BPM* treatment of insurance is based, the elements of the insurance industry are:

$$\text{Gross premiums earned} + \text{Net income from investments} = \text{Claims due} + \text{Change in actuarial reserves} + \text{Service charge}$$

Each of these items should exclude capital gains and losses.

**552.** Gross premiums earned cover risks incurred during an accounting period and may be payable during current or previous periods. Net income refers to income from investment of reserves. Claims refer to claims that become due for payment during an accounting period. Actuarial reserves cover reserves against outstanding risks and reserves for with-profits insurance (such as life insurance, prepayments of premiums, and reserves against unsettled claims). The service charge, which implicitly covers administrative costs, is output by the insurance industry

and is included as part of production in the national accounts.

**553.** While the equation in paragraph 551 holds true (in the absence of any capital gains or losses) for providers of insurance services, it does not hold true for acquirers of the services. For the acquirer (or policyholder), the service charge payable should be calculated by applying the ratio of total service charges to total premiums to the premium payable by the policyholder. For each nonlife insurance policy, the difference between premiums payable (plus, when measured, policyholder shares of net income from investments) and the estimated service charge (net premiums) is considered a current transfer, as are all claims due on the policy. For life insurance policies, net premiums and claims reflect transactions to be recorded in the financial account as other investment—other assets/liabilities.

**554.** The *BPM* adopts a simplified treatment and assumes that, for international insurance transactions, changes in actuarial reserves and net income from investments may be ignored. In practice, life insurance transactions between residents and nonresidents are usually negligible and income on actuarial reserves associated with reinsurance flows is also likely to be negligible.

Therefore, the previous equation may be rewritten as:

$$\begin{array}{rcccl} \text{Gross} & & & & \\ \text{premiums} & = & \text{Claims} & + & \text{Service} \\ \text{earned} & & \text{due} & & \text{charge} \end{array}$$

**555.** However, the compiler could prepare a more comprehensive set of accounts, if this were considered desirable. The compiler could, in conjunction with the national accounts compiler, estimate various flows that were omitted from the simplified treatment.<sup>103</sup>

**556.** When a resident acquires insurance services from a nonresident, the compiler will probably be unable to approach the nonresident insurer to establish the ratio, which is necessary to calculate BOP transactions, of service charges to total premiums. Accordingly, the *BPM* recommends that an appropriate ratio from the domestic insurance industry be used. If this ratio cannot be obtained easily—for example, if there is no domestic industry—the compiler should estimate the ratio by using the long-term (five years or more) relationship between

<sup>103</sup>Net income from investments would be shown as income payable, via insurance enterprises, to policyholders; for life insurance, changes in actuarial reserves for with—profit insurance would be shown as transactions in policyholder claims on insurance enterprises and recorded as other investment—other assets/liabilities in the financial account. Changes, which arise from net income from investments, in actuarial reserves would also be recorded as investment income payable by an insurance enterprise to a policyholder.

premiums earned by nonresidents and claims due from nonresidents. Alternatively, if the majority of services are provided by insurers in one or a few countries, the BOP compiler could contact his or her counterparts in these countries to establish an appropriate ratio.

**557.** Data on premiums earned and claims due may not be readily available, and the compiler may use premiums paid and claims paid as proxies. These substitutions may be satisfactory in many instances, but cash-based data should be adjusted to an accrual basis if cash-based data prove to be unsatisfactory proxies.<sup>104</sup>

**558.** The following example illustrates the treatment of insurance in the BOP. Insurance enterprises in the economy receive, in respect of casualty insurance, premiums of 100 from nonresidents and pay 85 in claims. Residents pay nonresident insurance enterprises premiums of 60 and receive 20 in claims. The net foreign exchange earnings by resident insurance enterprises are 15 (premiums minus claims); the net foreign exchange payments to nonresident insurance enterprises abroad are 40. The following transactions should be recorded in the BOP:

	Credit	Debit
Services		
Insurance services	15 <sup>1</sup>	9 <sup>2</sup>
Transfers <sup>3</sup>		
Net premiums	85	51
Claims	20	85
Foreign exchange	40	15

<sup>1</sup>As the reference is to services provided, premiums received (100) less claims paid (85) is a good proxy for this item.

<sup>2</sup>The service ratio (15 percent) for the domestic industry is applied to premiums paid to nonresident insurers (60) to calculate this item.

<sup>3</sup>Net premiums and claims on casualty (nonlife) insurance are not shown explicitly in the BOP but would be recorded as part of item x392, current transfers—other sectors. Net premiums and claims in respect of life insurance are not shown explicitly in the BOP but would be recorded as items in other investment—other assets/liabilities of the financial account.

**559.** In a second example, residents pay nonresident insurers 40 in premiums and receive 70 in claims in respect of casualty insurance. There is no equivalent domestic industry. For this reason, it is necessary to calculate the service ratio by using the long-term relationship between claims received and premiums paid. During the past 10 years, claims have averaged 80 percent of premiums—a fact that implies a service ratio of 20

<sup>104</sup>Differences between cash data and accrual data would be included as transactions in other investment—other assets/liabilities of the financial account.

percent. The following transactions should be recorded in the BOP:

	Credit	Debit
Services		
Insurance services	...	8 <sup>1</sup>
Transfers		
Net premiums	...	32
Claims	70	...
Foreign exchange	...	30

<sup>1</sup>The long-term service ratio (20 percent) is applied to premiums paid to nonresident insurers (40) to calculate this item.

**560.** Exporters of insurance services may encounter situations in which claims due exceed premiums earned—typically because of catastrophic events or natural disasters. In these instances, it is inappropriate to measure exports of insurance services by subtracting claims from premiums as no “negative services” have been provided. Instead, the service should be calculated by applying to current period premiums the long-term, average service charge ratio.

**561.** It can be seen from the examples that the key to correct measurement of BOP transactions relating to insurance is information on premiums and claims; BOP entries simply reflect manipulations of this information.<sup>105</sup> Such information is typically collected by using an ITRS or ES. Data from an ITRS will be on a cash, rather than the preferred accrual, basis; however, in most instances, the cash basis should be an acceptable proxy. Through ES, a compiler could request information on a more conceptually correct basis—that is, premiums earned and claims due—as well as any supplementary data that may be required. Paragraphs 161-166 of chapter 4 contain further details on measurement, via ES, of insurance transactions in the BOP.

### *Foreign Exchange Services*

**562.** As stated in paragraph 22 of chapter 1, transactions denominated in foreign currencies should be converted at midpoint rates applicable at times of transaction. When a transactor sells or buys foreign currency to or from a foreign exchange dealer (or bank), the dealer will buy at the buy rate and sell at the sell rate. Dealers derive income from the difference (or spread) between buy and sell rates. The *BPM* recommends use of the midpoint rate because the spread reflects the provision of services. If actual buy and sell rates were used to

<sup>105</sup>In addition, gross premiums and claims are useful BOP memorandum items.

measure transactions, a distortion would be recorded in BOP numbers.

**563.** For example, a dealer sells 100 units of foreign currency to importers (to pay for imports) for 101 units of domestic currency, buys 100 units of foreign currency from exporters for 99 units of domestic currency, and thereby makes a profit of 2 units of domestic currency. If importers and exporters converted their transactions by using the relevant sell and buy rates, the following transactions would be recorded in the BOP:

	Credit	Debit
Goods	99	101
Net errors and omissions <sup>1</sup>	2	...

<sup>1</sup>In this example, it is assumed that the dealer converted transactions at the midpoint rate; if the dealer also used the buy and sell rate, the offsetting item would be recorded as a transaction in external financial assets. Nevertheless, an apparent deficit in goods would be recorded in spite of the fact that the country paid, in foreign currency terms, exactly the same amounts for both imports and exports.

**564.** The problem is avoided if both exporter and importer convert transactions by using the midpoint rate.

	Credit	Debit
Goods	100	100
Net errors and omissions	...	...

**565.** If foreign exchange dealers and their counterparts are residents of different countries, service transactions equal to differences between actual buy or sell rates and the midpoint rate should be recorded in the BOP of transactor countries. For example, if a foreign exchange dealer in country A sells 100 units of currency to a resident of country B for 102 units of domestic currency, and a dealer in country A buys 100 units of foreign currency from residents of country C for 98 units of domestic currency, the following transactions should be recorded in the BOP of country A:

	Credit	Debit
Financial services		
Provided to country B	2	...
Provided to country C	2	...
Financial account—other investment-liabilities-currency and deposits		
Of country B <sup>1</sup>	...	102
Of country C <sup>2</sup>	98	...

<sup>1</sup>Country B is assumed to purchase the foreign exchange with funds held in accounts with banks in country A.

<sup>2</sup>Country C is assumed to deposit the domestic currency received into accounts with banks in country A.

**566.** Dealers may also earn profits because they take speculative positions. For example, they may buy and hold currencies because they expect the value to rise. However, this speculative profit is capital in nature and should not be recorded as income in either the BOP or the national accounts.

**567.** The direct collection of information on BOP transactions attributable to foreign exchange trading may be difficult. Resident consumers of the services are unlikely to know the values of those services implicitly purchased from nonresident dealers and, in many cases, resident dealers will be unable to supply information on services provided to nonresidents. A data model, which would enable the compiler to calculate estimates of foreign exchange services by multiplying the average spread between midpoint and buy/sell rates by the volume of foreign exchange transactions with nonresidents, may have to be used.<sup>106</sup> Information on spreads could come from discussions with dealers. Information on volumes of foreign exchange transactions could be obtained either from the institution responsible for supervising and regulating the foreign exchange market or from market participants.

**568.** In practice, many transactions in BOP collections may be reported at buy and sell rates; thus, errors are introduced into the accounts. Such errors may not have a significant impact in the current account unless the country is a major provider of foreign exchange services to nonresidents. However, in the financial account, such errors could have a significant impact in countries where the turnover of transactions is high. Therefore, compilers should examine reporting practices and make adjustments to the accounts (or publish findings) when serious misreporting occurs.

### ***Government Services n.i.e.***

**569.** The BOP treatment of, and sources for information on, the three main types of transactions recorded in this item are described subsequently.

<sup>106</sup>When a nonresident dealer transacts with a resident other than a dealer, a service debit entry should be recorded. When a resident dealer transacts with a nonresident other than a dealer, a service credit entry should be recorded. When a foreign exchange transaction occurs between a resident dealer and a nonresident dealer, one dealer will act as the price-maker (producer) and the other will be a price-taker (consumer). In countries where such transactions are significant, the compiler should take care to identify separately those transactions in which the resident dealer is the price-maker (service credits are recorded) from those in which the dealer is the price-taker (service debits are recorded).

### ***Government Expenditure Abroad (Debits)***

**570.** Data on government expenditure abroad should be available from an ITRS or from official sources (see chapter 8, paragraphs 338-340).<sup>107</sup> Should the data be untimely, it may be necessary to extrapolate certain series—in which case government expenditure policies, budget decisions, and trends in historical data should be considered. Projections of these series would require a similar approach.

**571.** Local expenditure of diplomats and other government personnel posted abroad should also be recorded as debits for government services n.i.e. Data recorded on this expenditure could be based on the wages, etc.—details of which should be available from government records—paid to these persons. However, allowance should be made for the part of wages not used for such expenditure.

### ***Expenditure by Foreign Governments and International Institutions Located in the Compiling Country (Credits)***

**572.** This expenditure could be measured by using an ITRS or ES of nonresident bank accounts or by using a survey of foreign embassies and international institutions. (See paragraphs 380-383 of chapter 9 for details on surveys of foreign embassies and international institutions.) In each case, source data may only provide broad aggregates or partial data. Therefore, the compiler may have to establish a data model that uses data from these and other sources.

**573.** For example, from analyzing historical data, the compiler may observe a relationship between numbers of foreign embassy staff and expenditures by foreign governments. Timely information on staff numbers, which may be available from a country's ministry of external relations, could be multiplied by the historical relationship in order to derive current estimates of expenditure. Allowances should be made for such factors as inflation. Alternatively, a sample survey of cooperative embassies may provide information on the relationship between staff numbers and expenditures, which could be multiplied by total staff numbers to derive an overall estimate. Similar approaches can be used to project this item.

**574.** As with the compiling country's government expenditure abroad, wages and salaries paid by foreign governments and international institutions to local staff

<sup>107</sup>Wages and salaries paid by embassies, etc. to local staff—that is, residents of the host economy—should be recorded as compensation of employees in the BOP.

should be classified as compensation of employees. In certain sources, such as an ITRS, it may be difficult to separate these wages and salaries from related expenditures. However, it may be possible to determine, either from an occasional analysis of data from other sources or from discussions with certain embassies, a ratio for dividing total expenditure into appropriate components.

**575.** Local expenditure of diplomatic and similar personnel stationed in the compiling economy should also be recorded in government services n.i.e.<sup>108</sup> Previous observations about measuring the expenditure

<sup>108</sup>Persons cannot be residents of international institutions. All staff of international institutions staying in host countries for 12 months or more should be regarded as residents of those host countries. Persons staying in host economies for less than 12 months should be regarded as residents of the countries in which they maintain permanent households—typically their countries of origin.

of compiling country officials stationed abroad are also pertinent here.

#### *Services Associated with the Provision of Aid*

**576.** The *BPM* includes in the value of foreign aid the administrative costs incurred in the donor country as a result of providing the aid. The BOP compiler of the donor country could obtain information on these costs from official sources, such as records of the central aid agency. In the recipient country, the BOP compiler could obtain information from the embassy or the BOP compiler of the donor country. An alternative would be to use DAC records, which show these costs unclassified by recipient country. A particular recipient country's share of the domestic administrative costs of a particular donor country could be calculated by applying to total administrative costs the ratio of the recipient country's grants to total grants provided by the donor country.

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## XIII. Compiling the BOP Current Account: Income

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### Compensation of Employees

#### Introduction

**577.** Compensation of employees covers the earnings of border, seasonal, and other workers paid by an employer resident in one economy to employees resident in other economies. Compensation for employment may be earned by persons residing in economies that differ from the economies in which they work on a temporary basis and also by persons residing in their own economies. For example, foreign embassies, foreign military establishments, and international institutions may employ residents of the economies in which the embassies, etc. are located.

**578.** Compensation of employees includes compensation paid in kind, as well as that paid in cash. Transactions under this item should be recorded on a gross basis—that is, before any deductions for expenses (such as income taxes and acquisition, by the employee, of goods and services in the host economy). These expenses should be recorded under appropriate BOP items. The following example may help clarify the treatment of compensation of employees. A resident of country A works for three months in country B and earns \$500 in cash before tax. In addition, the employer provides accommodation estimated to be worth \$100. Income tax of \$120 is paid to the government of country B, and the worker spends \$200 on clothing and food during his stay in country B. The following entries would appear in the BOP of country A:

	Credit	Debit
Travel	...	300 <sup>1</sup>
Compensation of employees	600 <sup>2</sup>	...
Transfers	...	120 <sup>3</sup>
Reserves	...	180

<sup>1</sup>200 for food and clothing plus 100 for accommodation

<sup>2</sup>500 paid in cash plus 100 for accommodation paid in kind

<sup>3</sup>Income tax payable to government of country B

**579.** Credits for compensation of employees have two distinct components: (1) compensation earned by residents working for enterprises abroad and

(2) compensation earned by local staff working for foreign embassies and similar institutions—including international organizations—and by local staff working for nonresident enterprises operating in the compiling country. Likewise, debits for compensation of employees have two distinct elements: (1) compensation earned by nonresidents working for resident enterprises in the compiling country and (2) compensation earned by local staff working for the compiling country's foreign embassies and similar institutions located abroad and by local staff working for enterprises that operate abroad and are regarded as residents of the compiling country. The BOP compiler should be aware of each of these components because a collection methodology well suited to measuring one component may not be appropriate for measuring another.

#### Data Sources

**580.** Compensation of employees is typically measured by using one or more of the following sources: an ITRS, ES of employers, surveys of travelers, official sources, surveys of embassies, and partner country data.

#### International Transactions Reporting System (ITRS)

**581.** An ITRS may provide satisfactory coverage of residents working abroad or of nonresidents working in the compiling economy. However, the compiler should ensure that amounts reported for compensation of employees are stated on a gross basis and not net of expenses in the host economy. If this is not the case, the compiler should attempt to estimate gross amounts. The compiler might use a benchmark based on an alternative source, such as a survey of travelers, to make the estimate. For example, the compiler might establish percentages of compensation for employment that relate to income tax payable to the host economy's government, to goods and services acquired in the host economy, and to the net amount retained by the employee. Net amounts reported in an ITRS could then be expanded by using relevant percentages, and appropriate offset entries for transfers and travel could also be calculated. For example, the BOP compiler might establish that, for

residents working abroad, 10 percent of compensation is paid in taxes, 70 percent is expended on goods and services, and the remaining 20 percent is remitted to the compiling country and recorded in an ITRS. Credits for total compensation of employees would be equal to five times (100/20) the remitted amount. Transfer and travel debits would be equal to 10 and 70 percent of estimates of gross compensation of employees.<sup>109</sup>

**582.** Use of an ITRS to measure compensation of employees will, however, omit compensation paid in kind. Such compensation could be identified by using surveys of travelers or ES (for debits only).

**583.** The compiler should ensure that compensation for employment paid to local workers by foreign embassies and similar institutions and by enterprises that are not residents of the economies in which they are located (e.g., construction enterprises engaged in short-term projects) is not “bundled” with other BOP transactions. For example, an ITRS may record amounts transferred to cover expenses of the compiling country’s foreign embassies. It is important that amounts used to pay local staff be recorded separately from other expenses. If this is not the case, supplementary sources (such as official sources—in the case of embassies located abroad, surveys of embassies—in the case of foreign embassies in the compiling country, or ES—in the case of enterprises operating in economies in which they are not resident) could be used to provide necessary BOP information.

#### *Enterprise Surveys (ES) of Employers*

**584.** ES of employers could be useful sources of information on compensation payable by resident enterprises to nonresident employees and on compensation payable to local employees by nonresident enterprises located in the compiling economy.<sup>110</sup> The main advantages of using ES are that amounts are typically recorded on a gross basis, and compensation paid in kind can often be readily reported. The disadvantages of using ES are the amount of effort required to maintain coverage; the lack of information on credits for compensation of employees earned by residents working abroad and on compensation paid to local staff of embassies, etc.; and the expense of conducting a separate collection to measure what is, for many countries, a relatively trivial item in the BOP. Of course, collection expenses would be greatly reduced

if the information were collected as part of a general approach that used ES to compile BOP statistics.

#### *Surveys of Travelers*

**585.** As well as collecting information on travel expenditure, surveys of travelers could be used to collect information on compensation earned by travelers.<sup>111</sup> The disadvantage with this approach is that it fails to provide information on compensation payable to local staff of foreign embassies, etc. and on compensation payable to local staff working for enterprises operating in economies other than those in which the enterprises are resident.

#### *Official Sources*

**586.** Official sources may be able to provide useful information on compensation payable to the local staff of the compiling country’s embassies, etc. located abroad. Also, some countries have official agencies responsible for nonresidents working in the country or for residents working abroad. These agencies could have information that would be useful for compiling the compensation of employees item in the BOP.

#### *Surveys of Embassies, etc.*

**587.** Surveys of foreign embassies and similar institutions, including international organizations, located in the domestic economy could be a good source of information on compensation payable to resident staff working for these institutions.<sup>112</sup> Even if only a subset of embassies respond to such surveys, there may be reasonable information on per capita salary, etc., which could then be multiplied by the number of local staff working for foreign and international institutions in order to obtain an overall estimate. Information on staff employed by these institutions should be available from a country’s ministry for external affairs or from similar government organizations.

#### *Partner Country Data*

**588.** In some countries, partner country data may be the best source of information on compensation of employees (particularly credits). Alternatively, partner country data

<sup>109</sup>For best results, separate percentages should be calculated for nonresidents working in the compiling economy and for residents working abroad.

<sup>110</sup>Such surveys are discussed in chapter 4, paragraphs 169-173.

<sup>111</sup>For information on these surveys, see chapter 7, paragraphs 315-324.

<sup>112</sup>These surveys are described in chapter 9, paragraphs 380-382.

could be used as a check on estimates derived from other sources.

### ***Estimation in the Absence of Data, Extrapolations, and Projections***

**589.** In the absence of complete data, a data model or models could be used to estimate part or all of the compensation of employees. The use of most data models involves multiplying estimates of numbers of employees by estimates of per capita compensation. The numbers of residents working abroad and of nonresidents working in the domestic economy could be available from migration statistics or from an official source, such as a relevant government agency.<sup>113</sup> Estimates of per capita compensation could be based on benchmark studies and adjusted for growth occurring in wages after the period of the study and for any other necessary factors. The estimates could also be based on other related indicators, such as the average earnings of employees in the compiling economy. This indicator could be used for deriving estimates of compensation paid to nonresidents working in the compiling economy or compensation paid to local staff of foreign embassies, etc. In addition, such estimates could be based on the average earnings of employees in partner countries. This indicator could be used for deriving estimates of compensation paid to residents working abroad or compensation paid to local staff of the compiling country's embassies and similar institutions abroad.

**590.** Extrapolations and projections of compensation of employees generally involve similar techniques. When numbers of employees are extrapolated or projected, provision should be made for any known or expected developments taking place in the compiling economy (or in partner country economies) and having a potential impact on these numbers. Likewise, when per capita compensation estimates are extrapolated or projected, account should be taken of known or expected developments in wages and, when relevant, exchange rates.

<sup>113</sup>If migration statistics are used in data models, estimates should (when possible) be used for numbers of persons traveling to other countries to work for employers located there. (This is not the same as the category of business travel, which includes travel by persons working for employers in their home countries.) However, such estimates may not be available. (That is, the compiler may be unable to distinguish residents traveling abroad to work for nonresident enterprises from other residents traveling abroad and nonresidents traveling to work for resident enterprises from other nonresident visitors.) Estimates of total numbers of travelers could then be used if this approach is also reflected in estimation of the per capita compensation element of the data model.

## **Investment Income**

### ***Introduction***

**591.** Investment income is income derived from ownership of external financial assets and payable by residents of one economy to residents of another economy. Investment income includes interest, dividends, remittances of branch profits, and direct investors' shares of the retained earnings of direct investment enterprises.<sup>114</sup> Investment income should be classified by direct, portfolio, and other investment components. Direct investment income should be further subdivided by dividends and branch profits, reinvested earnings, and interest. Portfolio investment income should be classified by dividends, interest on bonds and notes, and interest on money market instruments and financial derivatives. In supplementary classifications of the *BPM*, portfolio and other investment income are classified by resident sector.

**592.** Close relationships often exist among investment income, transactions in external financial assets and liabilities (the financial account of the BOP), and stocks of these assets and liabilities (the IIP). Because of these relationships, investment income estimates are often compiled from sources similar to those used to compile the financial account and the IIP. Accordingly, it may be helpful to refer to chapter 16 in conjunction with the investment income part of this chapter.

### ***Data Sources***

**593.** An ITRS, surveys of enterprises (including banks) with external assets and liabilities, ES of financial intermediaries, or official sources can be used to measure BOP transactions in investment income. Whatever approach is used, collection and estimation methods should be well designed to ensure that investment income is measured accurately. Table 13.1 summarizes the possible compilation strategies available to the compiler.

**594.** An ITRS can serve as a comprehensive source of data for measuring investment income. However, some transactions require special attention if investment income is to be measured completely and accurately. Many investment income transactions are not made through the banking system or do not involve the payment of cash. The compiler should ensure that these transactions are reported and that offsetting entries are also recorded. Many reporters tend to record certain transactions on a net basis—that is, after certain costs (such as withholding

<sup>114</sup>For a full description of the components of investment income, see chapter 14 of the *BPM*.

**Table 13.1 Compilation of Investment Income Items**

Item Number	Description	Source and Method of Compilation
x330	<i>Direct investment income</i>	These data, other than reinvested earnings, can be collected through an ITRS or ES. In either case, care should be taken to ensure that noncash income is collected.  Data on reinvested earnings can be collected as a supplement in an ITRS, in ES, or sometimes as a byproduct of a foreign exchange or foreign investment approval system.
x331	Income on equity	
x332	Dividends and distributed profits	
x333	Reinvested earnings	
x334	Income on debt	
x339	<i>Portfolio investment income</i>	<i>Income credits</i> (income receivable on claims on nonresidents) can be collected in an ITRS, surveys of enterprises, surveys of financial intermediaries, or from official records. Care should be taken to ensure that income accrued but not paid is measured and offset appropriately in the financial account. An alternative methodology may involve maintaining an inventory of securities held by residents and estimating the dividends and interest on that stock by using yield analysis.  <i>Income debits</i> (income payable on liabilities to nonresidents) can be collected through an ITRS, a survey of enterprises, surveys of financial intermediaries, or official sources. Care should be taken to ensure that income accrued but not paid is measured and offset appropriately in the financial account. An alternative methodology would involve maintaining an inventory of securities held by nonresidents and estimating the dividends and interest payments on that stock by using yield analysis.
x340	<i>Income on equity</i>	
x341	Monetary authorities*	
x342	General government*	
x343	Banks*	
x344	Other sectors*	
x349	<i>Income on debt</i>	
x350	Bonds and notes	
x351	Monetary authorities*	
x352	General government*	
x353	Banks*	
x354	Other sectors*	
x360	Money market instruments and financial derivatives	
x361	Monetary authorities*	
x362	General government*	
x363	Banks*	
x364	Other sectors*	
x370	<i>Other investment income</i>	Data can be collected through an ITRS, ES, or official sector sources. Some countries estimate income flows on certain assets, such as other sectors' deposits abroad, by using data obtained from international institutions. Alternatively, data models based on yield analysis may be used to estimate certain components.
x371	Monetary authorities*	
x372	General government*	
x373	Banks*	
x374	Other sectors*	

\*Denotes supplementary components

taxes and finance charges) have been deducted. Rules pertinent to these matters should be clear to ensure that data is reported according to BOP requirements. Also, discount and premium income associated with nonequity securities may not be separated from other amounts paid at the redemption, so an ITRS should be designed to collect information on premiums and discounts. If not, alternative sources for this information should be established.<sup>115</sup> Interest accrued and not paid may be missed unless the

compiler monitors such transactions carefully. The issue of recording interest on an accrual basis is discussed further in a subsequent section of this chapter. As persons completing ITRS forms may be somewhat overwhelmed by the level of detail, an ITRS must be well designed to ensure correct classification of transactions. In addition, an ITRS will not measure reinvested earnings. It is likely that the compiler will have to approach enterprises directly to measure reinvested earnings attributable to direct investors. The compilation of reinvested earnings is discussed in a subsequent section of this chapter.

<sup>115</sup>Related financial transactions reported in an ITRS also may have to be adjusted for premiums and discounts.

595. ES may be selective (for example, concentrating only on banks or enterprises in direct investment relationships) or broadly based (for example, covering all enterprises with external assets and liabilities). Income should be recorded on a gross basis—that is, before the deduction of financial fees and withholding taxes. As with an ITRS, it is important that enterprise survey collection forms are well designed, that reporters have a good understanding of the collection requirements, and that close contact is maintained between the compiler and collection reporters. ES may include collections from financial intermediaries that report data on income from securities.

596. Data, especially that related to official debt and reserve assets, on investment income could also be obtained from official sources. The official debt office may also have, particularly when interest payments are guaranteed by the government, information on interest payable by other sectors of the economy.

597. Some countries require, either as part of foreign exchange controls or foreign investment approval procedures, that enterprises submit applications to remit profits. These applications could be used to estimate some components of investment income.

### ***Estimation in the Absence of Data, Extrapolations, and Projections***

598. The most common approach to estimating investment income in the absence of actual data is to use a data model in which income yields are applied to levels of financial assets or liabilities.<sup>116</sup> This approach is quite commonly used to estimate interest and dividends on securities and is sometimes used to estimate income on other financial items, such as loans and deposits.<sup>117</sup> However, this approach is rarely used to measure direct investment income. Like most other data models, the income yield model works best when used at the greatest possible level of disaggregation. For example, better estimates of portfolio investment income debits would be derived if separate models were established for equities and for nonequity securities than if a single model were used to derive estimates. In more sophisticated models, the income on each type of security held is estimated separately, and the yield pertaining to the security is taken into account.

<sup>116</sup>Levels of financial assets and liabilities may either be measured directly or derived by using the perpetual inventory method. For an explanation of this method, see chapter 16, paragraphs 740-743.

<sup>117</sup>For an example of the use of the yield approach to derive estimates of investment income, see chapter 16, paragraph 776.

599. One of the keys to developing estimates of good quality is choosing an appropriate income yield. For estimates of dividend debits, the average dividend yield in the compiling country's stock markets could be a good indicator. For estimates of dividend credits, the weighted average yield in the stock markets of partner countries could be appropriate.<sup>118</sup> For interest debits and credits, separate models should be developed for each significant type of instrument and by each currency in which financial assets and liabilities are denominated. For example, for loan liabilities denominated in U.S. dollars, an appropriate yield might be the U.S. lending rate, adjusted for risk (if any) associated with the compiling country. *International Financial Statistics (IFS)*, which is published by the IMF, provides a number of interest rates that may be useful in determining appropriate yields.<sup>119</sup> If disaggregation of this nature is not possible, then a weighted average yield, with weights determined on the basis of whatever information is available, could be applied.

600. When actual data are not available on a timely basis, estimates of investment income will have to be extrapolated from data for earlier periods. Most extrapolation techniques for portfolio and other investment income involve determination of historical income yields. These yields are then adjusted, in the case of interest, for changes in interest rates and credit risks and, in the case of dividends, for changes in profitability and policies with regard to the retention of earnings.<sup>120</sup> The adjusted yields are then applied to estimates of stocks, which may be based on actual data or extrapolated.<sup>121</sup> Alternatively, the compiler may use known interest payment schedules for certain components of debt and yield analysis for the remainder. For the extrapolation

<sup>118</sup>The weights may be determined by using the proportion of portfolio equity assets located in each country.

<sup>119</sup>These rates are included in world and area tables provided at the beginning of issues of IFS.

<sup>120</sup>Changes in interest rates will not fully impact other investment income in the periods in which the changes occur because many financial assets and liabilities will have fixed rates of interest. The compiler should analyze the composition of other investment assets and liabilities to determine the fixed-interest component. This information should be used to moderate the impact of changes in interest rates on income estimates. Changes in interest rates should change the market value of fixed-interest securities (portfolio investment) so that actual yields equal the prevailing rate of interest. If these changes in market values are captured in underlying stock estimates (as discussed in chapter 16), there would be no reason for the compiler to moderate the impact of any changes in interest rates when he or she extrapolates portfolio investment income by using the income yield approach. Information on changes in profitability could be available from profit surveys used to compile national accounts or from tax records. Information on changes in distribution policies could be obtained from stock exchanges. For example, changes in the ratio of average dividend yields to the inverse of the average price/earnings (p/e) ratio could be used as an indicator of changes in distribution policies.

<sup>121</sup>See chapter 16 for further details.

of direct investment interest, similar techniques could be used. For equity income on direct investment, the best results are usually achieved when total equity income—that is, dividends and remittances plus reinvested earnings—is extrapolated and then broken down into component parts on the basis of historical distribution patterns and known changes in these patterns. The compiler may also be able to obtain useful information on profitability and on dividend payments from discussions with a few significant direct investors (in the case of credits) and direct investment enterprises (in the case of debits).

**601.** Projections of investment income typically involve techniques similar to the extrapolation techniques described previously. When projections are developed, account should be taken of expected changes in interest rates, profitability, dividend distribution policies, exchange rates (when financial assets and liabilities are denominated in foreign currencies), etc. In some cases, schedules of interest payments or enterprise forecasts of dividends may be available, and the compiler should use this information in developing projections.

### ***Calculation of Reinvested Earnings on Direct Investment***

**602.** In most cases, reinvested earnings on direct investment are calculated by using the accounts of direct investment enterprises.<sup>122</sup> There are several broad steps involved in measuring reinvested earnings. These are:

Calculate operating profit.

Calculate, from operating profit, net earnings before tax by taking into account other current earnings (such as dividend receipts, rents, net interest receipts—that is, interest receivable less interest payable), other current transactions (such as insurance claims), and the enterprise's share of the reinvested earnings of any subsidiary or associate enterprises.<sup>123</sup>

Calculate net earnings after tax by deducting taxes due for payment.

Derive total retained earnings by deducting dividends due for payment from net earnings after tax.

<sup>122</sup>For direct investment abroad, direct investors in the compiling economy should have access to the accounts of their direct investment enterprises and should be approached for the necessary BOP information.

<sup>123</sup>If the consolidated accounts of a group of enterprises are used in the calculation of reinvested earnings, only the reinvested earnings from any enterprises that are outside the group and in which the group has a significant shareholding (that is, 10 percent or more) should be included in this step.

Determine each direct investor's share of retained earnings by multiplying total retained earnings by the percentage of total voting equity held by each direct investor in the enterprise.

**603.** All of these data should be available from the accounts of enterprises concerned and, more particularly, from enterprise income and expenditure and profit and loss statements. In practice, enterprises could be permitted to report on an individual basis or a group of related enterprises could report on a consolidated basis. To be fully consistent with requirements of the *BPM* and the *SNA*, the BOP compiler may have to make some of the adjustments that are subsequently discussed.

**604.** Operating profit is equal to operating revenue (or sales) plus changes in physical stocks held (inventories) less operating costs incurred in producing output. Costs incurred include materials used, wages, salaries and supplements paid, other expenses, and depreciation.

**605.** Depreciation should be calculated on the basis of replacement cost. However, company accounts may reflect a variety of bases, including historic cost depreciation. When advising companies on how to report, the compiler could suggest that depreciation be calculated by using current cost accounting methods and by excluding any special tax allowances for depreciation, such as accelerated depreciation allowances. Alternatively, the BOP compiler may, in conjunction with the national accounts compiler, make an aggregate adjustment, which is based upon a knowledge of company accounting practices, to depreciation estimates underlying reported reinvested earnings data. Another option is for the BOP compiler to ask companies on what basis depreciation was recorded; when replacement cost was not used, the compiler may consider making adjustments to data reported in individual collection forms.

**606.** Similarly, changes in physical stocks should be calculated by using current valuation accounting methods. It is important that gains in stocks arising from price changes be excluded from the calculation of changes in stocks.<sup>124</sup> The compiler may advise enterprises to use such methods to value the change in stocks, may make an aggregate adjustment in consultation with the national accounts compiler, or may collect (with a view to making individual adjustments to reported data) information on the method used to value the change in stocks.

**607.** Operating profit should be adjusted to determine net earnings before tax by taking into account other

<sup>124</sup>The exclusion is particularly important in high inflation countries.

current earnings (such as dividends receivable), net interest receipts (interest receivable less interest payable), current transfers (such as subsidies received), and the reinvested earnings receivable from other enterprises (including enterprises located abroad). Income items should not include capital items, such as exchange rate gains and losses, proceeds from sales of assets, and provisions for write-offs of bad debts.

**608.** Net earnings after tax are calculated by deducting taxes due for payment from net earnings. Reinvested earnings are derived by deducting, from earned profits after tax, any dividends due for payment (or profits remitted, in the case of branches). A direct investor's share of reinvested earnings should be calculated according to the direct investor's equity share in the enterprise.

**609.** As previously noted, the calculation of reinvested earnings should not include reinvested earnings derived from capital items, even if these are included in enterprise profit and loss statements. For example, if an enterprise sold an asset on which it made a windfall profit—that is, the sale price of the asset was greater than the purchase price—a direct investor's share of that profit should be shown in the BOP as a distribution of capital and the subscription of new capital and not included as part of the calculation of reinvested earnings.<sup>125</sup>

**610.** Insurance enterprises may be direct investment enterprises. For purposes of calculating operating profit, the output of these enterprises should equal premiums earned, plus net income from investment, less claims due, less changes in actuarial reserves.<sup>126</sup> If life insurance enterprises are organized as mutual funds, all changes in the assets of these funds are attributable to policyholders. Hence, the reinvested earnings of these funds are not attributable to the enterprises that manage them.

**611.** Banks may also be direct investment enterprises. Operating revenue for these enterprises and other financial intermediaries should equal fee-based revenue (including imputed fees such as those from foreign exchange trading), plus property income receivable, less property income payable.<sup>127</sup> Of course, property income used in the calculation of operating profit should be excluded from the calculation of net earnings before tax.

**612.** Reinvested earnings can also be derived from examination of an enterprise balance sheet. One of the

components of a balance sheet is shareholder funds. Shareholder funds may change in a period as a result of:

- issues less redemptions of shares;
- extraordinary items, such as capital gains and losses;
- changes in revaluation reserves;
- retained earnings.

**613.** Thus, retained earnings can be measured directly or derived by deducting the first three components from the total change in shareholder funds. However, the compiler should be aware that an enterprise balance sheet may be prepared according to accounting rules that differ from those required by the *BPM* and the *SNA*. (In particular, differences may arise with stock valuations, recording and classification of capital gains and losses, and depreciation.) The differences may have an impact on the derivation of reinvested earnings from balance sheets and, when the impact is significant, an appropriate adjustment should be made. For this reason, many BOP compilers prefer to calculate reinvested earnings by analyzing profit and loss statements (in which appropriate adjustments are more easily identified) rather than calculating reinvested earnings from balance sheets.

### ***Recording Interest Income on an Accrual Basis***

**614.** Interest is recorded in the BOP and the national accounts on an accrual basis.<sup>128</sup> That is, interest on the amount of principal outstanding is recorded as accruing continuously to the creditor. Accrued interest is the amount ultimately receivable by the creditor and payable by the debtor. Accrued interest may differ from the amount due to be paid during a specified period, and this amount may, in turn, differ from the amount actually paid in the period.

**615.** In the BOP, offset entries to accrued interest can take one of three forms. First, if interest is accrued during a particular period but not due for payment in that period, the offset to the accrued interest should be recorded as a financial account transaction in the same type of instrument as the underlying principal. For example, if a resident of the compiling country holds a bond issued by a nonresident enterprise, and interest of 10 is accrued but not due for payment during a particular period, the

<sup>125</sup>The two BOP entries required in the case of reinvested capital gains are made to the same financial account item and the result is therefore net. Consequently, it is not, in practice, necessary to measure these unless additional information beyond that required by the standard components is being provided in the BOP.

<sup>126</sup>For a description of these components, see chapter 12, paragraphs 551-552.

<sup>127</sup>Property income (in this case) is equal to investment income plus rent.

<sup>128</sup>The fourth edition of the *BPM* advocated recording interest on a due-for-payment basis.

following BOP entries should be recorded:

	Credit	Debit
Portfolio investment income		
Income on debt—bonds	10	...
Portfolio investment—assets		
Debt securities—bonds	...	10

**616.** When interest is actually paid—which, in the case of discount income on a security, will be when the security is redeemed—the offset to the payment should be recorded as a reduction in investment in the instrument in which the offset to the accrued interest was recorded rather than as investment income.

**617.** Second, if interest accrued during a particular period is paid during that period, the offset to the accrued interest is simply a transaction in the instrument by which payment is made.

**618.** Third, if the interest accrued during a particular period is due for payment during that period but not actually paid, the offset to the accrued interest should be shown as an increase in interest arrears, which is recorded under the other assets/liabilities item in the other investment component of the financial account. For example, if the interest accrued on country A’s loans from nonresidents during a particular period is 25 and that amount is due for payment but not paid during the period, the following entries should be recorded in the BOP of country A:

	Credit	Debit
Other investment income	...	25
Other investment—liabilities		
Other liabilities	25 <sup>1</sup>	...

<sup>1</sup>In analytical presentations of the BOP, this entry would be shown as part of exceptional financing.

**619.** When interest in arrears is actually paid, the interest should be recorded as an extinguishment of arrears rather than as investment income.

**620.** For securities (portfolio investment), accrued interest for a particular period should be calculated by applying the prevailing interest rate to the average market value of the security.<sup>129</sup> The result may differ from coupon interest payments made during the period. If coupon interest payments are higher than calculated accrued interest, the difference should be recorded as a withdrawal of investment in the underlying security. If

<sup>129</sup>For a discussion on compiling estimates of stocks of securities at market values, see chapter 16, paragraphs 732-743.

coupon interest payments are lower, the difference should be recorded as further investment in the underlying security.<sup>130</sup>

**621.** To obtain the information necessary for properly recording accrued interest on securities, the BOP compiler could approach creditors and debtors through ES or a supplement to an ITRS. However, use of prevailing interest rates for calculation of accrued interest on securities may or may not parallel ways that debtors or creditors record interest in their accounts. Debtors may calculate accrued interest on the basis of the interest rate applicable at the time a security was issued. Creditor calculations may be based on the time a security was acquired. From the BOP point of view, such calculations lead to inaccurate results when interest rates change significantly over time. Also, interest may be recorded when coupon payments are due. This method of recording interest will have a detrimental impact on the BOP only in the case of zero coupon and deep discounted bonds.<sup>131</sup> In each of these cases, the compiler should make adjustments when the impact is significant.

**622.** For other types of debt, accrued interest should be calculated in accordance with interest terms specified in the contract. For example, if a contract specifies a fixed-interest rate of 10 percent each year, the accrued interest for each year should be calculated as 10 percent of the amount outstanding. On the other hand, if floating interest rates are applicable to debt, the prevailing rate appropriate to the debt instrument should be used to calculate accrued interest.

**623.** The nature of an ITRS makes it more difficult to measure interest on an accrual basis than on a payment basis. Nonetheless, an ITRS can be used as a source for measuring investment income in the balance of payments because interest, in many cases, is paid in the periods in which it is accrued. The compiler need only be concerned about collecting supplementary information for significant cases in which interest is not paid in the same period in which it is accrued (for example, interest in arrears

<sup>130</sup>The first-mentioned case—that is, coupon payments are greater than accrued interest—can only occur for securities issued or trading at a premium. In these cases, the coupon interest payments contain an element representing “repayment” of the premium—hence the recording of a decrease in investment when the coupon payment is made. The opposite case—that is, coupon payments are less than accrued interest—can only occur for securities issued or trading at a discount. In these cases, coupon interest payments represent only a part of the creditor’s return; the other part is the discount itself, which is payable at redemption. Accordingly, an increase in investment reflecting accrual of the discount is reflected in the BOP.

<sup>131</sup>For a full discussion of BOP recording issues associated with these types of bonds, see chapter 16, paragraphs 760-762.

and interest on zero coupon and deep discounted bonds).

624. Conversely, the use of yield analysis to derive estimates of investment income accords closely with the requirements of accrual accounting. The compiler should be aware, however, of situations in which prevailing interest rates are not relevant for the calculation of accrued interest—that is, in the case of fixed interest, nontradable debt—and should ensure that these are considered in the calculation of interest yields.<sup>132</sup>

### ***Financial Intermediation Services Indirectly Measured (FISIM)***

625. The *SNA* recommends that national accounts compilers should compile financial intermediation services indirectly measured (FISIM). These consist of services that (a) are provided by financial intermediaries but not explicitly charged and (b) may be imputed or derived from the difference between an appropriate reference interest rate (such as the interbank or central bank rate) and interest rates actually applied to loans or debt securities (rates paid by borrowers) and deposits (rates received by depositors).<sup>133</sup> The *SNA* allows some flexibility in recording FISIM. National accounts compilers in some countries may prefer to record FISIM as intermediate consumption of a nominal industry that has no implications for the BOP. Compilers in other countries may wish to allocate FISIM to users of the services.

626. In the second case, if users and providers of FISIM are residents of different countries, supplementary information may be provided in the BOP to meet national account requirements. The *BPM*, unlike the *SNA*, does not require reclassification of FISIM from interest to services.

627. For interest receivable by financial intermediaries, FISIM are components of actual interest. For interest payable by financial intermediaries, the actual interest is the difference between the amount that would have been payable if the reference rate had been used to calculate

interest and FISIM. In both cases, the service provider is the financial intermediary.

628. The following example illustrates supplementary entries in BOP accounts. In a particular period, the nonbank enterprise sector in country A earns 52 units of interest on bank deposits of 1,300 units (denominated in currency B) in country B and pays 48 units of interest on bank loans of 800 units (denominated in currency B) from country B. Therefore, in the period, the average interest rate on currency B bank deposits (earned by the nonbank enterprise sector in country A) was 4 percent, and the average interest rate (paid by the nonbank enterprise sector in country A) on bank loans was 6 percent. The interbank rate (the reference rate) for currency B was 5 percent. The imputed service charge earned, in respect of currency B, by banks in country B from the nonbank sector in country A would be 1 percent of the value of both deposits and loans; the imputed service charge would be calculated as the difference between actual rates and the reference rate. Relevant entries in the BOP for country A would be:

	Credit	Debit
Income		
Other investment		
Financial intermediation		
services indirectly measured	...	13 + 8 <sup>2</sup>
Other interest	65 <sup>1</sup>	40 <sup>3</sup>
Financial account (net)	...	4

<sup>1</sup>Equals the interest receivable on deposits plus FISIM applicable to deposits

<sup>2</sup>Equals 1 percent of deposits plus 1 percent of loans

<sup>3</sup>Equals the interest payable on loans less FISIM applicable to loans

629. Gross income entries shown in the example are different from those that would be shown if FISIM were not recorded. However, net entries are the same.

630. The calculations previously described would have to be made for both portfolio and other investment interest income.<sup>134</sup> To make such calculations, the compiler should collect—possibly on a periodic and selective basis—data on interest rates applicable to each instrument and currency and monitor changes in interest rates. For this purpose, it may be necessary to collect periodic data, from which yield data may be calculated, on the currency of denomination of both stock positions and income classified by broad instrument and sector. The difference between the yield and the reference rate of interest is the imputed service charge, which should be applied to

<sup>132</sup>This information could, for example, be obtained from a sample of nontradable debt agreements between residents and nonresidents.

<sup>133</sup>A separate reference rate should be used for each currency. For some currencies, the (interbank) reference rate may vary from market to market. For example, the interbank rate for U.S. dollars in Europe (Eurodollars) may differ from the U.S. dollar interbank rate in the United States. Nevertheless, the rate applicable to the country that issues the currency should suffice for most compilation purposes. For example, for assets and liabilities denominated in U.S. dollars, the reference rate should be that used in the United States.

<sup>134</sup>FISIM are not applicable to direct investment because any financial intermediation between enterprises in a direct investment relationship should be treated as portfolio or other investment.

the stock of debt to calculate FISIM. Alternatively, data on stock positions and income classified by broad instrument, currency, and sector could be used in conjunction with data on interest rates collected selectively from transactors. The difference between reference rates and

average actual interest rates for each currency, instrument, and sector would be applied to stocks of debt to calculate FISIM. If the BOP compiler prepares FISIM estimates, he or she should work closely with the national accounts compiler.

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## XIV. Compiling the BOP Current Account: Current Transfers

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### Introduction

**631. Transfers** are offset items required to balance unilateral transactions in which one economic entity provides a real resource, such as goods or services, or a financial item to another entity without receiving any real resource or financial item in exchange. Transfers, according to the *BPM*, should be classified as **current** or **capital**. Current transfers, which are the subject of this chapter, are all transfers that are not capital.<sup>135</sup> Therefore, **current transfers** are those that:

- do not transfer ownership of a fixed (capital) asset;
- are not linked to acquisition or disposal of a fixed asset;
- do not involve forgiveness of a liability by a creditor.

Capital transfers, which are part of the BOP capital account, are discussed in chapter 15 of this *Guide*.

**632.** Current transfers are classified as those involving the compiling country's general government and those involving other domestic sectors. The latter are subdivided into workers' remittances and other transfers.

**633.** Table 14.1 shows the main types of current transfers and summarizes sources and methods that could be used to compile appropriate entries in the BOP.

### Data Sources and Methods

#### *International Transactions Reporting System*

**634.** An ITRS is often an effective means for measuring transfers that involve cash payments. However, an ITRS does not always measure noncash transactions adequately; data from other sources may be required to provide comprehensive coverage of transfer transactions. Also, many reporters may net certain transfers against related BOP items. (For example, income payments may be recorded after withholding taxes are deducted.) In addition, misreporting may occur because the distinction

between transfers and other BOP items, such as some services, is not always straightforward. Clear rules are therefore necessary to ensure that reporters provide data according to BOP requirements.

#### *Other Sources*

**635.** Surveys of employers and employment recruitment agencies may provide information on workers' remittances. Enterprise surveys could be used to measure withholding taxes payable to nonresident governments and to gather data necessary to estimate the transfer element of insurance transactions. An enterprise survey of banks could be used to obtain data on remittances made by workers. To measure private aid flows, it may be necessary to approach private development aid agencies.

**636.** Official sector sources—such as government accounts, official development assistance (both donor and recipient accounts), and tax records—could be used to measure current transfers associated with the compiling country's government. These should provide comprehensive information; however, care should be exercised in using these accounts to ensure that coverage of transactions is complete.

**637.** A survey of foreign embassies and international institutions could be used to measure certain transfers, including official development assistance and private transfers. Surveys of households might be a possible source of information on workers' remittances, pensions paid by foreign governments, and personal gifts.

#### *Estimation in the Absence of Data*

**638.** While it is difficult—in the absence of data—to estimate many current transfer items, estimates for some items may be developed via data models.

**639.** For example, if the compiler knows the number of foreign workers<sup>136</sup> in the compiling economy and can develop (perhaps from a survey of a sample of

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<sup>135</sup>For a detailed discussion on the nature of current transfers, see chapter 15 of the *BPM*.

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<sup>136</sup>The term foreign workers refers to persons who migrate to work in the compiling economy for 12 months or more.

**Table 14.1 Compilation of Current Transfer Items**

<b>Item Number</b>	<b>Description</b>	<b>Source and Method of Compilation</b>
x380	<i>General government</i>	
	Technical assistance	For the donor country (debits), data should be available from official records. For the recipient country (credits), information could be available from official records or partner country data. Data on the cash component could be available from an ITRS. Costs incurred in the donor's country should be included in the value of technical assistance.
	Budgetary grants	For both recipient and donor countries, data should be available from official budget records or from an ITRS. Care should be taken to ensure that investment grants are recorded, in the capital account, as capital transfers rather than as current transfers.
	Withholding taxes, fines, fees, etc. (credits only)	Data should be available from official sources, such as tax records (in the case of withholding and records of other relevant government agencies (in the case of fees, fines, etc.).
	Membership fees payable to international and other organizations (debits only)	Data should be available from official budget records or from the responsible agency, such as the ministry of external affairs.
	Pensions payable to nonresidents (debits only)	Data should be available from official budget records, from the responsible agency (such as the ministry of social security), or from an ITRS.
	Scholarships for education (debits only)	Data should be available from official budget records or from the responsible agency, such as the ministry of education. It is important that the offset to this transfer be recorded in the travel credits item if the scholarship relates to study in the donor country.
	Other current transfers	Data could be available from official records or, for cash transfers, from an ITRS.
x390	<i>Other sectors</i>	
x391	<i>Workers' remittances</i>	Data could be available from an ITRS, surveys of employers and recruitment organizations, or household surveys (such as income and expenditure surveys).
x392	<i>Other current transfers</i>	
	Net premiums and claims on nonlife insurance	An ITRS or ES could be used to obtain underlying data on premiums and claims; such data could be used to calculate these entries. However, as explained in chapter 12, paragraphs 551-561, the compiler must manipulate these data to derive estimates of transfers associated with nonlife insurance.
	Pensions receivable from foreign governments (credits only)	Data could be available from an ITRS, from the records of a local payments agent (if such an agent exists), from surveys of households, or from partner country information.
	Withholding taxes, fines, fees, etc. payable to foreign governments (debits only)	Data could be available from an ITRS or from ES. Care should be taken that these transactions are recorded as transfers and not netted against other related transactions, such as income payments.
	Scholarships for education (credits only)	Data could come from the local agency responsible for distributing the grants (if such an agency exists) or from partner country records. It is important that the offset to the transfer be recorded in the travel debits item if the scholarship relates to study outside the recipient country.
	Other	Data could come from an ITRS or from surveys of enterprises and households.

such workers) an estimate of average remittances per worker, he or she could then estimate worker remittance credits by multiplying the number of workers by average remittances.

**640.** The number of foreign workers could be estimated by using migration statistics. For any period, net arrivals of foreign workers—that is, the number of immigrants less the number of resident workers returning to countries of origin—would be a good indicator of the change in the number of foreign workers in the compiling economy. Allowance should be made for foreign workers who retire from the workforce but remain in the host country. A similar approach could be used to estimate the number of nationals working abroad.<sup>137</sup> Alternatively, a government agency (such as the ministry of labor) or a private employment agency could provide estimates on the number of foreign workers in the compiling country or on the number of nationals working abroad.

**641.** A model for estimating technical assistance credits could be developed on the basis of the number of technical assistance personnel (experts) in the compiling country and on information about the average cost per expert. Information on numbers of experts could come from the country's ministry of external affairs. Information on average cost could come from a partial survey of nonresident institutions providing technical assistance or from other sources investigated by the compiler. (For a discussion on the treatment of technical assistance in the BOP, see paragraphs 645–647.)

**642.** Withholding taxes, by nature, are often closely related to investment income. If the relationships are known, withholding taxes could be estimated on the basis of investment income. For example, if a country imposes withholding taxes of 5 percent on dividends payable to nonresidents, withholding tax credits could be estimated as 5 percent of dividend debits. Withholding tax credit data models increase in complexity if different rates of withholding taxes are levied (1) on different types of income or (2) on income payable to residents of different countries. However, the general approach would remain the same. An indication of the relationship of withholding tax debits to income credits could be obtained by approaching a sample of enterprises with external financial assets.

### ***Extrapolations and Projections***

**643.** When timely data are not available, estimates of transfer items will have to be extrapolated on the basis of

historical trends and any other relevant information that may be available. For example, changes in the number of technical assistance personnel working in a country could be used to extrapolate estimates of technical assistance credits; changes in investment income could be used to extrapolate withholding taxes; and changes in numbers of foreign workers and nationals working abroad could be used to extrapolate worker remittance debits and credits, respectively.<sup>138</sup>

**644.** Similar techniques could be used to project estimates of current transfer items. Additionally, the compiler should consider budgetary forecasts for projections of certain components of official transfers, such as grants to foreign government budgets and payments to international organizations. Also, changes in government policy that may affect transfer items—for example, a decision to restrict the number of foreign workers in a country—should be considered when projections are developed.

### **Treatment of Technical Assistance in the BOP**

**645.** For compilation of the technical assistance element of current transfers, it is not relevant whether technical assistance experts are residents or nonresidents of the host country. The important issue is whether the salaries of these experts are financed by a country other than the host country because BOP transfer entries relating to technical assistance reflect the source of funds. All technical assistance experts are considered to work for the host country, regardless of whether their salaries are actually paid by the donor organization or by the host country.

**646.** However, the residency of experts is important for determination of offset and other entries related to current transfer entries. If experts are considered nonresidents, their salaries should—to be consistent with the concept that they are employed by the host country—be recorded as part of compensation of employees. Any expenditures of nonresident experts in the host country should be recorded as part of the travel item. On the other hand, if experts are considered residents of the host country, any salaries paid to them are resident-resident transactions and thus outside the scope of the BOP. In these cases, offset entries to current transfers will be reflected in financial account items—typically as increases in the host country's deposits with nonresident banks. Likewise,

<sup>137</sup>Nationals of the compiling country who work in another country for 12 months or more are nationals working abroad.

<sup>138</sup>For a discussion of the terms foreign workers and nationals working abroad and possible methods of measuring their numbers, see paragraphs 639–640 and related notes.

expenditures of resident experts in the host economy are excluded from the BOP. Any remittances made by these experts to other countries should be shown as workers' remittances in the BOP.

647. The cost of technical assistance activity includes experts' wages and salaries financed by the donor country and any other associated costs, such as the transportation and accommodation of experts, financed by the donor country.

### **Treatment of Food Aid in the BOP**

648. Many countries receiving food aid have a centralized government agency responsible for distributing the food. Such agencies are often a good source of information on this type of aid. The compiler should ensure that food imports and offsetting transfer entries in the BOP are valued at market prices. The market price could be established by reference to international commodity prices or the value of comparable, non-aid imports.<sup>139</sup> If the donor pays transportation costs, as is typically the case, information on these services should also be collected.

<sup>139</sup>Any difference between this value and the price charged by the recipient government to resident consumers should be regarded as a subsidy. As such subsidies are pertinent to transactions between residents of the same country, these subsidies are outside the scope of the BOP.

In the recipient country's BOP, these services should be shown as a debit to the appropriate transport item and offset by a transfer credit. The services could be measured on the basis of actual costs incurred by the donor or by applying average freight rates on non-aid goods imported from the donor country.

### **Reconciliation with Rest of the World Accounts**

649. The BOP classification of current transfers covers several components of the rest of the world segment of national accounts. These components, which are shown in table 10.6, are:

- current taxes on income, wealth, etc.;
- other taxes on production;
- subsidies on production;
- social contributions;
- social benefits;
- other current transfers.

650. From the BOP point of view, many of these components will be nil or negligible. Nevertheless, the BOP compiler should work closely with the national accounts compiler to ensure a consistent treatment for the two sets of accounts.

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## XV. Compiling the BOP Capital Account

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### Capital Transfers

#### Introduction

**651. Transfers** are offset items required to balance unilateral transactions in which one economic entity provides a real resource, such as goods or services, or a financial item to another entity without receiving any real resource or financial item in exchange. Transfers, according to the *BPM*, should be classified as **capital** or as **current**. **Capital transfers** are those that:

- transfer ownership of a fixed (capital) asset;
- are linked to acquisition or disposal of a fixed asset;
- involve forgiveness of a liability by a creditor.<sup>140</sup>

**652.** Current transfers, which are all transfers that are not capital, are the subject of chapter 14 of this *Guide*.

**653.** Capital transfers are classified as transfers involving the compiling country's general government and transfers involving other domestic sectors. The former are subdivided into debt forgiveness and other transfers, and the latter are subdivided into migrants' transfers, debt forgiveness, and other transfers.

**654.** Table 15.1 shows the primary types of capital transfers and summarizes sources and methods that could be used to compile appropriate entries in the BOP. A subsequent section of this chapter provides further details on data sources and methods.

#### Data Sources

**655.** For capital transfers involving the compiling country's general government sector, the preferred source of information—for both debits and for credits—will typically be official records (described in chapter 8). However, surveys of embassies and international institutions and DAC data could be used, either as primary

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<sup>140</sup>For a detailed discussion on the nature of capital transfers, see chapter 17 of the *BPM*.

sources or as checks on official data, in the compilation of certain credit entries.<sup>141</sup>

**656.** Migrants' transfers are among the more difficult items to record correctly in the BOP. (The BOP treatment of migrants' transfers is outlined in paragraphs 663-665.) Often, such transfers can be measured properly only by use of information from several sources. Information on cash transferred by migrants could be obtained from an ITRS or from ES of banks and other financial institutions. Information on goods transferred by migrants could be obtained from ITS. Financial assets and liabilities (such as bank accounts retained in migrants' countries of origin) not actually transferred at times of migration are often difficult to measure. Compilers in some countries conduct, at least on an ad-hoc basis, surveys of immigrants to measure these items. Compilers in migrants' countries of origin may be able to review bank records and similar documents to detect changes of address indicating migration. Alternatively, BOP statistics of partner countries could be analyzed.<sup>142</sup>

**657.** For debt forgiveness associated with other sectors, an enterprise survey of the principals involved could be a source of information. In countries that use ES to measure transactions in, and stocks of, external assets and liabilities, a question relating to debt forgiveness could easily be included. Alternatively, information could be obtained via a supplement to an ITRS. However, use of an ITRS would presume that relevant enterprises are aware of the obligation to provide information on what constitutes noncash transactions.

**658.** Significant other capital transfers of the nongovernment sector are likely to be relatively few in number and fairly easy to identify. Information on those involving cash could be obtained from an ITRS or,

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<sup>141</sup>Surveys of embassies and international institutions are described in paragraphs 380-383 of chapter 9, and DAC data are described in paragraphs 388-390.

<sup>142</sup>Because of data collection problems, many countries limit measurement of migrants' transfers to cash and goods actually transferred. This practice is not consistent with BOP requirements. Countries are encouraged to make, even if only on an infrequent basis, more comprehensive measurements and to assess the significance of differences between limited and comprehensive measures.

**Table 15.1 Compilation of Capital Transfer Items**

<b>Item Number</b>	<b>Description</b>	<b>Source and Method of Compilation</b>
x401	<i>General government</i>	
x402	<i>Debt forgiveness</i>	Data on credits and debits should be available from official sources, such as records of the debt management office.
x410	<i>Other transfers</i>	
	Investment grants	For the donor country (debits), data should be available from official records. For the recipient country (credits), data could be available from official records, partner country data (surveys of embassies and international institutions), or DAC data. Data on the cash component could also be available from an ITRS.
	Other capital transfers	Data could be available from official records or, for transfers in the form of cash, from an ITRS.
x430	<i>Other sectors</i>	
x431	<i>Migrants' transfers</i>	Data on amounts of cash transferred could be available from an ITRS. Data on goods transferred could be available from ITS. Alternatively, these data, as well as information on migrants' external assets and liabilities, could be obtained from surveys of migrants. Partner country are another source of information, particularly in the case of debits. ES of banks and other financial institutions are other possible sources.  Entries recorded under migrants' transfers should equal the net worth of migrants at the time of their migration.
x432	<i>Debt forgiveness</i>	Data could be obtained from surveys of enterprises with external assets and liabilities or from a supplement to an ITRS.
x440	<i>Other</i>	Data could be available from an ITRS or from surveys of enterprises—particularly private aid agencies.

alternatively, the principals involved in those transactions could be surveyed.

### ***Estimation in the Absence of Data***

**659.** For most capital transfer entries, it should be possible to obtain source data of high quality. However, for some items (most notably, migrants' transfers), it may be necessary to develop estimates by using data models.

**660.** Migrants' transfers can be estimated by multiplying numbers of migrants by per capita estimates of net worth. Information on numbers of migrants should be available from migration statistics, which are discussed in chapter 7. Data on the net worth of migrants could be obtained from periodic benchmark studies based on the types of sources described in paragraph 656. These benchmark estimates

could be adjusted for inflation, exchange rate variations, and any other relevant factors. Development of a data model for estimating migrants' transfers is comparable to that of the worker remittance data model described in paragraphs 639–640 of the previous chapter.

### ***Extrapolations and Projections***

**661.** When timely data are not available, estimates of transfer items will have to be extrapolated on the basis of historical trends and any other relevant information that may be available. For example, changes in numbers of migrants could be used to extrapolate migrants' transfers. The compiler should exercise caution in extrapolating certain other capital transfer items as many—in particular, debt forgiveness—exhibit “lumpy” behavior over a period

of time. In these cases, the compiler may prefer to obtain actual data on significant transactions.

662. For projections, the compiler could use historical trends and supplementary information (obtained from principals) on significant transactions that are expected. For example, the compiler should consider budgetary forecasts for projections of certain components of official transfers, such as investment grants. Also, any changes in government policy (for example, a decision to restrict the number of immigrants in future) that may affect capital transfer items should be considered when projections are developed.

### *BOP Treatment of Migrants' Transfers*

663. The following example illustrates the BOP treatment of migrants' transfers. A resident of country B migrates to country A. Immediately prior to migration, this person's assets and liabilities consist of:

<b>Assets</b>	
Bank account in country B	100
Goods	200
Shares in enterprise in country B	50
Bonds issued by enterprise in country C	<u>25</u>
Total assets	375
<b>Liabilities</b>	
Loan from bank in country B	125
Net worth	<u>250</u>
Total liabilities and net worth	375

664. At the time of migration, the person transferred funds (in the form of foreign exchange) from the bank account in country B to a bank account in country A and moved the goods from country B to country A. For the period in which the migration occurred, the following entries would be required in the BOP of country A:

	Credit	Debit
Current account—goods	...	200
Capital account—migrants' transfers	250	...
Financial account		
Portfolio investment—assets		
Equities	...	50
Bonds	...	25
Other investment		
Assets—currency and deposits	...	100
Liabilities—loans	125	...

665. The value of the migrant transfer entry is equal to the net worth of the migrant at the time of migration. In the BOP of country A, entries are recorded for the migrant's holdings of shares in country B and bonds in country C and for the migrant's loan from the bank in country B; the entries are recorded even though these assets and liabilities did not generate any actual transfer of funds to country A at the time of migration.

### **Acquisition and Disposal of Non-produced, Nonfinancial Assets**

666. Two types of transactions are typically recorded in this BOP item:

purchase or sale of intangible, nonfinancial assets, such as patents and copyrights;

acquisition of land by a government or international organization (for the purpose of establishing an embassy or a similar institution) or the disposal of such land.

667. Information about purchases and sales of patents, copyrights, and similar assets could be obtained from an ITRS or from ES of principals involved. When measuring transactions relating to these assets, the compiler must distinguish between changes of ownership of the assets—which are recorded in the capital account—and payments for the use of these assets—which are recorded as royalties and license fees in the services component of the current account.

668. Information on transactions in embassy land or other land owned by the compiling country's government should be available from official sources, such as budgetary records. When another country's government or an international institution purchases or sells land in the compiling country, information could be available from the resident principal (who should be readily identifiable) involved in the transaction. Alternatively, information could be obtained from the embassy or international institution involved or from an ITRS. If the latter source is used, care should be taken to ensure that transactions not settled entirely in cash and transactions involving payments made over periods of time are correctly measured. A land transaction settled over a period of time should be offset by a financial account transaction reflecting the liability of the purchaser, which would be amortized as payments became due.

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# XVI. Compiling the BOP Financial Account and the International Investment Position

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## Introduction

669. This chapter covers compilation of the financial account and the IIP and reconciliation of these two accounts. The financial account and the IIP provide information on transactions in, and stock positions of, a country's external financial assets and liabilities (financial instruments).<sup>143</sup> Reconciliation of the IIP and the financial account is shown, in summary form, in illustration 1.1 (chapter 1) and in detail in table 10.4 (chapter 10). These reconciliations show that differences between stock positions at the beginnings and ends of periods are due both to financial account transactions and to other changes (such as changes in values resulting from exchange rate changes, price movements, and other adjustments). Because of their close relationship, the IIP and the financial account are dealt with together in the *Guide*. The two accounts share many sources and methods of compilation.

670. As a reflection of this close relationship, classifications of financial account transactions and the IIP are almost identical in the *BPM*. These classifications are similar, as well, to the classification of investment income, which is also closely related to the financial account and the IIP.

671. The main classification in the BOP financial account (and an important classification in the IIP) is functional types of investment, namely, direct investment, portfolio investment, other investment, and reserve assets. **Direct investment** refers to a lasting interest of an entity resident in one economy (the direct investor) in an entity resident in another economy (the direct investment enterprise). That lasting interest usually gives the direct investor an effective voice, or the potential for an effective voice, in the management of a direct investment enterprise. In the *BPM*, evidence of this lasting interest is defined as ownership of 10 percent or more in the equity of a direct investment enterprise. The most common examples of direct investment enterprises are branches and

subsidiaries of multinational enterprises. The concept and definition of direct investment are explained subsequently in this chapter.

672. **Portfolio investment** covers financial instruments (other than those included in direct investment and reserves) in the form of equity and debt securities. Debt instruments include bonds and notes, money market instruments, and financial derivatives. An important feature of portfolio investment is that the securities are usually issued and traded on organized financial markets.

673. **Reserve assets** are those available to monetary authorities for financing BOP imbalances and for managing exchange rates. **Other investment** covers all financial instruments other than those classified as direct investment, portfolio investment, or reserve assets. Other investment includes long- and short-term loans, currency and deposits, trade credits, and other accounts receivable and payable, including arrears.

674. Another distinction made in the financial account (and one of primary importance in the IIP) is that between external assets and liabilities. However, direct investment is classified by direction—that is, direct investment abroad and direct investment in the host country. These directions may be regarded as proxies for assets and liabilities, respectively. The corresponding classifications for investment income are investment income credits and debits; income credits represent income earned on external assets, and income debits represent income payable on external liabilities.

675. The instrument classification required by the *BPM* in respect of the IIP and the financial account consists of equity instruments (which include equity securities, equity in unincorporated enterprises, and reinvested earnings) and debt instruments (which include bonds and notes, short-term money market instruments, financial derivatives, trade credits, use of Fund credit and loans, other loans, currency and deposits, and other accounts such as arrears). Two other instruments—monetary gold and SDRs—are identified as part of reserve assets.

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<sup>143</sup>For a full description of the BOP financial account, see chapter 16 of the *BPM*. For a full description of the IIP, see chapter 23 of the *BPM*.

676. The classification of instruments facilitates reconciliation of BOP and IIP statistics with national accounts and with statistics on external debt.

677. The sector of the domestic (resident) creditor, for assets, and that of the domestic debtor, for liabilities, is often a factor that influences financial transactions. Accordingly, for portfolio investment and other investment, the *BPM* distinguishes four sectors in the list of standard components: general government, monetary authorities, banks, and other. For direct investment, however, the domestic sector is a less significant factor. For this reason, the list of standard components in the *BPM* does not classify direct investment by sector. Also, as it can be presumed that the monetary authorities are either directly or indirectly responsible for transactions in reserve assets, no sectoral classification is required for this item.

678. Classification of BOP transactions by sector also plays a significant role in linking balance of payments statistics with other statistical systems, such as the system of national accounts, money and banking statistics, and government finance statistics.

679. The *BPM* recommends that certain debt instruments be further classified by long- and short-term maturity. *Long-term* refers to instruments with original maturities of more than 12 months; *short-term* refers to those with maturities of 12 or fewer months.<sup>144</sup>

680. The *BPM* recommends, as a supplementary classification for a number of instruments, that data on gross flows be collected and made available to users. For example, for long-term loan transactions, separate data should be compiled on drawings and repayments as well as on net transactions (drawings minus repayments). Other supplementary classifications of financial activity include liabilities comprising foreign authorities' reserves (LCFAR) and exceptional financing. These classifications are discussed in detail later in this chapter.

681. Other classifications that may be applied to the financial account and the IIP include partner country (as discussed in chapter 17), currency denomination of instrument, and sector of nonresident party.

## Direct Investment

### *Concept of Direct Investment*

682. Direct investment is a category of international investment in which a resident entity in one economy

(the direct investor) acquires a lasting interest in an enterprise resident in another economy (the direct investment enterprise). Direct investment implies a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence (or the potential for such influence) by the investor on the management of the direct investment enterprise.

683. The same concept of direct investment is used in the OECD's *Detailed Benchmark Definition of Foreign Direct Investment (BMD)*. The purpose of the *BMD* is to provide a detailed operational definition of direct investment; in doing so, the *BMD* provides an extension of the information in the *BPM*.

### *Motivation for Direct Investment*

684. The benefits that direct investors expect to derive from having a voice in management are different from those derived by portfolio investors who cannot exercise significant influence over the enterprises in which they invest. From the viewpoint of direct investors, direct investment enterprises often represent units in multinational operations. The overall profitability of these depends on advantages gained by deploying resources available to each unit in the group in ways that best enhance group synergy. For example, direct investors may be able to obtain access to resources or markets that would otherwise be unavailable to them. Direct investors may also be able to increase enterprise profitability and value through management skills and other expertise. Therefore, direct investors are in a position to derive benefits in addition to the income that would, without their participation, accrue on invested capital. In contrast, portfolio investors are primarily concerned about return on capital and the likelihood of appreciation. Portfolio investors generally evaluate separately the prospects of each independent unit in which they might invest and often shift their capital with changes in these prospects.

### *Defining the Direct Investment Relationship*

685. The direct investor may be an individual; an incorporated or unincorporated private or public enterprise; an associated group of individuals or enterprises; a government or government agency; or another organization, such as the International Finance Corporation (IFC) or European Bank for Reconstruction and Development (EBRD), that owns a direct investment enterprise in an economy other than the one in which the direct investor resides. A direct investment enterprise is an incorporated or unincorporated enterprise in which a

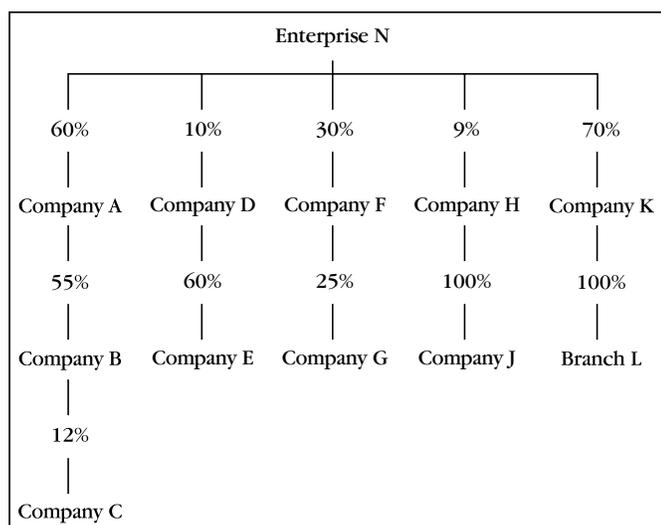
<sup>144</sup> Elsewhere, a 12-month rule is used somewhat differently. For example, for the purpose of distinguishing between travelers and migrants, a migrant is a person who changes residence for 12 months or more.

direct investor owns 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise).

Direct investment enterprises comprise branches (unincorporated enterprises), subsidiaries (incorporated enterprises that are more than 50 percent owned by the direct investor), and associates (incorporated enterprises that are between 10 and 50 percent owned by the direct investor). The direct investment relationship extends to the direct investment enterprise's subsidiaries, sub-subsidiaries, and associates (unless the direct investment enterprise itself is an associate).

**686.** In the BOP and the national accounts, enterprises that have significant long-term operations in more than one economy are divided into separate entities in each economy. These entities are always in a direct investment relationship; the head office constitutes the direct investor, and the branches constitute the direct investment enterprises.

**687.** The illustration shows the investments of enterprise N.



Under the definition of direct investment:

A is a subsidiary of N.

B is a subsidiary of A and, therefore, a subsidiary of N, even though only 33 percent of B's capital is indirectly attributable to N.

C is an associate of B and, therefore, an associate of N through its subsidiary B, even though only 4 percent of C's capital is indirectly owned by N.

D is an associate of N.

E is a subsidiary of D and, therefore, an associate of N, even though only 6 percent of E's capital is indirectly owned by N.

F is an associate of N.

G is an associate of F but not of N; F is only an associate of N.

H is neither a subsidiary nor an associate of N.

J is a subsidiary of H but neither a subsidiary nor an associate of N.

K is a subsidiary of N.

L is a branch of K and thus a branch of N.

**688.** Therefore, enterprises A, B, C, D, E, F, K, and L are considered to be in a direct investment relationship with N.

**689.** It is also important to note that these enterprises are considered to be in direct investment relationships with each other. Therefore, for example, transactions between company E and company K represent direct investment transactions.

**690.** Model form 12 in appendix 2 provides instructions for identification of direct investment relationships. The definition on the model form is less detailed than the definition stated previously. A less than complete definition will suffice for most collections. However, the definition outlined in this chapter should be regarded as the most detailed exposition and the one that should be used to decide borderline cases.

**691.** An investor need not control or be the largest shareholder in an enterprise for a direct investment relationship to exist between the enterprise and the investor. The concept of direct investment is fundamentally different from the concept of foreign-controlled resident enterprises. While all foreign-controlled enterprises will be direct investment enterprises, those that are not considered foreign-controlled enterprises may also be in direct investment relationships with nonresident direct investors.

**692.** While somewhat arbitrary, the rule of 10 percent has been chosen to ensure consistent classification of investor/investee relationships across all countries' statistics. In the interests of practicality and comparability, an objective rule is considered preferable to subjective judgment. Furthermore, as most direct investment enterprises are either branches or subsidiaries that are wholly or majority owned by nonresidents, borderline cases are likely to be relatively insignificant.

### ***Direct Investment Capital***

693. Direct investment capital is capital provided by a direct investor—either directly or through other enterprises related to that investor—to a direct investment enterprise or capital received by a direct investor from a direct investment enterprise. Direct investment capital includes equity capital, reinvested earnings,<sup>145</sup> and other capital that involves various intercompany debt transactions. Capital provided to a direct investment enterprise by economic units other than a direct investor and other enterprises related to a direct investor is not direct investment capital. Furthermore, in the case of investment between affiliated banks, only investment associated with equity and permanent debt—that is, subordinate loan capital—is considered direct investment.

694. The *BPM* requires that data be compiled on three forms of direct investment: equity, reinvested earnings, and other (debt). To meet data requirements for national accounts, the compiler should collect separate details for nonequity securities and other debt if nonequity security transactions between enterprises in direct investment relationships are important.

### ***Direction of Investment***

695. Unlike other financial investment, direct investment is not recorded in the BOP on a straight asset/liability basis. Instead, direct investment is recorded on a directional basis—resident direct investment abroad and nonresident direct investment in the reporting economy. Capital invested by a direct investment enterprise in its direct investor (*reverse investment*) is regarded as an offset to capital invested by a direct investor and by related enterprises in the direct investment enterprise. In other words, such capital is considered a “disinvestment” by the direct investor rather than an asset of the direct investment enterprise. However, for purposes of analysis, these investments are shown separately in BOP standard components. When a direct investment enterprise invests in an enterprise related to its direct investor, this investment is recorded as resident direct investment abroad for the economy of the direct investment enterprise. In some countries, such investment may be identified separately in national presentations. In some instances, two enterprises (or groups of related enterprises) hold 10 percent or more of each other’s voting shares. In these cases, two direct investment

relationships are established, and investments between the two enterprises (or groups of enterprises) are recorded on a full asset/liability basis—that is, as direct investment in the reporting economy and direct investment abroad.

### ***Data Sources***

696. Table 16.1 provides a summary of the advantages and disadvantages of three primary data sources—an ITRS, ES, and information from government approvals of foreign investment—usually used to compile direct investment statistics.<sup>146</sup> Other sources, such as information provided by stock exchanges or published in newspapers and journals and partner country statistics, could be used. However, sources of this nature will typically supplement the three primary sources rather than provide comprehensive information.

697. Generally, most countries that have significant direct investment transactions and well-developed BOP compilation systems use surveys of enterprises to obtain information on some or all elements of direct investment activity.

698. A clear understanding of the practical implications of the definition of direct investment and how to relate company accounting practices to the BOP treatment should facilitate the collection of information on direct investment. Often, the compiler will have to explain BOP concepts and treatments of certain transactions to staff of individual enterprises. In important cases, the compiler may have to prepare a set of enterprise accounts from partial data supplied by the company before BOP transactions can be determined.

### ***Valuation of Direct Investment Stocks and Transactions***

699. The *BPM* recommends that market values be used to value direct investment financial flows, income transactions, and stock positions. This recommendation is consistent with valuation principles recommended for recording other entries in the balance of payments and the international investment position. The recommendation on valuation of direct investment is made for two primary reasons. First, if inconsistent valuation bases were used, it would be very difficult to make comparisons between direct investment and other financial investment as shown in the BOP and the IIP. Second, market valuation provides the most meaningful measure of the economic value of resources available to, or transferred between, economies.

<sup>145</sup>Reinvested earnings are direct investors’ shares (in proportion to equity held) of the undistributed operating earnings of the direct investment enterprise. Reinvested earnings are recorded both as income and as an offsetting financial transaction. For further details on the compilation of reinvested earnings, see chapter 13, paragraphs 602-613.

<sup>146</sup>For a more complete description of these sources, refer to chapter 3 (ITRS), chapter 4 (ES), and chapter 8, paragraph 367 (approvals of foreign investment).

**Table 16.1 Sources of Information on Direct Investment (DI)**

Advantages	Disadvantages
<p><i>International Transactions Reporting System (ITRS)</i></p> <p>A large part of the necessary information is often readily available from banking records.</p> <p>Use of an ITRS avoids the expense of developing alternative collections for countries already using this method for compilation of BOP statistics.</p>	<p>In general, only cash transactions are measured. DI often involves noncash transactions, such as reinvested earnings; equity provided in the form of machinery, etc; and inter-company indebtedness. Supplementary collections will be required to measure these transactions properly.</p> <p>The concept of direct investment (and therefore appropriate treatment of particular transactions) is difficult to explain on a generalized foreign exchange/banking report form. As a result, there are often problems with classification. The level of detail that can be obtained on DI is often limited.</p> <p>An ITRS may not readily provide information on levels of investment.</p> <p>Transactions in domestic currency or through accounts with nonresident banks are difficult to measure, although these difficulties can be overcome through the development of sound collection procedures.</p>
<p><i>Enterprise Surveys (ES)</i></p> <p>ES provide for complete recording of direct investment transactions and stocks of investment by each enterprise surveyed.</p> <p>Information on other economic activity relating to DI can be easily collected for analytical purposes and for quality control.</p> <p>ES provide the best opportunity to explain to data providers the concept of direct investment and the treatment of particular transactions.</p>	<p>It may be difficult to maintain comprehensive lists of enterprises with direct investment transactions.</p> <p>Countries that do not normally use enterprise surveys for BOP measurement will incur costs in developing and implementing specialized direct investment surveys.</p>
<p><i>Information from Approvals</i></p> <p>Information is often readily available as a by-product of the approval process.</p>	<p>Approval processes are rarely set up with BOP requirements in mind. Therefore, the range of information available for use in BOP compilation is generally limited.</p> <p>There could be significant time lags between approval and actual investment, or approved investment may never actually take place.</p> <p>Information on income (including reinvested earnings) and on withdrawals of investment may not be available.</p> <p>Information on nonequity transactions, such as lending by the direct investor and intercompany accounts, is generally limited.</p>

*(table continues)*

**Table 16.1 (concluded)**

Advantages	Disadvantages
<i>Information from Approvals</i>	<p>Information on stocks of investment valued at market price is typically not available.</p> <p>The approval process may relate only to investment in particular industries or to investment greater than thresholds.</p> <p>Generally, approvals relate only to direct investment in the reporting economy and not to direct investment abroad.</p>

However, because of the nature of the direct investment relationship, criteria for establishing market values will not always be satisfied. It may be particularly difficult to establish market values for equity positions and for goods transactions taking place between enterprises in a direct investment relationship (transfer pricing). In these instances, the *BPM* recommends that market value proxies be used. (The issue of transfer pricing is discussed in chapter 11, paragraphs 487-491.)

**700.** If the shares of a direct investment enterprise are traded in an organized market, then the traded share price should be used to determine the value of a direct investor's equity in an enterprise. The net worth, which should be calculated by using current market prices, of direct investment enterprises (typically subsidiaries or branches) with nontrading shares should be used to determine value. If net worth calculated on this basis is not available, a directors' valuation of the enterprise may be an acceptable proxy. As a last resort, net worth could be calculated on a historical cost basis.

**701.** The net worth of an enterprise is derived from the balance sheet, which should show assets, liabilities, and residual net worth (assets minus liabilities). The net worth of an enterprise consists of the issued capital stock of the enterprise, reinvested earnings, and other reserves—all of which are owned by the shareholders or, in the case of a branch, by the parent enterprise. If the assets and liabilities of an enterprise are valued at current market values, net worth should be a good proxy for the market price of the enterprise.<sup>147</sup>

<sup>147</sup>Often the perceived value (or stock exchange value) of an enterprise is different from the net worth of the enterprise. This difference arises because the assets and liabilities of the enterprise are not valued in conformity with current value accounting methods or because various intangible assets of the enterprise are taken into consideration by the market. According to the *SNA*, the difference between net worth calculated on the basis of current values and "perceived net worth" is the independent net worth of an enterprise. An accounting entry to record this difference is required to create symmetry in the national accounts.

**702.** Another term for net worth is *shareholder funds*. Within a specified period, the value of shareholder funds may change as a result of: (a) issues less redemptions of shares, (b) reinvested earnings, (c) extraordinary items arising essentially from capital gains and losses on various transactions, and (d) revaluations of assets and liabilities. The change, within a specified period, in the value of a direct investor's equity is determined by all of these factors and by the ratio of the direct investor's shares to total shares. Also, the value of a direct investor's equity is affected by net share purchases (purchases less sales) made by the investor during the period.

**703.** In ascertaining the value of a direct investor's equity, the compiler may find that companies report details of nonresident ownership by using book values based on historical cost, current value, or anything in between. To obtain a market value, compilers in some countries (in particular, Australia) encourage companies to report market values and instruct enterprises to use (a) current share prices (if enterprise shares are traded) or a recent relevant transactions value (if one exists) or (b) net worth/net assets (valuation of assets and liabilities at current values with adjustments for intangibles). These countries consider the approach to be successful. The United States publishes direct investment equity valuations based on both market and net asset values; the market values are determined by using ratios of market values to historical cost estimates of net asset values.<sup>148</sup>

**704.** Model form 12 provides for the collection of information on the market value of direct investment equity. The form describes the collection of equity valued at share market values or net asset values based upon current accounting principles. (This instruction could be modified to reflect the compiler's preference.) Part F of model form 12 provides

<sup>148</sup>The ratios were established on the basis of an analysis of companies listed on stock exchanges.

for reporting of corresponding book values. Compilers who publish market value or current net asset value estimates should consider providing corresponding book value statistics as memorandum items.

### ***Nonoperating Direct Investment Enterprises***

**705.** While compilers should identify and collect information from all legal entities that fall within the definition of direct investment enterprises, adequate data may be unavailable. Of particular concern are brass plate companies, such as those established to register ownership of shipping vessels or to raise capital through the issuance of securities.

**706.** To take advantage of various legislation, certain companies may register in a country but, for all practical purposes, have no operational presence in that country. (Some security markets—for example, those in the United States—permit securities to be issued only by locally registered companies.) That is, the companies do not carry out production, have no employees, and do not pay income tax. Many companies established for the purpose of issuing securities may have no other presence in a host country. Brass plate companies may pay a fee to register in a host country and may share an office or directors with similar enterprises. However, books or accounts may be maintained elsewhere and, thus, be unavailable to the host country compiler.

**707.** Despite the difficulties caused by these arrangements, compilers should make every effort to compile complete sets of accounts for these enterprises. Countries that permit registration of these enterprises may also exempt them from supplying information that compilers require. However, some suitable data may be available from tax or other authorities. Alternatively, compilers may approach partner country compilers for information. In the country of the direct investor, the collection of data should be somewhat easier, and it is desirable that information on certain categories of enterprises be compiled separately so that relevant data can be provided (subject, of course, to any confidentiality constraints) to partner countries to assist them in compiling complete accounts.

**708.** According to the *BPM*, compilers should record the complete BOP entries of these enterprises. However, some compilers may prefer not to record transactions considered to be of no relevance to the domestic economy. Nevertheless, compilers should, for purposes of reporting to the IMF, prepare the gross entries as supplementary data.

**709.** The following example illustrates alternative methods of recording. A brass plate company is established in one country for the purpose of owning a shipping vessel operated by a nonresident parent enterprise located elsewhere.<sup>149</sup> In the relevant period, the cost of registering the vessel is 25, and incidental expenses in the country are 5. The operator pays 110 to lease the vessel, and this amount is immediately remitted by the enterprise to the nonresident owner. If this brass plate enterprise is essentially ignored, BOP entries for the country of registration would be:

	Credit	Debit
Services (incidental expenses)	5	...
Transfers (registration fee)	25	...
Financial account-other investment-bank assets	...	30

**710.** However, the treatment required by the *BPM* requires the gathering of additional information. The value of the vessel at the time of acquisition by the brass plate company is 1,000, and the vessel depreciates by 75 during the period. According to recommendations of the *BPM*, BOP accounts for the country of registration should be:

	Credit	Debit
Goods	...	1,000
Services		
Leasing of vessel without crew	110	...
Direct investment income		
Distributed income	...	5
Financial account		
Direct investment in reporting economy—equity capital	1,030	105
Other investment		
Bank assets	...	30

**711.** In this case, the direct investment inflow is 1,030, which is equal to the value of the vessel plus the cost of registration and incidental expenses. The operating profit of the enterprise is the difference between revenue of 110 and expenses (registration, incidental, and depreciation) of 105. All of this profit is remitted to the direct investor. A further 105 is remitted and, as the enterprise has no retained profits from previous periods, this remittance

<sup>149</sup>Transportation services are provided by the operator, regardless of whether or not the operator is the owner. This discussion of brass plate enterprises relates only to transactions involving the owner.

therefore represents a withdrawal of investment by the direct investor.

**Construction Enterprises**

**712.** According to the discussion in paragraphs 452-455 of chapter 10, when an enterprise undertakes construction activity in an economy other than the one in which the enterprise is resident, it may be necessary to classify the activity as construction undertaken by an enterprise residing in the host economy. This enterprise is regarded as a branch (direct investment enterprise) of a nonresident entity (the direct investor). (Chapter 10 discusses issues that may have to be addressed to determine the residency of construction enterprises.)

**713.** An example should help clarify the recording in the BOP of construction activity associated with direct investment enterprises. An enterprise in country B establishes a branch in country A to undertake, during a two-year period, a construction project with a total value of 100,000. The parent enterprise sends a machine valued at 20,000 to country A at the commencement of the project; the machine is returned to country B at the end of the project. At the beginning of the project, the parent enterprise places 30,000 into a bank account, from which all payments are made, in country A. At the end of the first year, the construction enterprise values work-in-progress at 50,000 and receives a progress payment of 25,000, which is paid into the bank account in country A. The remaining 75,000 is paid at the end of the second year. At this time, any outstanding accounts are settled, and the remaining amount is remitted to country B. The construction enterprise incurs the following costs:

	Year 1	Year 2
Wages paid to residents of country A	4,000	4,000
Goods purchased in country A	12,000	12,000
Goods purchased in country B	11,000	11,000
Depreciation	2,000	2,000
Tax paid to government of country A	3,000	3,000
	<u>32,000</u>	<u>32,000</u>

**714.** The following transactions should be recorded in the BOP of country A:

	Year 1		Year 2	
	Credit	Debit	Credit	Debit
Goods	...	31,000	16,000	11,000
Direct investment income—equity				
Remitted profits	...	...	...	36,000
Reinvested earnings	...	18,000	...	-18,000
Financial account				
Direct investment in reporting economy				
Equity capital	50,000	...	...	50,000
Reinvested earnings	18,000	...	-18,000	...
Other investment—assets				
Currency and deposits—banks	...	19,000	81,000	...

**715.** At the beginning of the first year, the parent enterprise provided a machine (an import of country A) and cash. Both of these represent an investment in the branch by the parent. In the first year, production is 50,000 (as valued by the enterprise), and operating expenses plus taxes are 32,000. Therefore, net profit after tax is 18,000. No money is remitted, so the profit is reinvested in the enterprise. Also in the first year, country A's foreign exchange assets initially rise as a result of cash investment by the parent enterprise and subsequently fall somewhat as a result of payment for materials from country B. The net outcome is an increase of 19,000.

**716.** In the second year, net profit after tax is again 18,000. A total of 36,000 is remitted to cover profits for both years. Negative reinvested earnings are recorded in the second year because reinvested earnings are calculated after remittances of profits. After all payments are settled, the final cash position of the enterprise is 70,000.<sup>150</sup> Of this amount, 36,000 is accounted for as a remittance of income. The remaining 34,000 is added to the written-down value of the returned machinery (16,000) in order to calculate the parent's withdrawal of investment from the branch. The external assets of country A's banks fall by 11,000 as a result of payments for imports from country B and by an additional 70,000 as a result of the remittance of cash to country B.

**717.** The recording of transactions in this way is reasonably complex, and table 10.15 (in chapter 10) is provided to help compilers understand the recording in the BOP of construction activity. To collect some or all of

<sup>150</sup>Depreciation is not included in this calculation as no cash is involved.

the required data, it is likely that compilers will have to approach enterprises involved in construction activity.

### ***Transactions in Land***

**718.** According to the *BPM* and the *SNA*, land cannot be owned by nonresidents. However, in practice, land is legally owned by persons and enterprises that are not residents of the countries in which the land is located. In the balance of payments, these situations are treated as if the land is owned by a resident enterprise that is, in turn, a direct investment enterprise of the nonresident legal owner.

**719.** For this reason, the recording in the BOP of transactions involving land (including any buildings, etc. that may be on the land) may initially appear to be difficult. However, as table 16.2 (on page 158) shows, all transactions involving land can be recorded in the BOP in a straightforward manner. Table 16.2 is presented from the point of view of the BOP compiler in the country in which the land is located.

**720.** The compiler should ensure that questions asked to obtain information on land and related transactions are meaningful to data providers. Data providers will certainly be unaware of the BOP treatment of land, and questions using terms such as *direct investment* may not be understood.

**721.** Countries using ES to measure direct investment may encounter unique problems with measurement of transactions in land—particularly transactions involving nonresidents who invest in the compiling country's land. These transactions tend to be relatively small on a case-by-case basis, but they are numerous enough to be significant in total and costly to measure. Also, it is difficult for the compiler to approach the principal entities involved in these transactions as they are nonresidents. To overcome these problems, some countries have adopted a method whereby resident intermediaries, such as law firms, are approached for information (to be recorded in the BOP) on nonresident purchases and sales of land.<sup>151</sup> For large purchases, the nonresident's local representative is approached for details on income and stocks of investment. For smaller investments, data models are used to estimate income and stocks. Stock data are typically

<sup>151</sup>There are a number of ways to identify these intermediaries. In most countries, nonresidents purchasing land are required to register with a central agency; this agency may have the names of law firms representing the nonresidents. Alternatively, an exploratory survey could be sent to all large law firms in the country, or the country's legal association could provide information on firms most likely to be involved.

estimated by using a perpetual inventory approach based on formulae such as:

$$ESV = (SSV * (PIE/PIS)) + (NT * (((PIE + PIS)/2)/PIS))$$

in which

ESV = stock value at the end of the period;

SSV = stock value at the start of the period;

PIE = value of a relevant price index at the end of the period;

PIS = value of a relevant price index at the start of the period;

NT = net transactions (purchases less sales) during the period.

**722.** The use of this approach requires the establishment of a benchmark stock position for deriving future estimates. This benchmark could be obtained from a comprehensive, occasional survey, or the compiler could determine a point in time when such investment was nil or insignificant. Price indexes required for use in the model may be produced by the compiling country's statistical agency, or such indexes may be available from organizations involved in the real estate industry. Rent and expenses can be derived by applying appropriate ratios to the stock positions. These ratios are regularly produced by firms involved in real estate research.

## **Portfolio Investment**

### ***Description and Classification***

**723.** Portfolio investment covers external claims in equity and debt securities, other than those included in direct investment and reserve assets. Debt instruments include long-term bonds and notes, short-term money market instruments, and financial derivatives such as options, warrants, traded financial futures, and currency (but not interest rate) swaps.<sup>152</sup>

**724.** The *BPM* classifies portfolio investment by: (1) assets and liabilities; (2) type of instrument—namely, equity, bonds and notes (long-term debt securities), money market instruments, and financial derivatives; and (3) resident sector—namely, monetary authorities, general government, banks, and other sectors. The compiler could classify the various instruments of investment in greater

<sup>152</sup>For a full description of portfolio investment, see chapter 19 of the *BPM*.

**Table 16.2 BOP Recording of Transactions Associated with Land**

Description of Transaction	BOP Treatment
Nonresident purchases land in compiling economy	Direct investment in reporting economy—equity—credit
Nonresident sells land in compiling economy	Direct investment in reporting economy—equity—debit
Nonresident pays expenses in compiling economy	Direct investment in reporting economy—equity—credit
Nonresident receives rent from compiling economy	The component of rent that covers expenses is recorded as direct investment in reporting economy—equity—debit. Any remaining amounts (that is, rent less expenses) are recorded as direct investment income—debit.

detail by sector if this information is necessary to satisfy national accounts or other statistical requirements.

**725.** For countries that have well-developed capital markets, it may be analytically useful to distinguish between debt securities issued in the domestic market and those issued abroad. Also, classification by currency of debt may be useful for analytical purposes and for estimating related items, such as investment income, in the absence of data.<sup>153</sup>

### **Data Sources**

**726.** Data on the stock positions, financial flows, and non-flow changes could come from an ITRS, from ES, or from official sources. For countries with well-developed capital markets, special surveys of international activity associated with securities (see chapter 6) may be required. Stock positions should, in principle, be valued at market values.<sup>154</sup> Data on stock positions, financial flows, and non-transaction changes should be reconciled to ensure consistent reporting. For non-transaction changes, market price, exchange rate, and other changes in the values of stocks should be recorded as separate series. Table 16.3 summarizes data sources that could be used to compile portfolio investment items.

**727.** Care should be taken to ensure that transactions in securities are measured separately from any financial fees that may relate to the transactions.<sup>155</sup> Alternatively,

<sup>153</sup>For an example, see chapter 13, paragraphs 598-599.

<sup>154</sup>Book value is often a suitable proxy for the market value of certain bonds, notes, and money market instruments. However, market values should be obtained for equity securities, debt securities heavily discounted by the market, and financial derivatives.

<sup>155</sup>Transactions in financial fees should be recorded in the current account as financial services.

when data sources provide information on transactions that include financial fees, the fees should be estimated and the transactions data adjusted to the correct basis.

### *Data on Securities Issued in Foreign Financial Markets by Residents*

**728.** Data on positions, flows, and non-transaction changes in positions can be collected from issuers of the securities by using an ITRS, ES, or official sources, such as the debt office. However, as described in chapter 6, paragraph 280, some adjustments may be necessary to deduct resident holdings of these securities—particularly when bearer securities are involved. This information could be obtained from resident holders of these securities or from security brokers.

### *Data on Securities Issued in Domestic Financial Market by Residents and Held by Nonresidents*

**729.** Data on stock positions often must come from a survey of intermediaries (such as banks) responsible for maintaining shareholder and other security registers.<sup>156</sup> Staff of these institutions should know, to varying degrees, who holds the securities. In addition, the survey should cover resident nominees (custodians) holding securities on behalf of nonresidents. Alternatively, as described in paragraphs 740-743, data on positions could be derived from a periodic benchmark survey that could be updated by using flow data and making allowance for changes in security prices. Data on financial flows would probably have to be obtained from security registers (including nominees) or from security brokers, and adjustments would be necessary for off-market transactions. For

<sup>156</sup>The survey of intermediaries should also include enterprises that maintain registers for securities issued by the enterprises themselves.

Table 16.3 Compilation of the Financial Account and the IIP: Portfolio Investment Items

Item Number	Description	Source and Method of Compilation	
x602	<i>Assets</i>	Data on stock positions, financial flows, and non-flow changes in stock positions could come from an ITRS, ES, or official sources; data on household holdings could be obtained through surveys of financial intermediaries. Clear reporting rules are required for collections to ensure no omissions or duplication of reporting. Stock positions should be valued at market values. Data on positions, financial flows, and non-transaction changes should be reconciled to ensure consistent reporting. An alternative way to estimate data on stocks would be to conduct a periodic benchmark survey and to extrapolate the stock series with reference to financial flows, security price movements, and exchange rate movements. On the other hand, in the absence of data for financial transactions, estimates could be derived by using data on stocks and taking into account the impact of price and exchange rate movements.	
x610	<i>Equity securities</i>		
x611	Monetary authorities		
x612	General government		
x613	Banks		
x614	Other sectors		
x619	<i>Debt securities</i>		
x620	Bonds and notes		
x621	Monetary authorities		
x622	General government		
x623	Banks		
x624	Other sectors		
x630	Money market instruments		
x631	Monetary authorities		
x632	General government		
x633	Banks		
x634	Other sectors		
x640	Financial derivatives		
x641	Monetary authorities		
x642	General government		
x643	Banks		
x644	Other sectors		
x652	<i>Liabilities</i>		For <i>securities issued in foreign markets</i> , data on stock positions, flows, and non-flow changes in stock positions could be collected through an ITRS, through ES of security issuers, or from official records of securities issued by the general government. For bearer securities, it may be necessary to approach resident holders of securities or resident security brokers in order to adjust data reported by principals.  For <i>securities issued in domestic markets</i> , data on <i>stock positions</i> often have to be obtained from a survey of intermediaries responsible for maintaining security registers; the survey should also cover resident nominees holding securities on behalf of nonresidents. Alternatively, data on stock positions could be obtained from a periodic benchmark survey; this survey could be updated by using flow data and by making allowance for changes in security prices. Stock positions should be valued at market prices. Data on <i>financial transactions</i> could be obtained from the same sources used to obtain data on stocks or from security brokers; adjustments should be made for off-market transactions if the source of data is security brokers. It may be desirable, in collecting data on financial flows, to distinguish among issues, redemptions, and secondary market transactions by nonresidents. Because most data on securities issued in domestic markets will come from intermediaries, clear reporting rules would be necessary. To avoid reporting errors, the compiler may consider collecting data on individual securities. Data on <i>non-transaction changes</i> in levels should be compiled at the same time as data on stock positions and flows to ensure consistency; market price, exchange rate, and other changes in stock position values should be recorded as separate series.
x660	<i>Equity securities</i>		
x663	Banks		
x664	Other sectors		
x669	<i>Debt securities</i>		
x670	Bonds and notes		
x671	Monetary authorities		
x672	General government		
x673	Banks		
x674	Other sectors		
x680	Money market instruments		
x681	Monetary authorities		
x682	General government		
x683	Banks		
x684	Other sectors		
x690	Financial derivatives		
x691	Monetary authorities		
x692	General government		
x693	Banks		
x694	Other sectors		

analytical reasons, it may be desirable for data on financial flows to distinguish among issues, redemptions, and secondary market transactions.

**730.** Clear reporting rules are necessary to prevent errors. The compiler may consider collecting data on individual securities. In practice, it may be difficult to give intermediaries appropriate guidelines to report aggregate data, and collating data (from different sources) on investments in individual enterprises is a good way to overcome reporting errors. For additional information on surveys of intermediaries, see chapter 6.

#### *Data on Securities Issued by Nonresidents*

**731.** Data on stocks and transactions could come either from an ITRS or from ES of resident holders. Alternatively, for securities issued by nonresidents in domestic capital markets, surveys of security registers (for stocks) and security brokers (for transactions) could be used. (See chapter 6, paragraph 279.) For securities issued by nonresidents in foreign capital markets and acquired by residents, a useful alternative source (particularly for securities held by the household sector) for some data may be surveys of resident portfolio managers who manage securities on behalf of resident principals. Paragraph 281 of chapter 6 provides further details on this approach.

#### *Deriving Transactions from Stocks Data*

**732.** The reconciliation statement shows that, for an external financial asset or liability, the difference between the stock position at the beginning and end of a period is due to financial transactions that are included in the BOP and to other changes that are excluded from the BOP. Consequently, to derive transactions from stocks, it is necessary to separate these two elements. In principle, this separation is accomplished by: (1) eliminating, from stock positions in currencies of denomination, the effects of price changes and other adjustments (such as write-offs) in order to determine the transactions in those currencies; and (2) using period average exchange rates to convert the transaction estimates into the unit of account.<sup>157</sup>

**733.** For equity securities, the best way to eliminate the impact of price changes on changes in stocks is to work with underlying units. (An underlying unit is determined by dividing the value of a financial instrument by its price.) If there are no other adjustments, a change in

the number of underlying units should be attributable to transactions. This change could then be multiplied by the period average price of the instrument to derive a value for transactions (in the currency in which the instrument is denominated).

**734.** For example, at the start of a period, a resident of country A owns \$100 of equity in company Z, which is a nonresident enterprise. At the end of the period, the value of the investment by a resident of country A in company Z rises to \$156. At the start of the period, company Z's shares were trading at \$10 and, at the end of the period, they had risen to \$12. As the resident of country A had 10 underlying units (shares) in company Z at the start of the period (\$100/\$10) and 13 underlying units at the end of the period (\$156/\$12), it can be assumed that the resident of country A purchased 3 shares during the period. The amount actually paid for the shares is unknown, but it could be estimated at \$11, which was the period average share price. Multiplying the 3 shares by \$11 gives a transactions estimate of \$33. Therefore, of the \$56 increase in the value of the investment by a resident of country A in company Z during the period, \$33 was attributable to transactions and \$23 (\$56 less \$33) to price changes.

**735.** The formula for deriving transactions is:

$$TV = ((ESV/EP) - (SSV/SP)) * ((SP + EP)/2)$$

in which

TV = the transactions value;

SSV = the value of the stock at the start of the period;

ESV = the value of the stock at the end of the period;

SP = the price of the stock at the start of the period; and

EP = the price of the stock at the end of the period.

**736.** This formula is based on the assumption that there are no bonus issues through which the number of shares owned by an investor could increase without transactions. Consequently, the impact of bonus issues should be taken into account when compilers calculate numbers of shares acquired (or disposed of) through transactions. One method is to divide, for purposes of the BOP calculation, the share price at the start of the period by the bonus factor plus one.<sup>158</sup> Therefore, the previous equation would

<sup>157</sup>For a discussion of this process, see paragraphs 778-783 of this chapter.

<sup>158</sup>A company undertaking a bonus issue gives x (number of new or additional shares) for every y (number of previously held shares). The bonus factor is equal to x divided by y.

be modified to:

$$TV = ((ESV/(EP) - (SSV/SP/(BF + 1))) \\ * (((SP/(BF + 1)) + EP)/2)$$

in which

BF = the bonus factor.

**737.** Often, however, working on a security-by-security basis and using the actual prices of securities is not possible. An alternative is to work with groups of securities and to use an appropriate price index to determine underlying units. (In such cases, underlying units will have no real world equivalents.) Most stock exchanges publish price indexes for shares traded. For example, nonresidents may hold shares issued by resident enterprises on domestic stock exchanges. At the start of the period, the value of nonresident equity holdings is \$2,400 and the stock exchange index is 120. At the end of the period, the value of nonresident equity holdings is \$2,200 and the stock exchange index has fallen to 100. In this example, the nonresident underlying units move from 20 (2400/120) to 22 (2200/100), an increase of 2. Multiplying 2 by the average index of 110 produces a transaction estimate of \$220. In this example, therefore, the impact of falling share prices on the value of nonresident investments is a decrease of \$420. The value of the investment does not fall by this amount during the period because the decrease in prices is offset by the net purchase of additional shares by nonresidents.

**738.** One advantage of using indexes is that the compiler need not be concerned about bonus issues, the impact of which is typically factored into calculation of the index. The compiler should not, however, use accumulation indexes, which are a mixture of price changes and income yields. The compiler should also ensure that the index used in calculations of transactions from stocks is the most appropriate one available. For example, for measuring equity investment in the United States, the Dow Jones index would probably be suitable, whereas the Nikkei index from Japan would almost certainly be unsuitable.

**739.** For debt securities, techniques similar to those previously described could be used. The compiler will generally have to use indexes, and suitable indexes should be available in most major security centers. However, for financial derivatives, it is almost impossible to derive transactions from stocks, so the compiler should seek ways of directly measuring transactions in these instruments.

### ***Deriving Stocks from Transaction Data***

**740.** The process of deriving stocks from transaction data is known as the **perpetual inventory method**. Via this

method, for which a stock estimate for some base point in time is required, the compiler may calculate the value of a stock at the end of a period as being equal to the value of the stock at the beginning of the period plus the impact of transactions and non-transaction changes in the value of the stock during the period. The required base estimate may be obtained from an occasional collection of stock data, or a point in time when the stock position of the instrument being measured was known or assumed to be nil or negligible can be used as the base.

**741.** As with the derivation of transactions from stocks, calculation of stocks from transactions should initially be made in currencies in which instruments are denominated. The stock estimates should then be converted, by using prevailing exchange rates, to the unit of account.

**742.** Perpetual inventory models for portfolio securities typically involve use of appropriate financial market indices to determine the impact of non-transaction changes in levels. These models are based on formulae similar to:

$$ESV = ((SSV/SI) + (TV/((SI + EI)/2))) * EI$$

in which

ESV = the value of the stock at the end of the period;

SSV = the value of the stock at the start of the period;

TV = the transactions value during the period;

SI = the value of an appropriate index at the start of the period; and

EI = the value of an appropriate index at the end of the period.

**743.** More detailed perpetual inventory models produce better quality results. For example, if such a model were used to estimate a country's stock of portfolio investment made abroad in the form of equities, the best results would be achieved if the model were constructed on a market-by-market basis.<sup>159</sup> The compiler should then chose the index appropriate to each market. (See the discussion of indexes in paragraph 738 of this chapter.)

### ***Treatment of Financial Derivatives***

**744. Options** are financial instruments that provide one party (the holder) with the right, but not the obligation, to buy (call option) or sell (put option) a specified financial or real asset for a predetermined price (the

<sup>159</sup>This technique obviously requires detailed information on transactions.

strike price) from another party (the option writer).<sup>160</sup> If the option holder exercises his or her right, then he or she is said to exercise the option. Exercise can take one of two forms: (1) actual delivery of the underlying asset for the strike price or (2) cash settlement based on the difference between the prevailing market price of the underlying asset and the strike price.

**745.** If the option holder and writer are residents of different countries, creation and exercise of option contracts constitute transactions that should be recorded in the BOP of the relevant countries. Also, trading of options between residents of different countries will result in BOP transactions for the countries concerned.

**746.** An example should help explain the BOP treatment of options. A resident of country A writes a tradable three-month call option on 10 shares in an enterprise located in country X; the strike price is \$15 per share. The option is purchased from the writer by a resident of country B for \$20. The following transactions would be recorded in the BOP of country A:

	Credit	Debit
Portfolio investment—liabilities		
Financial derivatives	20	...
Foreign exchange	...	20

**747.** After three months, the price of shares in the enterprise in country X rises to \$18 per share, and the option holder in country B decides to exercise the option. The resident of country B acquires ownership of 10 shares, with a market value of \$180, in the enterprise located in country X. However, only \$150 ( $10 \times \$15$ ) is actually paid. The remaining \$30 represents extinguishment of the option contract at the time it is exercised. The following transactions would be recorded in the BOP of country A:<sup>161</sup>

	Credit	Debit
Portfolio investment—assets		
Equities	180	...
Portfolio investment—liabilities		
Financial derivatives	...	30
Foreign exchange	...	150

<sup>160</sup>Warrants are options written by enterprises on their own shares. The BOP treatment of warrants is the same as that for other types of options.

<sup>161</sup>It is assumed that the resident of country A owned the shares in the enterprise of country X prior to exercise of the option contract. If this was not the case, the resident of country A would have to purchase these shares (at the market value) in order to deliver them to the resident of country B. The purchase could result in additional transactions in the BOP of country A.

**748.** In this example, the underlying asset is delivered when the option is exercised. However, the option holder in country B could, instead, accept a cash settlement of \$30, in which case the following entries would be recorded in the BOP of country A:

	Credit	Debit
Portfolio investment—liabilities		
Financial derivatives	...	30
Foreign exchange	30	...

**749.** Table 16.4 provides an extensive list of transactions associated with options and the BOP treatment of such transactions.

**750.** An ITRS or ES could, for BOP purposes, be used to collect information on transactions involving options. However, if an ITRS is used, care should be taken to ensure correct recording of transactions resulting in deliveries of underlying assets. Unless supplementary information is sought, an ITRS respondent is likely to (1) record the transaction in the underlying asset at the option strike price rather than at the market value at the time of transaction and (2) fail to record extinguishment of the option contract.

**751.** To measure options for the IIP, compilers should probably approach option holders and writers through ES to obtain the necessary information. For the IIP, options should be valued on the basis of market prices prevailing on the dates on which the IIP statement is prepared. If no market exists for a particular type of option, market value can be approximated by using a financial formula known as the Black-Scholes formula. (This formula is quite complex; however, compilers need not understand its exact nature.) Most organizations with significant options operations use (for preparation of balance sheets or supplementary accounts) this or similar formulas to value their positions. Therefore, in practice, the compiler should accept the valuation of option positions provided by principals unless there is serious doubt as to their validity in terms of market valuation principles.

**752. Derivatives other than options** typically involve contracts in which two parties agree to exchange specified assets, either real or financial, at some future point or points in time. Such contracts are either (1) tradable or (2) settled, on a net basis, for cash rather than an actual exchange of underlying assets. Such derivatives are considered to be financial instruments and include forward foreign exchange contracts, futures, and currency swaps. If transactions in these instruments involve residents of different countries, the transactions should be recorded

**Table 16.4 Treatment of Typical Transactions in Options—BOP of Country A**

Type of Option	Type of Transaction	Credit	Debit
(1) Call option written by country B on a real asset, such as goods <sup>1</sup>	Purchase of option by buyer in country A from writer in country B	Financial account—other investment—assets—currency and deposits	Financial account—portfolio investment—assets—financial derivatives
	Purchase of option by buyer in country A from seller in country X (secondary market transaction)	Financial account—other investment—assets—currency and deposits	Financial account—portfolio investment—assets—financial derivatives
	Sale of option held in country A to buyer in country X (secondary market transaction)	Financial account—portfolio investment—assets—financial derivatives	Financial account—other investment—assets—currency and deposits
	Exercise of option, which is held in country A, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—financial derivatives Financial account—other investment—assets—currency and deposits	Goods (or other item as appropriate) valued at prevailing market price rather than price specified in option contract
	Exercise of option, which is held in country A, that results in a cash settlement	Financial account—portfolio investment—assets—financial derivatives	Financial account—other investment—assets—currency and deposits
(2) Call option written by country B on a financial asset, such as equities, issued by country X  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (1) of this table.</i>	Exercise of option, which is held in country A, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—financial derivatives	Financial account—portfolio investment—assets—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract
		Financial account—other investment—assets—currency and deposits	
(3) Call option written by country B on a financial asset, such as equities, issued by country A  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (1) of this table.</i>	Exercise of option, which is held in country A, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—financial derivatives	Financial account—portfolio investment—liabilities—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract
		Financial account—other investment—assets—currency and deposits	
(4) Put option written by country B on a real asset, such as goods <sup>1</sup>  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (1) of this table.</i>	Exercise of option, which is held in country A, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—financial derivatives	Financial account—other investment—assets—currency and deposits
		Goods (or other item as appropriate) valued at prevailing market price rather than price specified in option contract	

<sup>1</sup>Options written on real assets must be tradable to be considered financial instruments.*(table continues)*

**Table 16.4 (continued)**

Type of Option	Type of Transaction	Credit	Debit
(5) Put option written by country B on a financial asset, such as equities, issued by country X  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (1) of this table.</i>	Exercise of option, which is held in country A, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—financial derivatives	Financial account—portfolio investment—assets—currency and deposits
		Financial account—portfolio investment—assets—equities (or other items as appropriate) valued at prevailing market price rather than price specified in option contract	
(6) Put option written by country B on a financial asset, such as equities, issued by country A  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (1) of this table.</i>	Exercise of option, which is held in country A, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—financial derivatives	Financial account—other investment—assets—currency and deposits
		Financial account—portfolio investment—liabilities—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract	
(7) Call option written by country A on a real asset, such as goods <sup>1</sup>	Purchase of option by buyer in country X from writer in country A	Financial account—portfolio investment—liabilities—financial derivatives	Financial account—other investment—assets—currency and deposits
	Purchase of option by buyer in country X from seller in country A (secondary market transaction)	Financial account—portfolio investment—liabilities—financial derivatives	Financial account—other investment—assets—currency and deposits
	Sale of option held in country X to buyer in country A (secondary market transaction)	Financial account—other assets investment—currency and deposits	Financial account—portfolio investment—liabilities—financial derivatives
	Exercise of option, which is held in country X, that results in delivery of the underlying asset	Goods (or other item as appropriate) valued at prevailing market price, rather than price specified in option contract	Financial account—portfolio investment—liabilities—financial derivatives Financial account—other investment—assets—currency and deposits
	Exercise of option, which is held in country X, that results in a cash settlement	Financial account—other investment—assets—currency and deposits	Financial account—portfolio investment—liabilities—financial derivatives

<sup>1</sup>Options written on real assets must be tradable to be considered financial instruments.

*(table continues)*

Table 16.4 (continued)

Type of Option	Type of Transaction	Credit	Debit
(8) Call option written by country A on a financial asset, such as equities, issued by country X  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (7) of this table.</i>	Exercise of option, which is held in country X, that results in delivery of the underlying asset	Financial account—portfolio investment—assets—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract	Financial account—portfolio investment—liabilities—financial derivatives  Financial account—other investment—assets—currency and deposits
(9) Call option written by country A on a financial asset, such as equities, issues by country A  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (7) of this table.</i>	Exercise of option, which is held in country X, that results in delivery of the underlying asset	Financial account—portfolio investment—liabilities—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract	Financial account—portfolio investment—liabilities—financial derivatives  Financial account—other investment—assets—currency and deposits
(10) Put option written by country A on a real asset, such as goods <sup>1</sup>  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (7) of this table.</i>	Exercise of option, which is held in country X, that results in delivery of the underlying asset	Financial account—other investment—assets—currency and deposits	Financial account—portfolio investment—liabilities—financial derivatives  Goods (or other item as appropriate) valued at prevailing market price rather than price specified in option contract
(11) Put option written by country A on a financial asset, such as equities, issued by country X  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (7) of this table.</i>	Exercise of option, which is held in country X, that results in delivery of the underlying asset	Financial account—other investment—assets—currency and deposits	Financial account—portfolio investment—liabilities—financial derivatives  Financial account—portfolio investment—assets—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract
(12) Put option written by country A on a financial asset, such as equities, issued by country A  <i>Treatments of other transactions relating to this type of option should be the same as those for similar transactions described in item (7) of this table.</i>	Exercise of option, which is held in country X, that results in delivery of the underlying asset	Financial account—other investment—assets—currency and deposits	Financial account—portfolio investment—liabilities—financial derivatives  Financial account—portfolio investment—liabilities—equities (or other item as appropriate) valued at prevailing market price rather than price specified in option contract

<sup>1</sup>Options written on real assets must be tradable to be considered financial instruments.

(table continues)

**Table 16.4 (concluded)**

Type of Option	Type of Transaction	Credit	Debit
(13) Margin payments	Margin payment by resident of country X to broker or dealer in country A	Financial account—other investment—liabilities—currency and deposits	Financial account—other investment—assets—currency and deposits
	Margin payment by resident of country A to broker or dealer in country X	Financial account—other investment—assets—currency and deposits	Financial account—other investment—assets—currency and deposits

in the BOP financial account.<sup>162</sup> Transactions that should be recorded against derivative instruments include any trading in contracts and the net value of settlements made. It may also be necessary to record transactions associated with the establishment of derivative contracts. Frequently, however, two parties will enter into a derivative contract without any payment by one party to the other; in these cases, the value of the transaction establishing the contract is nil, and no entry is actually required in the BOP.

**753.** Fees paid to financial intermediaries (such as banks and brokers) to establish derivative contracts do not represent transactions in the derivatives themselves. Rather, these fees should be classified as financial services and recorded in the services component of the current account. Likewise, margin payments provided by one party to another as securities against future obligations do not represent transactions in derivatives. These margin payments should, instead, be reflected in the currency and deposits item in the other investment component of the financial account.

**754.** Two examples should further illustrate the BOP treatment of derivatives. In the first example, a resident of country A purchases a tradable futures contract from a broker in country B for 100 and pays brokerage fees of 12. The resident of country A is also asked to make a margin payment of 250 to the broker as security against adverse market movements. The following transactions should be recorded in the BOP of country A:

	Credit	Debit
Current account		
Financial services	...	12
Financial account		
Portfolio investment—assets		
Financial derivatives	...	100
Other investment—assets		
Currency and deposits	362	250

**755.** When the futures contract expires after three months, the market has moved against the resident of country A, and he is required to pay 180 as settlement. This settlement is deducted from the margin payment previously made, and the balance of 70 is returned to the resident of country A. The following transactions should be recorded in the BOP of country A:

	Credit	Debit
Financial account		
Portfolio investment—liabilities		
Financial derivatives	...	180
Other investment—assets		
Currency and deposits	250	70

**756.** In the example, the financial derivative contract has, as a result of adverse market movements, “flipped” from being an asset to being a liability of the resident of country A. Such “flipping” can occur with derivative contracts other than options. Movements in underlying asset prices or exchange rates, which are reflected in the price change and exchange rate components of the reconciliation statement for stocks and flows, can cause such changes in the value of derivatives.

**757.** In the second example, an enterprise in economy X enters into a currency swap with an enterprise in country Y. No money changes hands at the start of the contract. In six months, because of favorable movements

<sup>162</sup>Derivatives (such as interest rate swaps and forward rate agreements) associated with interest rates are an exception. Transactions in these instruments should be recorded in the investment income component of the current account.

in exchange rates, the enterprise in country X receives a net settlement of 80 from the swap partner in country Y. The following transactions should be recorded in the BOP of country X:

	Credit	Debit
Financial account		
Portfolio investment—assets		
Financial derivatives	80	...
Other investment—assets		
Currency and deposits	...	80

**758.** One or both parties to a derivative contract may enter into the contract to hedge against adverse movements in some other position. For example, an enterprise borrowing in U.S. dollars but preferring liabilities in Japanese yen may enter into a currency swap in which the enterprise receives U.S. dollars for Japanese yen. In BOP recording, it is important that transactions in derivative contracts be recorded separately from any transactions involving the position that is being hedged. Were this not the case, serious asymmetries could arise in the recording of BOP transactions, and distortions could occur in analysis of BOP items. If compilers wish to provide users with information on the impact of hedges, such data could be shown in satellite BOP tables.

**759.** In the IIP, financial derivatives other than options should be valued by reference to market prices of similar instruments. If derivatives being valued are traded infrequently, they could be valued by calculating the net present value (NPV) of future payments and receipts expected under the contract. If the NPV of future transactions is positive—that is, net receipts are expected—the derivative contract should be shown as an asset in the IIP. On the other hand, if net payments are expected, the contract should be shown as a liability. Enterprises with significant positions in derivative contracts will probably value their derivative positions and options in a similar manner (at least in their management reports).

### ***Securities Issued at Discounts or Premiums***

**760.** Many debt securities are issued at discounts or premiums. Most short-term securities are issued at prices that are less than the amounts issuers will repay to redeem them, and the discounts represent income earned. Long-term bonds are usually issued with interest payments being made every 6 to 12 months. A bond may be issued at a discount or a premium if the market rate of interest differs from the interest rate assumed in the bond issue. For example, plans may be made to issue a bond bearing

a 4.5 percent interest coupon to reflect the market rate of interest at the time. However, before the bond is issued, the market rate of interest changes, and the bond is therefore issued at a slight discount or premium to align the actual interest rate with the market rate. Some long-term bonds are issued without any actual interest payments (zero coupon bonds) or with interest payments that are small in relation to prevailing rates of interest. Such bonds must be issued with significant discounts (deep discounted bonds) to attract investment.

**761.** According to the *BPM*, when a resident of one economy issues a security that is purchased by a resident of another economy, the transaction should be valued at the issue price and not at the security's redemption (face) value. Any discount (or premium) should be recorded as interest (or negative interest) income accrued over the life of the security.<sup>163</sup> The offset to accrual of interest should be recorded as a transaction in the security because accrued interest is implicitly being reinvested in the security. At maturity, the transaction extinguishing the security should be valued by using the redemption value.

**762.** Table 16.5 on page 168 shows the BOP treatment of a zero coupon bond that was issued to a nonresident at 38.554 on December 31, 1992; the bond is to be redeemed in 10 years at 100. The implicit (compound) rate of interest on the security is 10 percent, and it is assumed that the interest rate will remain unchanged over the life of the security. The 3 years presented in the table show that, in each of the years from 1993 to 2001, accrued interest is recorded and offset by an increase in bond liabilities. By the year 2002, annual interest is calculated as 9.091. In that year, the bond is redeemed, and the BOP transaction in bonds of 90.909 represents the reduction (from liabilities of 100) that results from the redemption, less the increase in liabilities of 9.091, associated with accrued interest.

## **Other Investment**

### ***Description and Classification***

**763.** Other investment, which is a residual category, covers financial instruments not included in direct investment, portfolio investment, or reserve assets. Other investment includes loans from the Fund and the use of Fund credit, financial leases, other long- and short-term loans, trade credits, currency and deposits, household investments in life insurance funds, capital subscriptions

<sup>163</sup>For a discussion of the recording of interest income on a full accrual basis, see chapter 13, paragraphs 614-624.

**Table 16.5 BOP Treatment of a Zero Coupon Bond**

Year		Credit	Debit
1992	Portfolio investment—liabilities—bonds	38.554	...
	Other investment—assets—deposits	...	38.554
1993	Portfolio investment income—interest	...	3.855
	Portfolio investment—liabilities—bonds	3.855	...
	Other investment—assets—deposits	...	...
2002	Portfolio investment income—interest	...	9.091
	Portfolio investment—liabilities—bonds	...	90.909
	Other investment—assets—deposits	100.000	...

to nonmonetary international organizations, prepayments of insurance premiums, and other accounts receivable and payable (such as interest and principal arrears).<sup>164</sup>

764. The *BPM* classifies other investment by: (1) assets and liabilities; (2) type of instrument—namely, trade credits, loans, currency and deposits, and “other assets and liabilities”; and (3) resident sector—namely, monetary authorities, general government, banks, and other sectors. Trade credits, loans and “other assets and liabilities” are also classified by original maturities.

#### ***Data Sources and Methods***

765. Data on stock positions, financial transactions, and non-transaction changes in stock positions could come from an ITRS, ES, official sources, or partner countries and international institutions. The same source does not have to be used to measure all activity. For example, an enterprise survey could be used to measure trade credits; official sources could be used to measure official sector assets and liabilities; and an ITRS could be used to measure other activity. Stock positions should be valued at market values.<sup>165</sup> Data on stocks and flows should be collated to ensure consistency and accuracy of reporting. Table 16.6 on page 169 provides an overview of data sources that could be used to measure other investment items.

766. An ITRS can serve as a suitable data source for the measurement of other investment flows and stock positions. ITRS procedures should ensure the inclusion of data on transactions that, for reasons of offsetting, do not

give rise to cash transactions or that pass through bank accounts held abroad. For example, if a resident importer finances trade with a loan from a nonresident bank and payments are made directly to the exporter, a transaction in loans should be recorded even though there were no transactions involving the banking system of the compiling country.

767. Transactions involving trade credits are often difficult to measure in an ITRS. To achieve more accurate measurement, parties involved in trade with nonresidents could provide details on delivery dates as well as information on payments. However, trade credits will only be known when payments are actually made, and payments may be made sometime after trade credits are originally extended. This factor could lead to delays in providing estimates or to revisions in data for previous periods. An alternative means of measuring trade credits would be to match customs records with bank records. However, this process could be fairly laborious, and sophisticated systems would be necessary to facilitate the matching process. Another alternative would be to compare total trade, as measured in international trade statistics, with payments for imports and receipts for exports, as measured in the ITRS. The differences could be assumed to represent transactions in trade credits.<sup>166</sup> Adjustments would have to be made for goods transactions financed by other means, such as loans, and goods transactions, such as barter trade and gifts, that do not involve financial settlements.

<sup>164</sup>For a full description of other investment, see chapter 20 of the *BPM*.

<sup>165</sup>For most financial instruments recorded under other investment, book value will often provide a good proxy for market value. However, if this is not the case, appropriate adjustments should be made.

<sup>166</sup>The difference between export deliveries and payments for exports could be assumed to represent transactions in trade credit assets, and differences in comparable data for imports could be assumed to represent transactions in trade credit liabilities. However, these assumptions are based on underlying assumptions that trade credit is always extended by exporters to importers and that there are never any prepayments.

**Table 16.6 Compilation of the BOP Financial Account and the IIP: Other Investment Items**

Item Number		Description of Item	Source and Method of Compilation
Assets	Liabilities		
x706	x756	Trade credits	Data on the stock positions, financial flows, and non-flow changes in stock positions could come from an ITRS, ES, official sources, or international sources such as international banking statistics. If an ITRS is used, care should be taken to ensure that noncash transactions, such as trade credits, are adequately covered. Stock positions should be valued at market values. Data on stock positions, financial flows, and non-transaction changes should be reconciled to ensure consistent reporting. In the absence of actual data, estimates of financial transactions may be derived from stock positions.
x707	x757	General government	
x708	x758	Long-term	
x709	x759	Short-term	
x710	x760	Other sectors	
x711	x761	Long-term	
x712	x762	Short-term	
x714	x764	Loans	
x715	x765	Monetary authorities	
n.a.	x766	Use of Fund credit and Fund loans	
x717	x767	Other long-term	
x718	x768	Short-term	
x719	x769	General government	
x720	x770	Long-term	
x721	x771	Short-term	
x722	x772	Banks	
x723	x773	Long-term	
x724	x774	Short-term	
x725	x775	Other sectors	
x726	x776	Long-term	
x727	x777	Short-term	
x730	x780	Currency and deposits	
x731	x781	Monetary authorities	
x732	n.a.	General government	
x733	x783	Banks	
x734	n.a.	Other sectors	
x736	x786	Other assets	
x737	x787	Monetary authorities	
x738	x788	Long-term	
x739	x789	Short-term	
x740	x790	General government	
x741	x791	Long-term	
x742	x792	Short-term	
x743	x793	Banks	
x744	x794	Long-term	
x745	x795	Short-term	
x746	x796	Other sectors	
x747	x797	Long-term	
x748	x798	Short-term	

**768.** ES can provide suitable data for the measurement of other investment flows and stock positions. An enterprise survey should cover the population of enterprises with external assets and liabilities that are classified as other investment.

**769.** The compiler may also collect data on other investment from the official sector. The reporting entity may be the national debt office or some other

official institution that has data on official and other sectors.

**770.** Partner countries or international institutions could also serve as data sources (see chapter 9). International banking statistics compiled by the IMF or the BIS may be particularly useful for transactions of the nonbank sector with nonresident banks. These statistics are described in detail in paragraphs 396-401 of chapter 9.

771. An example illustrates one method of using such information. In the example, BOP compilers in Essendon know that small Essendonian enterprises and Essendonian households maintain deposit accounts (in foreign currency) with nonresident banks. However, Essendon's BOP collections only cover transactions in the nonresident bank accounts of banks, government enterprises, and large private enterprises.

772. For the first quarter of 1992, Essendonian BOP collections show that net transactions in the nonresident bank accounts of government and large private enterprises were \$E 440 CR and \$E 820 DR, respectively. Furthermore, government enterprises earned interest of \$E 6 and private enterprises earned interest of \$E 15 on these accounts in 1992.

773. IBS information published in *International Financial Statistics (IFS)* show that, at the end of 1991, Essendonian nonbank claims on banks in countries reporting to IBS were \$US 800. At the end of the first quarter of 1992, the value of the claims was \$US 1000.<sup>167</sup> Essendonian BOP compilers know that Essendonian residents hold, with nonresident banks, accounts in currencies other than the United States dollar. The compilers suspect that the currency mix closely parallels the currency mix used to determine the value of the SDR.

774. *IFS* also compares the values of country currencies in terms of the United States dollar and the SDR. Essendonian BOP compilers obtain the following exchange rates from *IFS*:

	Exchange rate at end of 1991	Exchange rate at end of first quarter 1992	Average exchange rate during first quarter 1992 <sup>1</sup>
\$E per \$US	2	2.5	2.25
\$US per SDR	1.5	1.4	1.45
\$E per SDR	3	3.5	3.25

<sup>1</sup>Calculated by using *IFS* data

775. The compilers calculate the value of Essendonian nonbank claims on nonresident banks in terms of SDRs because SDRs best reflect the currency mix of these deposits. In SDRs, the level of claims at the end of 1991 was 533 (800/1.5) and, at the end of the first quarter of 1992, 714 (1000/1.4). For this exercise, the compilers use end-of-period rates. Next, the compilers subtract the

level of claims (in SDRs) at the end of 1991 from the level at the end of the first quarter of 1992 in order to derive estimated transactions of SDR 181.<sup>168</sup> They then convert the transactions in SDRs to Essendonian dollars by using the period average \$E/SDR exchange rate. The result is an estimate of transactions in \$E of 588. As this estimate represents an increase in assets, the appropriate BOP entry must be a debit. Essendon's balance of payments collections have already accounted for a net debit of \$E 380 for transactions in nonresident bank accounts of nonbanks (820 debit for the large private enterprises less 440 credit for the government enterprises). Therefore, the \$E 208 difference (588 less 380) is assumed to represent transactions in accounts with nonresident banks not covered by balance of payments collections.<sup>169</sup>

776. Essendonian BOP compilers also estimate interest income on accounts not covered by their collections. From *IFS*, they learn that LIBOR interest rates on SDRs were 5 percent at the end of 1991 and 6 percent at the end of the first quarter of 1992. They calculate that the average rate during the first quarter of 1992 was 5.5 percent, or 1.4 percent per quarter. They decide that this rate is appropriate for estimating interest on deposits with nonresident banks and apply this rate to the average level of Essendonian nonbank deposits (SDR 624) with nonresident banks during the first quarter of 1992. They calculate that interest accrued on nonbank deposits with nonresident banks in the first quarter of 1992 was SDR 9 (0.014 × 624) or \$E 28 when the interest is converted by using period average exchange rates. As BOP collections have already measured interest of \$E 21 (\$6 earned by government enterprises and \$15 earned by large private enterprises), the compilers deduce that the difference of \$E 7 represents interest credits earned by households and small private enterprises on bank accounts abroad.

777. The Essendonian compilers add the two estimates for undercoverage—\$E 208 DR in financial transactions and \$E 7 CR in investment income—to their balance of payments. They then consider possible offsets to the net \$E 201 debit that they have added. Upon reflection, they decide that approximately half is attributable to exports of goods. As customs statistics are used to measure this item in Essendon's balance of payments,

<sup>168</sup>The compilers have assumed that there were no price or other changes in the value of claims.

<sup>169</sup>BIS international banking statistics provide information on transactions, as well as on stocks, that is based on currency data from reporting countries and on assumptions made by the BIS. The compiler may prefer using BIS information on transactions rather than estimating, via the methodology described, transactions from IMF data. The compiler should be aware that coverage provided by BIS banking data is somewhat limited in comparison with that provided by data from the IMF.

<sup>167</sup>Information of this nature can be found in the IFS table headed Cross Border Bank Deposits of Nonbanks by Residence of Creditor.

**Table 16.7 Calculating Financial Transactions from Data on Stocks**

<b>Basic data for a bank with assets in \$US</b>		
Account at beginning of month	500,000	(1)
Account at end of month	550,000	(2)
Write-off of loan during month <sup>1</sup>	50,000	(3)
Transactions in U.S. dollars (2) – (1) + (3)	100,000	(4)
<b>Exchange rates: Unit of account to \$US</b>		
Beginning of period	1.05 to 1	(5)
End of period	1.10 to 1	(6)
Average for the period	1.09 to 1	(7)
Rate at time of write-off	1.06 to 1	(8)
<b>Calculation of transactions and reconciliation items in unit of account (thousands of units)</b>		
Opening position (1) × (5)	525	(9)
Closing position (2) × (6)	605	(10)
Change in position (10) – (9)	+80	(11)
Financial transactions (4) × (7)	109 debit	(12)
Write-off (3) × (8)	53	(13)
Exchange rate changes (11) – (12) + (13)	+24	(14)

<sup>1</sup>A reduction, or increase, in the value of an asset could also arise from a change in its market value.

it is thought that these goods would have already been covered. The remaining \$E 100 is thought to represent workers' remittances that have been sent to Essendonian residents, deposited with nonresident banks, and thus have by-passed the Essendonian banking system, which is the main source of information for this item in Essendonian's balance of payments. Accordingly, the compilers add a credit of \$E 100 to the worker remittance item in current transfers in the first quarter 1992 balance of payments.<sup>170</sup>

### ***Calculating Transactions from Data on Stocks***

**778.** When data on stocks are denominated in foreign currencies, the calculation of transactions in the unit of account can be undertaken by using the following methodology.

**779.** Stock position data must be recorded in currency of denomination. Changes in stock position data (recorded in currency of denomination) reflect transactions after allowance is made for write-offs and price changes in market values of instruments.<sup>171</sup> Transactions should be converted to the unit of account by use of period

average exchange rates. Price changes, if any, should also be converted to the unit of account by use of period average exchange rates. If there are write-offs, it should be possible to identify times of occurrence. A write-off should be converted to the unit of account by use of the exchange rate prevailing on the date of the write-off; otherwise, a period average exchange rate could be used.

**780.** For instruments denominated in each currency, opening and closing stock position figures (recorded in currency of denomination) should be converted to the unit of account by using midpoint rates applicable at the beginning and end of the period, respectively. The estimate for the opening position should be subtracted from the estimate for the closing position to calculate the stock position change in terms of the unit of account.

**781.** As a result of these calculations, transactions, price changes, write-offs, and the change in stock are now measured in the unit of account. The difference between the change in stock and the sum of transactions, price changes, and write-offs can be attributed to exchange rate changes.

**782.** Table 16.7 illustrates the derivation of transactions from stocks via the method described. In the example, it is assumed that there are no price changes applicable to the asset under consideration. This would be a reasonable assumption for most

<sup>170</sup>In many cases, offsetting transactions may not be identified as neatly as those in the example. In such situations, the compiler may only adjust for the undercoverage in transactions relating to accounts with nonresident banks.

<sup>171</sup>For a discussion of methods that could be used to estimate the impact of valuation changes, see paragraphs 732-739 of this chapter.

**Table 16.8 BOP Treatment of Financial Leasing**

	Country A		Country B		Country C	
	Credit	Debit	Credit	Debit	Credit	Debit
<i>Transactions in First Year</i>						
Current account—goods	...	100	...	...	100	...
Financial account						
Other investment						
Assets—currency and deposits	...	...	100	...	...	100
Assets—loans	...	...	...	100	...	...
Liabilities—loans	100	...	...	...	...	...
<i>Transactions in Second Year</i>						
Current account—income						
Other investment income	...	4	4	...	...	...
Financial account						
Other investment						
Assets—currency and deposits	10	...	...	10	...	...
Assets—loans	...	...	6	...	...	...
Liabilities—loans	...	...	6	...	...	...

deposits, loans, trade credits and other non-tradable instruments.

**783.** If turnover of a particular asset is high, net movement in the stock low, and relevant exchange rates volatile, there could be a large difference between the result obtained by this method and the true result—which would be obtained if underlying gross transaction flows were converted via the midpoint of rates prevailing on dates of transactions. Therefore, the compiler should interpret with some care the results achieved by using this method. When possible, compilers who use this method should undertake calculations at frequent intervals (for example, monthly, rather than quarterly) to obtain more accurate results.

#### ***Financial Leases and Similar Arrangements***

**784.** Financial leases and similar arrangements represent a form of financing akin to a secured loan. They are usually evidenced by: (a) a long-term agreement; (b) the lessor being a financial institution; (c) the lessee being responsible for operation, repair, and maintenance of the item being financed and having first option on disposal of the item at termination of the agreement; and (d) penalties for cancellation of the agreement. Taxation or other advantages, which may not be available from other forms of financing, are usually associated with these

arrangements. The *BPM* includes financial leases with loans in the BOP classification.

**785.** Information required for the BOP is usually readily available from principals who know the value of the good initially leased and are able to distinguish principal and interest components of lease payments. It is especially important that interest and principal components be separately identified, and necessary data could be collected via a well-designed ITRS or ES.

**786.** Table 16.8 shows BOP entries for a resident of country A, who leases an aircraft from a resident of country B, who purchased the aircraft from a resident of country C. The value of the aircraft is 100. Annual rental payments, which commence in the second year, are 10; in the second year, 4 of these are the interest component. The table shows that country B is not at any time regarded as the owner of the aircraft.

#### ***Capital Subscriptions to Nonmonetary International Institutions***

**787.** Information on capital subscriptions is typically available to nonmonetary institutions from official sources. Such capital subscriptions should be recorded in other assets under the other investment component of the financial account. For example, suppose a country makes a capital subscription of 100 to a regional development

bank. The subscription is provided in the form of a non-negotiable promissory note denominated in national currency. The following transactions should be recorded in the BOP:

	Credit	Debit
Financial account		
Other investment—assets		
Other assets—long term	...	100
Other investment—liabilities		
Loans—short term <sup>1</sup>	100	...

<sup>1</sup>The promissory note is regarded as a loan, rather than as a portfolio security, as it is non-negotiable.

**788.** If the promissory note is subsequently redeemed by the development bank to provide financing to another country, the following transactions should be recorded in the BOP:

	Credit	Debit
Financial account		
Other investment—liabilities		
Loans—short term	...	100
Currency and deposits	100	...

## Reserve Assets

### *Description and Classification*

**789.** Reserve assets are financial instruments such as monetary gold, special drawing rights, reserve position in the Fund, foreign exchange (which includes liquid assets such as currency, deposits, and securities), and other assets available to central monetary authorities for BOP management purposes, such as financing imbalances and managing exchange rates.<sup>172</sup>

**790.** The presentation of BOP standard components in the *BPM* contains a subclassification of reserve assets by instrument—monetary gold, special drawings rights, reserve position in the Fund, foreign exchange [split between (a) currency and deposits and (b) securities], and other claims. As can be seen from table 10.6 (in chapter 10), the *SNA* provides a more detailed breakdown of the other claims component.

### *Data Sources and Methods*

**791.** Data on stock positions, financial flows, and non-transaction changes in positions could come

from an ITRS. However, it would be preferable in most circumstances to obtain the information from actual records of monetary authorities (see chapter 8, paragraphs 350–352). Stock positions, including monetary gold, should be valued on the basis of prevailing market values. Data on positions, financial flows, and non-flow changes should be reconciled to ensure consistent reporting. Data on flows may be derived from stock positions, as described in paragraphs 778–783. In this case, relevant authorities should be encouraged to change their reporting practices to provide transactions data.

**792.** Central banks are sometimes reluctant to release details of reserve asset transactions and stock positions. Concerns of the central bank and requirements of users of BOP data must be carefully weighed by the compiler. In deference to the former, it may—with skillful combining of data—be possible to meet requirements of the conceptual framework without publishing a detailed breakdown of reserve asset transactions and stock positions.

## Extrapolation and Projection

**793.** If the compiler is using an ITRS, ES, or an official source to measure various components of the financial account and the IIP, data should be available on a fairly timely basis. However, when timely data are not available, the compiler may not—in view of the volatile nature of certain financial account transactions—wish to extrapolate particular financial items. If the compiler prefers to wait until data are available, he or she would include the unavailable financial flows as part of a residual item, which would also include net errors and omissions from other parts of the BOP. (If this approach is adopted, it should be clearly explained to users of the statistics.) Conversely, the compiler may consider it preferable to extrapolate particular financial flows. For example, if investment income estimates are derived from yield analysis (as described in chapter 13, paragraphs 598–599), it may be necessary to extrapolate financial transactions in order to extrapolate the necessary stock positions. The impact of market price and exchange rate movements should also be considered when stock data are being extrapolated.

**794.** On occasion, data on financial flows may be available but data on stock positions may not. In these circumstances, the compiler may extrapolate stock estimates from the latest available stock data, but the extrapolation must take into account movements in market prices and exchange rates and the impact of transactions (see paragraphs 740–743). Alternatively,

<sup>172</sup>For a complete description of the nature of reserve assets, see chapter 21 of the *BPM*.

**Table 16.9 Compilation of the BOP Financial Account and the IIP: Reserve Assets**

<b>Item Number</b>	<b>Description</b>	<b>Source and Method of Compilation</b>
x810	Monetary gold	Data on the stock positions, financial flows, and non-transaction changes in stock positions could come from an ITRS or from official sources. Data on stock positions should, in principle, be valued at market value. Data on stock positions, financial flows, and non-transaction changes should be reconciled to ensure consistent reporting. In the absence of actual data, estimates of transactions could be derived from stock positions.
x820	Special drawing rights	
x830	Reserve position in the Fund	
x840	Foreign Exchange	
x845	Currency and deposits	
x850	With monetary authorities	
x855	With banks	
x860	Securities	
x865	Equities	
x870	Bonds and notes	
x875	Money market instruments and financial derivatives	
x880	Other claims	

as discussed in paragraphs 778-783, it is possible to estimate financial flows from stock position data if the latter are available when the former are not.

**795.** If the compiler elects to extrapolate financial flows, he or she should take three broad factors into account. One factor that the compiler should consider is any available information on flows. For example, the compiler may have partial information on new loans, loan repayment schedules, large investment projects, or various press announcements by individual companies. Also, the compiler should consider past trends and the general economic climate. For example, a change in domestic interest rates may encourage investment (or disinvestment) in nonequity securities, and a change in government policies toward direct investment may have an impact on this component over time. A third factor to be considered is the size of unidentified transactions as financial flows in any category are likely to be affected by the overall size of such unidentified transactions. These unidentified transactions are derived as a residual by summing the current account and known financial account items. The residual flow may be distributed across items in the financial account and the net errors and omissions item. In making the distribution, the compiler should take into account the historical relationship between (a) initially unidentified transactions and subsequently identified financial flows and (b) changing economic circumstances. The compiler should also identify historical relationships between unidentified financial flows and net errors and omissions.

**796.** Projections require similar methodologies. However, there are additional variables that should be considered. Compilers may allow projected current account transactions and autonomous financial flows to determine the outcome for reserves and other BOP financing items. Alternatively, some target may be set for reserve transactions. For example, at the end of the projection period, the stock position of reserves may be targeted as a certain fraction of the value of imports. When considered with projections for autonomous financial flows, targeted reserves may produce a “financing gap” that has to be covered by borrowing or lending abroad. Should the financing gap be unsustainable, the compiler may have to reconsider the impact of assumptions related to underlying exchange rate, growth, and other economic policy variables on both financial and current account transactions and to revise projections accordingly. As the BOP projections process is an iterative one, it may take several rounds to establish financial account projections that are consistent with those for the current account.

**797.** Having projected financial flows, the compiler can project stock positions. In making these projections, the compiler should consider the expected impact of changes in exchange rates and market prices. However, in many cases, the compiler may assume a constant real exchange rate and no changes in other prices. The projection of stock positions is particularly useful for projecting investment income transactions.

**Table 16.10 Converting Debt to Equity by Using Book Values and Official Rates**

	U.S. Dollar Value		Domestic Unit of Account	
	Credit	Debit	Credit	Debit
Financial account				
Direct investment in host economy—equity	100	...	100	...
Debt liabilities	...	100	...	100

### Liabilities Constituting Foreign Authorities' Reserves and Exceptional Financing

**798.** Liabilities constituting foreign authorities' reserves and exceptional financing are two supplementary classifications important to an understanding of BOP statistics. LCFAR represent liabilities corresponding to reserve assets and should be identified by an analyst undertaking a global analysis of BOP official reserve flows and stock positions. Exceptional financing refers to non-autonomous BOP transactions, other than those involving reserve assets, that are undertaken by authorities in order to meet BOP financing requirements.<sup>173</sup>

**799.** LCFAR may take the form of securities, currency, and deposits held by other central monetary authorities. Data on securities could be obtained from issuers, those responsible for security management, or from financial intermediaries. Data on deposits could be collected from banks. Currency held by foreign central banks could be obtained through special inquiries to partner countries known to have significant holdings of the compiling country's national currency. (However, this approach may meet some resistance from the central banks of partner countries.)

**800.** Exceptional financing includes arrears on both interest and principal, borrowing to meet BOP requirements, rescheduling of loans and other obligations that are either in arrears or due, debt swaps, grants from other governments for BOP support, and debt forgiveness. These instruments can all be regarded as new financing or as alternatives to raising funds. Two other categories are also included in exceptional financing. These are the early repayment of borrowings associated with BOP financing and reductions in BOP arrears. Data on exceptional financing transactions would typically be available from official sources on a timely basis.

<sup>173</sup>For a full description of the nature of LCFAR and exceptional financing transactions, see chapter 22 of the *BPM*.

**801.** Appendix 4 of the *BPM* provides a comprehensive description of the accounting for exceptional financing transactions. However, the recording of debt conversions is not always straightforward; consequently, this issue is examined in the *Guide*.

**802.** Debt-to-equity conversion and other forms of debt conversion undertaken for BOP purposes raise complex issues: What is the value of the liability being canceled? What is the value of the asset being acquired? Is there an element of debt forgiveness? Clear answers may not exist for these questions. If the debt is being traded, the traded price may be regarded as the value to be used (for determining both transactions and IIP value) of the liability.<sup>174</sup> When the debt is exchanged for some other asset, it may be possible, unless there is some element of debt forgiveness involved, to value the other asset and use that value for the original liability. Debt forgiveness would not be associated with a purely commercial transaction but, if a foreign government purchases debt and immediately sells it at a lower price, the difference may be regarded as debt forgiveness.

**803.** An example illustrates some of these points. Debt that is issued by the compiling country's government, denominated in U.S. dollars, and has a face value of 100 is held by a nonresident enterprise. The debt is converted at the official conversion rate (par value in this illustration) to direct investment equity in the compiler's country. The compiler may record the transaction as shown in table 16.10.

**804.** However, there may be problems with this treatment. If, for example, the debt was acquired by the nonresident as the result of a secondary market

<sup>174</sup>An interesting question arises as to how the value of debt with a book value of 100 and a traded value of 50 should be recorded in an IIP statement. If the compiler is adopting market value, 50 should be the recorded value because that is the value for which the issuer could redeem the debt if financing were available to do so. In these situations, market value should be reported, and book value should be recorded as a memorandum item.

**Table 16.11 Converting Debt to Equity by Using Market Values**

	U.S. Dollar Value		Domestic Unit of Account	
	Credit	Debit	Credit	Debit
Current account				
Transfers	...	30	...	30
General government				
Financial account				
Direct investment in host economy—equity	100	...	100	...
Debt liabilities	...	70	...	70

**Table 16.12 Relationship between BOP Standard Components and External Debt Statistics**

<b>External Debt Items</b>
Direct investment abroad—other capital
Claims on affiliated enterprises
Liabilities to affiliated enterprises
Direct investment in reporting economy—other capital
Claims on direct investors
Liabilities to direct investors
Portfolio investment
Bonds and notes
Money market instruments
Financial derivatives
Other investment
Trade credits
Loans
Currency and deposits
Other, less household claims on life insurance funds
Reserve assets
Reserve position in the fund
Foreign exchange, other than equity securities
Other claims, other than equity securities
<b>Nondebt Financial Items</b>
Direct investment abroad—equity and reinvested earnings
Claims on affiliated enterprises
Liabilities to affiliated enterprises
Direct investment in reporting economy—equity and reinvested earnings
Claims on direct investors
Liabilities to direct investors
Portfolio investment—equity securities
Other investment—household claims on life insurance funds
Reserve assets
Monetary gold
SDRs
Foreign exchange—equity securities
Other claims—equity securities

transaction for US\$70, the U.S. dollar value may, for BOP purposes, be considered 70 (market value) and not 100 (book value). Accordingly, it may be considered that the holder of the debt is being provided with a favorable exchange rate (1.43 units of domestic currency for US\$1) as an inducement to undertake the debt conversion. As discussed in paragraphs 434-441 of chapter 10 of the *Guide*, the *BPM* recommends—in the case of multiple exchange rates—the use of a unitary rate (such as the predominant rate). By comparison with the domestic currency value of the equity investment, conversion of the market value of the U.S. dollar debt liability to domestic currency at the unitary rate—in this case, the official rate—produces a difference of 30. The 30 represents a transfer from the debtor country; the transfer is the result of the favorable exchange rate (akin to a subsidy) provided to a nonresident. Therefore, it may be

appropriate to record the transactions shown in table 16.11 in the BOP of the debtor country:

**805.** In practice, however, the debtor country may be reluctant to record the transactions in this manner and prefer to value the transaction in debt at the (legal) value of 100 rather than at its market value.

### **Compilation of External Debt Statistics**

**806.** Statistics on a country's external debt can be compiled from the BOP financial account and IIP components provided in the listing of standard components in the *BPM*. Table 16.12 on page 176 shows the relationship between these components and external debt statistics.

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## XVII. Compiling BOP and IIP Statements by Partner Country

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### Overview

**807.** The preceding seven chapters are concerned with the compilation of global BOP statistics—that is, economic transactions of a country in respect of all other countries. Similar statistics can be compiled on a regional basis to show a country's transactions with residents of a selected foreign country or group of countries. In this *Guide*, these countries are referred to as **partner countries**, and this chapter examines methods by which the compiler may compile BOP statements by partner country.<sup>175</sup>

**808.** Compilation of BOP statistics on a regional basis provides many analytical and compilation benefits. Partner country statistics provide information that enables users to develop greater insight into BOP aggregates. Governments use partner country statistics as a basis for policy formulation and bilateral negotiations. Use of partner country statistics facilitates bilateral reconciliations and, therefore, enhances the quality of BOP statistics. Partner country statistics may also be used in the preparation of world aggregate BOP statistics.

**809.** In compiling partner country statistics, the compiler must decide on the principle of classification and the list of countries or country groupings to be shown.

**810.** The principle of classification used in BOP regional statistics is also based on **change of ownership**. Application of this concept to regional BOP statistics means that, for transactions in goods, the country classification should be based on the countries of residence of the former owners of imports and of the new owners of exports; for transactions in services, on the country of residence of the provider or the recipient of the service; for income, on the country of residence of the entity earning or incurring the income; and, for transfers, on the country to which the offset transaction is recorded. For the IIP statement, liabilities should be classified by the country of residence of the owner of the claim, and assets should be classified by the country of the liability holder.

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<sup>175</sup>Chapter 24 of the BPM contains further information on regional BOP statements.

**811.** For financial transactions, there are two possible means of classification considered to be in accord with the change-of-ownership principle. One is the **debtor/creditor principle**, in which transactions in a country's external liabilities are classified by the country of the owner of the claim (the creditor) and transactions in a country's financial assets are classified by the country that incurs the liability (the debtor).<sup>176</sup> The other is the **transactor principle**, in which transactions are classified by the country of the nonresident counterparty to the transaction.

**812.** The example shown in table 17.1 illustrates the difference between debtor/creditor and transactor principles. In this example, a resident of country A sells securities issued by a resident of country B to a resident of country C. Table 17.1 on page 180 shows entries that would be recorded for securities if a classification based on the transactor principle or on the debtor/creditor principle were used.

**813.** In data sources available to the compiler, the classification by country may not be based on a strict change-of-ownership concept. For example, security transactions may be classified by country of issue and transactions in goods by country of origin or consumption. The BOP compiler may wish to publish supplementary statistics based on alternative classifications. For example, publication of information on securities classified by country of issue could help an analyst gain a better understanding of international capital markets and the impact of these markets on the BOP.

### Multilateral Settlements

**814.** Multilateral settlements arise when an entity in one economy undertakes a transaction with a resident of a second economy and the payment for that transaction involves a claim on a resident of yet another economy. This practice requires compilers to record offsetting entries in regional BOP accounts in order to balance them for particular countries or regions. The entries are called

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<sup>176</sup>This classification principle is consistent with classification of the IIP by partner country.

**Table 17.1 Use of Transactor Principle and Debtor/Creditor Principle to Record the Sale of Securities by Partner Country**

	Partner country		
	Country A	Country B	Country C
<i>Use of the Transactor Principle</i>			
Country A records	...	...	Security credit
Country B records	...	...	...
Country C records	Security debit	...	...
<i>Use of the Debtor/Creditor Principle</i>			
Country A records	...	Security credit	...
Country B records	Security debit	...	Security credit
Country C records	...	Security debit	...

multilateral settlements. In practice, entries will typically be combined with net error and omission items as it is generally not possible to measure a pure multilateral settlement item.

**815.** An example illustrates these points. Country A imports a good, valued at 100, from country B and uses a bank account in country C to make the settlement. However, as a result of measurement errors, the payment is recorded as 102. In compiling a partner country BOP statement, country A would classify imports to country B, but the transaction in foreign currency assets would be attributed to country C. To balance the various accounts, the compiler would have to record multilateral settlements items for countries B and C. Table 17.2 shows the entries that would be recorded in a partner country classification of BOP transactions for country A. The table demonstrates the necessity for creating the multilateral settlement item to balance the accounts and also shows that these entries cancel each other when accounts are consolidated.

### Countries and Regional Groupings

**816.** The choice of countries and regional groupings to be included in the country classification is not always straightforward. Nevertheless, a good starting point is the "Standard Country or Area Codes for Statistical Use"<sup>177</sup> published by the United Nations. This document

<sup>177</sup>Standard Country or Area Codes for Statistical Use, "United Nations Statistical Papers, Series M, No. 49, Rev. 2 (New York, 1982). This document is somewhat outdated, and the reader should refer to more recent publications, such as the *United Nations Statistical Yearbook* (New York, 1954), for more up-to-date nomenclature.

includes standard lists of countries, country codes, and various regional groupings. It also describes relationships between customs areas and the country classification. In the former, for example, Belgium and Luxembourg, which share a common customs boundary, are grouped together—as are Botswana, Lesotho, South Africa, and Swaziland. (Namibia, which was not independent at the time the United Nations document was prepared, is now also part of the Southern African Customs Union.)

**817.** When the debtor/creditor principle is used, a particular problem emerges for transactions in monetary gold and SDRs. These financial assets do not represent claims on nonresidents, and there is no country of debtor, as such. To overcome this problem, compilers might include in regional BOP statements a notional country or countries in which transactions in these items could be recorded. The same solution is suggested for regional IIP statements, which are affected by the same problem.

### Use of ITS to Compile Partner Country Statistics

**818.** ITS are described in chapter 2, which includes a discussion of the international guidelines, concepts, and definitions that ITS compilers are expected to follow.<sup>178</sup> The guidelines set out concepts that could be used to classify data by partner country for ITS and provide a useful discussion of each concept.

<sup>178</sup>International Trade Statistics; Concepts and Definitions, "United Nations Statistical Papers, Series M, No. 52, Rev. 1 (New York, 1982).

**Table 17.2 Balance of Payments Transactions of Country A with Partner Countries**

	Country A's Recording of Transactions with					
	Country B		Country C		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Goods	...	100	...	...	...	100
Bank external assets	...	...	102	...	102	...
Net errors and omissions	...	...	...	2	...	2
Multilateral settlements <sup>1</sup>	100	...	...	100	...	...

<sup>1</sup>In practice, this item will be combined with net errors and omissions as actual multilateral settlements are difficult to measure.

**819.** According to the change-of-ownership principle, imports would be classified by country of purchase—the country where the importer's co-contractor is domiciled or has its business—and exports would be classified by country of sale—the country where the exporter's co-contractor is domiciled or has its business. However, ITS guidelines reject this concept as ITS essentially measure the movement of goods rather than the change of ownership of goods. The guidelines illustrate the logical conflict by using an example, shown in table 17.3, in which a resident of country A buys goods produced in country B and sells the goods to a resident in country C but ships the goods directly from country B to country C.

**Table 17.3 Use of the Change-of-Ownership Principle to Record Goods by Partner Country in ITS**

	Partner Country		
	Country A	Country B	Country C
Country A records	...	...	...
Country B records	Export	...	...
Country C records	Import	...	...

**820.** This table uses the purchase/sale (change of ownership) concept and shows transactions of countries B and C with country A, which would not record the transaction in ITS as there is no physical movement of the good into or out of country A. If goods were shipped by country A, the shipment would be treated as direct transit trade (unless the goods were cleared through customs into country A—an unlikely event) and thus would not be recorded. Another problem with the use of the purchase/sale

concept with ITS is that agents often act on behalf of principals and, according to the guidelines, identification of principals can consume considerable time and resources.

**821.** Another concept used to classify partner country data for ITS is country of origin and consumption. The country of origin is the country in which the goods are produced or manufactured, whereas the country of consumption is the country known at the time of dispatch as the country in which the merchandise is intended to be consumed, utilized, or further processed.<sup>179</sup> As the guidelines point out, determinations of country of origin are usually straightforward, but determinations of country of consumption are much more difficult.<sup>180</sup>

**822.** Still another classification concept is country of consignment or destination. For imports, the country of consignment is the country from which goods were initially dispatched, without any commercial transactions taking place in intermediate countries, to the importing country. For exports, the country of destination is the "country known at the time of dispatch to be the final country where goods are to be delivered."<sup>181</sup> The guidelines consider this concept to be the most suitable for ITS. Table 17.4 provides examples of transactions recorded by using this and the origin/consumption concept. In the example, petroleum is produced and refined in country B and purchased by a resident of country A, who imports the petroleum and stores it in country A. Subsequently, the petroleum is exported to country C.

<sup>179</sup>Ibid., 38.

<sup>180</sup>Ibid., 42.

<sup>181</sup>Ibid., 38.

**Table 17.4 Use of the Origin/Consumption and Consignment/Destination Concept to Record Goods by Partner Country in ITS**

	Country A	Country B	Country C
<b>Use of the Origin/Consumption Concept</b>			
Country A records	...	Import	Export
Country B records	...	...	Export
Country C records	...	Import	...
<b>Use of the Consignment/Destination Concept</b>			
Country A records	...	Import	Export
Country B records	Export	...	...
Country C records	Import	...	...

**823.** Table 17.4 shows that, if the concept of origin and consumption is used, both countries A and C record an import as originating in country B, and both countries A and B record an export as being consumed in country C. If the consignment/destination approach is used, country B shows an export as destined for country A; country A shows an import consigned from country B and destined for country C; and country C shows an import consigned from country A. In other words, the consignment/destination approach produces a symmetrical treatment not achieved by the origin/consumption approach.

**824.** The guidelines state:

*The system of attribution by country of origin is more in line with the present preoccupations in world trade, that is, the Generalized System of Preferences, the GATT multi fibers agreement, etc. However, virtually all customs documents now require that the country of consignment be given. Consequently, the following is recommended. In the case of imports, the country of origin should be recorded. However, the country of consignment should be collected as additional information. In the case of exports, the country of last known destination is recommended. It is not recommended that the country of attribution according to the concept of country of purchase and sale be collected.*

**825.** The consignment/destination concept, which is a close proxy to the change-of-ownership principle preferred for the BOP, achieves a symmetry that the origin/consumption concept cannot. In fact, apart from transactions that involve merchanting and are recorded in goods, the concept of consignment/destination is the same as the change-of-ownership principle required for use in the BOP. This *Guide* recommends that the ITS compiler produce ITS on a consignment/destination basis

and that the BOP compiler use these data to compile partner country statistics on goods. Transactions in goods could be adjusted to a complete change-of-ownership basis if the BOP compiler collects data on gross purchases and sales of goods classified by country from enterprises involved in merchanting—a subject that is discussed in chapter 4, paragraphs 138-139. Suitable questions in respect of certain merchanting transactions are contained in part G of model form 6.

**826.** In ITS guidelines, selection of the country to which imports and exports are classified is based upon the customs area (see paragraph 816).

### Use of Other Sources to Compile Partner Country Statistics

**827.** There are no international standards for an ITRS, and the method of country classification varies from country to country. Generally, the classification is based on the country of residence of the nonresident transactor and, in most cases, this is appropriate for BOP purposes. For the recording of financial transactions, an ITRS generally supports the transactor (rather than the debtor/creditor) principle.

**828.** A particular problem in using an ITRS to compile partner country statistics is that the nonresident principal to a transaction may use an agent who is a resident of a different country. For example, a resident of country A may use a security broker in country B to purchase securities from a resident in country C. It is unlikely that the two principals (in countries A and C) will know each other's identities, and the ITRS in each of these countries will probably reflect transactions with country B. This classification is inconsistent with

**Table 17.5 Income Accounts of Enterprises in Countries A, B, and C**

	Country A	Country B	Country C
Operating profit	60	20	100
Other current income <sup>1</sup>	89 <sup>2</sup>	50	-35 <sup>2</sup>
Net earnings before tax	149	70	65
Taxes	49	16	15
Dividends	50	25	20
Reinvested earnings	50	29	30

<sup>1</sup>Other current income includes interest, dividends, and reinvested earnings on direct investment receivable less interest payable.

<sup>2</sup>Income earned by the enterprise in country A includes an interest receipt of 35 from the enterprise in country C on a loan made by the enterprise in country A to the enterprise in country C.

the change-of-ownership principle. A similar problem will occur when nominees are used to undertake transactions for nonresident principals. In practice, relatively little—other than analyzing information that may be available from international financial centers on these types of transactions—can be done to overcome these problems.

**829.** If ES are used to compile BOP statistics, the compiler should ensure that information is classified by partner country in accordance with the change-of-ownership principle. With regard to financial transactions, ES generally support the debtor/creditor (rather than the transactor) principle, and the model enterprise survey forms shown in appendix 2 have been designed on this basis. However, there could be problems with identifying the countries of residence of purchasers of bearer securities issued by enterprises of the compiling country. In such cases, some compilers classify the transactions to a category called **international capital markets**. While this solution is practical, it is not optimal, and it reduces the usefulness of information for bilateral comparisons. Securities issued by the compiling country and held by nonresident nominees located in countries other than the country of the nonresident principal are likely to be misclassified in ES. In practice, apart from the use of partner country sources, little can be done to overcome this problem.

**830.** When other BOP sources are used, the compiler should make every effort to ensure that partner country information is classified correctly. If it is not possible to obtain correctly classified data from the source, the compiler should, at least in significant cases, investigate alternative sources to obtain supplementary information.

**831.** The compiler may not wish to obtain partner country detail each time a collection is conducted and may prefer instead to collect this information on a less frequent basis. In this case, partner country BOP estimates can be interpolated or extrapolated on the basis of partner country information from benchmark collections.

**832.** If partner country data are not available from a BOP source, an alternative source could be used to determine partner country shares. For example, partner country estimates for trade credits could be derived from an analysis of partner country shares for imports and exports. Care should be taken to ensure that the supplementary source exhibits a partner country pattern similar to that of the item that the source is being used to measure.

### **Treatments of Certain Direct Investment Transactions**

**833.** In this section, treatments of a number of direct investment transactions are examined in order to illustrate application of the change-of-ownership concept.

#### ***Investment Income Flows***

**834.** The first example concerns the treatment of investment income. Table 17.5 shows investment income flows among three entities in a direct investment relationship. An enterprise in country A has a wholly owned subsidiary in country B which, in turn, has a wholly owned subsidiary in country C.

**835.** Table 17.6 shows relevant income entries recorded in the regional BOP statements of countries A, B, and C. There are no reinvested earnings and dividend transactions between the enterprise in country A and

**Table 17.6 Partner Country Income Statistics for Countries A, B, and C**

Country A's Accounts with	Country B		Country C		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Reinvested earnings	29	...	...	...	29	...
Dividends	25	...	...	...	25	...
Interest	...	...	35	...	35	...
Country B's Accounts with	Country A		Country C		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Reinvested earnings	...	29	30	...	30	29
Dividends	...	25	20	...	20	25
Interest	...	...	...	...	...	...
Country C's Accounts with	Country A		Country B		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Reinvested earnings	...	...	...	30	...	30
Dividends	...	...	...	20	...	20
Interest	...	35	...	...	...	35

Note: The associated financial transactions are not shown.

**Table 17.7 Partner Country Statistics for Countries A, B, and C**

Country A's Accounts with	Country B		Country C		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Direct investment abroad						
Equity capital						
Liabilities to affiliates	...	...	100	...	100	...
Other capital (loans)						
Claims on affiliates	...	100	...	...	...	100
Multilateral settlements	100	...	...	100	...	...
Country B's Accounts with	Country A		Country C		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Goods	...	...	...	100	...	100
Direct investment in B						
Other capital (loans)						
Liabilities to direct investors	100	...	...	...	100	...
Multilateral settlements	...	100	100	...	...	...
Country C's Accounts with	Country A		Country B		Total	
	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>	<i>Credit</i>	<i>Debit</i>
Goods	...	...	100	...	100	...
Direct investment in C						
Equity capital						
Claims on direct investors	...	100	...	...	...	100
Multilateral settlements	100	...	...	100	...	...

the enterprise in country C because reinvested earnings and dividends payable by the enterprise in country C are solely attributable to the enterprise in country B. Should an analyst want information on the ultimate source of income of the enterprise in country A, a concept other than the change-of-ownership principle would be required in the partner country classification. However, income payable by the enterprise in country C for a loan made by the enterprise in country A should be shown as an income payment between countries A and C.

### ***Complex Settlement Transactions***

**836.** Table 17.7 shows certain financial flows among three entities in a direct investment relationship. An enterprise in country A has a wholly owned subsidiary in country B which, in turn, has a wholly owned subsidiary in country C. These financial flows consist of book entries in which the enterprise in country A makes a loan to the enterprise in country B, which obtains imports from the enterprise in country C. In return, the enterprise in country C is issued shares in the enterprise in country A.

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## XVIII. Survey (Collection) Design

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### Introduction

**837.** This chapter and the one that follows are primarily concerned with the development of an ITRS or of ES to collect BOP data. This chapter focuses on principles of survey (or collection) design, and chapter 19 deals with form design. However, collections for several other types of data sources—official sources, households, and ITS—are not discussed. While surveys to obtain data from official sources could be designed on the basis of principles described in these two chapters, the development of collection methodology for the official sector is not normally complex. Collections of household data and of ITS, both of which are used by BOP compilers, are typically undertaken by other compilers.

**838.** Effective survey design for an ITRS and for ES requires: well-defined objectives, sufficient legislative authority, thorough coverage of the population or the activity being measured, appropriate methodologies, well-designed survey forms, responsive reporters, good statistical processing procedures, appropriate levels of resources, and responsiveness to the needs of users. All of these requirements are addressed in chapters 18-21.

### Well-Defined Objectives

**839.** Every survey should have a clearly defined conceptual framework that is harmonized with the conceptual frameworks of related statistical collections. A conceptual framework should be developed in accordance with international standards, such as those contained in the *BPM*, and tailored to meet national requirements.

**840.** In addition, users (whose requirements may vary with time) of the data that are collected should be actively involved in the development process to ensure that their concerns are being addressed. Compilers should meet with primary and secondary users in order for the users to articulate their criteria in terms of frequency, timeliness, accuracy, and level of detail. Priorities and various options should be discussed—particularly when user expectations exceed the scope of resources available to compilers—and users should be asked to support necessary increases in such resources. Also, as users often have different perceptions and concerns, compilers may

have to make judgments among conflicting requirements. Alternatively, compilers could encourage the formation of ad hoc or permanent user committees to develop more uniform views. Formal surveys may also be employed to reach a broad range of users.

### Legislative Authority

**841.** Legislation giving compilers the authority to collect required data is necessary for both an ITRS and for ES. Such legislation creates a legal obligation (and an appropriate penalty for noncompliance) for reporters to provide the information, allows compilers to examine (should the need arise) the accounts or records of reporters, stipulates confidentiality of information reported (so that commercial and personal data are available only to compilers of BOP and related statistics), and facilitates publication of data.

**842.** National statistical offices, which are usually responsible for ES, are often endowed by national legislation with appropriate authority to implement such surveys. In a number of countries, exchange controls provide sufficient authority to undertake an ITRS. Many countries that have abolished exchange controls have also introduced special legislation in order to continue with the ITRS.

**843.** Sufficient legislative authority is imperative for effective BOP collection. If appropriate legislation does not exist, it must be created. Once a legislative basis for compulsory reporting and confidentiality of data has been established, reporters will cooperate more readily. When relevant legislation is insufficient or nonexistent, reporters may assume that compliance is voluntary, that requests for certain data exceed the mandate of the compiling agency, or that responding to the survey is not important.

**844.** Compilers should not refrain from using legislative authority to enforce compliance. Awareness of compiler assertiveness and willingness to use prosecution and fines, if necessary, may encourage recalcitrant reporters to comply. However, legislative enforcement authority should be used only when all other avenues for obtaining data have been exhausted. Appropriate legislation also places obligations on the compiler, especially with regard

to protection of confidential data, and compilers should be scrupulous in ensuring that these obligations are met. When BOP statistics are published, it is sometimes desirable to reveal or comment on a particular large transaction. Therefore, the legislation should permit compilers to comment if the information is already publicly available or the agreement of reporters can be obtained. In any event, relevant reporters should be consulted.

### Selection of an Appropriate Data Source

**845.** Selection of the most appropriate data source is by no means straightforward. The choice is affected by many factors, including compatibility of the source with BOP concepts, the timeliness with which data are provided, the frequency with which data are available, the quality of data coverage, usability of the data in BOP compilation, resource costs to the compiler, the respondent burden to the data provider, and the legal authority of the compiler.

**846.** Generally, no data source will rate best according to these criteria. The BOP compiler should determine, in consultation with users, which factors are the most important and make a decision accordingly. Also, the choice of an appropriate data source will often require trade-offs.

### Statistical Units

**847.** Collection of data from enterprises is predicated on determination of the statistical unit with responsibility for supplying data. For this purpose, it is necessary to ensure that all entities involved in an activity are uniquely identifiable; otherwise, there is scope for omission and duplication.

**848.** International guidelines, such as the *SNA*, distinguish unit levels in relation to business activity—namely, the establishment, the enterprise (the legal entity), and the enterprise group. The term *establishment* typically refers to an entity involved in activity at a particular location, such as a shop, a factory, or a mining site. The concept of location must be relaxed when establishments with some activities, for example—transportation, are defined. An *enterprise* consists of the operations of the legal entity resident in one country—for example, a corporation or a branch of a nonresident company. The *enterprise group* or, as the *SNA* refers to it, the *family of legal entities* is the operations of a set of legal entities that are resident in one country and connected in a parent-subsidiary relationship.<sup>182</sup> An enterprise group includes entities that are subsidiaries of a nonresident parent company.

<sup>182</sup>For the definition of a subsidiary, see chapter 16, paragraph 685.

**849.** The enterprise group is the statistical unit preferred by many BOP compilers conducting ES of BOP activity because many international transactions are organized on this basis. For example, an enterprise group may have a central organization that handles the external financial transactions of the group. The use of the enterprise group, rather than the enterprise, as the statistical unit often reduces the workload for the compiler and for the reporting community. However, if BOP activities are handled in several centers within a group, arrangements can be made to collect data from each center, and another statistical unit (such as the enterprise) may be more appropriate. An important qualification is that, if an enterprise group covers more than one institutional sector (for example, a group may consist of a bank and nonbank financial enterprises), arrangements should be made to collect separate data in respect of each sector. Therefore, the preferred statistical unit is the *enterprise group at sector level*. For a compiler using an ITRS, the preferred unit may be the enterprise. However, it may be desirable to link enterprise records to an enterprise group record.

## The BOP Register

### Introduction

**850.** The BOP register is a set of records containing information on economic units that are included, or have the potential to be included, in BOP surveys. The term *population frame* is often used synonymously with the BOP register.

**851.** If units in the register are stored at the enterprise group level, the register should include some information on company group structures. This information is important if an enterprise is identified as potentially suitable for inclusion in the BOP register. In these cases, the compiler must know whether or not the enterprise is part of a group that has already been identified. An enterprise register for an ITRS could also record information on a group basis even though the collection (survey) may use the enterprise as the statistical unit. The register should include unit name, address, contact officer, telephone and facsimile numbers, and area and size of BOP activity.

**852.** While the BOP register is a logical database, it need not be physically separated from other statistical registers. For example, some national statistical offices maintain a single register for all surveys, including BOP collections.

### *Sources for a BOP Register*

**853.** There are many sources that a compiler could use to prepare a BOP enterprise register. The following examples are not exhaustive.

**854.** A list of enterprises may be compiled from an ITS list of exporters and importers of goods. Apart from exports and imports, these enterprises may have external claims and liabilities—particularly in respect of trade credit and, in the case of importers, loans for imports. The enterprises may also be users and suppliers of international services—transportation, in particular.

**855.** An ITRS may be used to compile a list of enterprises. Enterprises that should be included in a BOP register may be identified by domestic banks in an ITRS. However, enterprises that settle transactions through accounts with nonresident banks may have to be identified from other sources.

**856.** Government licensing and regulatory agencies may also be sources of enterprise units for a BOP register. These sources may include official foreign investment agencies that accept applications from nonresidents to establish or expand direct or portfolio investment in the host country or applications from resident enterprises to invest abroad. A similar source is an agency, usually the central bank, that provides approval to buy or sell foreign exchange. This source may be useful for identifying new loans from nonresidents when amounts borrowed are used to make payments directly abroad. The central bank should also be a good source for identifying financial institutions involved in international transactions, and insurance regulatory bodies may be able to identify insurance enterprises, agents, and brokers undertaking international insurance activity. Agencies issuing import and export licenses or trade commissions that maintain lists of exporters could be useful sources if the information is not available from ITS. Agencies that regulate access of nonresident transport operators to the domestic economy may have lists of such operators and their domestic agents. Regulatory bodies that supervise the travel industry may provide lists of enterprises involved in that industry.

**857.** The tax department may provide information on resident entities paying withholding taxes on behalf of nonresidents, foreign-owned enterprises (direct investment enterprises) granted taxation holidays or requiring permission to expatriate profits, and enterprises with income from foreign sources.

**858.** Corporate affairs and stock exchange authorities generally require certain information from companies being registered or listed. Such information often includes the names of larger (including nonresident) shareholders.

These authorities may be good sources for identifying enterprises that are direct investment enterprises or that otherwise have nonresident shareholders with large portfolio holdings. These institutions may also be approached to identify issuers of bonds and other forms of securities.

**859.** Industry associations may provide list of members involved in certain activities, such as trade in services and various international financial transactions.

**860.** The financial press often provides a wealth of information that can trigger further inquiries by the compiler. Financial news is a particularly important source for obtaining up-to-date information on major BOP transactions that should be identified and followed up quickly.

**861.** The compiler may add to BOP collection forms one or two simple exploratory questions on BOP activity not covered by survey forms.

**862.** Information may be obtained from nonresident sources. For example, through the use of lists published by foreign authorities, the compiler may be able to monitor securities issued by residents in foreign markets.

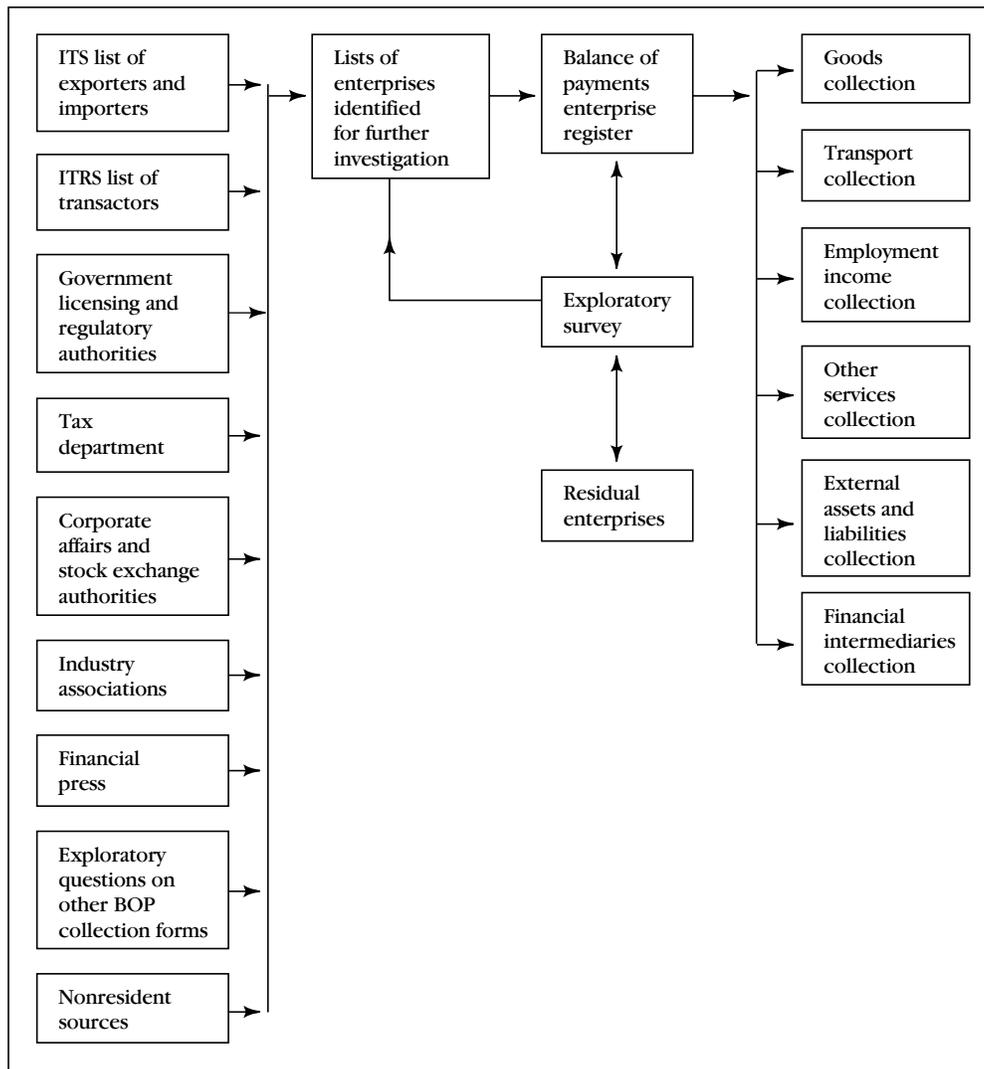
### *Developing and Maintaining the BOP Register*

**863.** The development of the BOP register, which is shown in illustration 18.1 on page 190, may be regarded as a two-part activity. In the first phase, enterprises with potential for BOP transactions are identified via sources previously described. These enterprises are then compared with units already listed on the register.

**864.** The compiler should make every effort to identify all units with potential for BOP transactions and be satisfied that nothing significant is missed. It is also important for the compiler to provide feedback to suppliers of source information. He or she should not hesitate to query a supplier of source data and to suggest better ways of collecting or presenting information.

**865.** In the second phase, more information is obtained on enterprises that were identified from initial sources and are not already on the register. It is unlikely that all enterprises identified will be entered in the BOP enterprise register because some units will not be engaged in activities of interest. An exploratory survey may be used to discover what, if any, BOP activities the enterprises are involved in and the size of those activities. Model form 1 in appendix 2 is an example of a form that could be used for an exploratory survey. In such surveys, the form should be kept simple so that collection and processing costs are minimized.

**Illustration 18.1 Register Maintenance for an Enterprise Survey**



**866.** Enterprises identified (from the exploratory survey) as being engaged in BOP activity are entered on the register. (In illustration 18.1, a line extends from the exploratory survey to the register.) The register then becomes the source list for enterprises to be included in BOP collections. (Examples of types of collections that may be made from enterprises on the register are shown in illustration 18.1.) The register also serves as the source list for future exploratory surveys that determine whether characteristics of enterprises on the register have changed over time.

**867.** Many sources will provide information on the size of enterprise activity. For example, a list of importers from ITS may classify importers by size of importing activity in a specific time period. A threshold can be

established for including enterprises in the exploratory survey—particularly if source lists are large. (However, the compiler may wish to add units of particular significance directly to the register, rather than including them in the exploratory survey, so that these units participate in BOP collections as soon as possible.) Units below the threshold may be recorded on supplementary lists. Ideally, sample surveys of these enterprises would be undertaken to ensure that the units are not engaged in activities of a size to be measured by collections conducted from the register.

**868.** Implementation of the exploratory survey may reveal problems with source data; for example, a number of duplicates may be found, or it may be difficult, in practice, to identify all units listed by a source.

**869.** Enterprises determined (from the exploratory survey) not to be engaged in BOP activity should be recorded on a list of residual enterprises and monitored. These enterprises should be approached via future exploratory surveys approximately once every five years.

**870.** Once the BOP register is established, it should be updated and extended as necessary. The compiler should keep abreast of developments taking place in the economy—for example, by reading the financial news. He or she should also be alert to any major changes among sources used for initial identification of enterprises with potential BOP transactions. If the compiler becomes aware of major transactions being undertaken by newly identified enterprises or by enterprises previously identified but not on the register, he or she should immediately record the enterprises on the register and include these in relevant collections.

**871.** Also, the compiler should undertake periodic exploratory surveys of all entities on the BOP register. Units that are on the register but not actually included in BOP collections—for example, those below thresholds—could be approached every two years. All such entities could be approached at the same time or, for example, one quarter of the register could be approached every six months. This periodic exploratory survey would reveal any changes that should be made to information on the register and, in particular, identify changes in activities and sizes of enterprises recorded there.

**872.** Register sources should be reviewed progressively, and lists of units newly identified from these sources should be checked against the existing register. Unless more immediate action is required, information on newly identified units could be obtained by including them in the next exploratory survey.

## Collection Strategies

### *ITRS*

**873.** An ITRS should contain a number of basic features if it is to produce statistics of good quality. The ITRS should:

- meet BOP conceptual requirements;

- cover all BOP cash transactions using foreign or domestic currency and be supplemented to measure noncash transactions, including reinvested earnings attributable to direct investors;

- include enterprise transactions settled through accounts with nonresident banks;

- encompass procedures to measure stocks of external financial assets and liabilities;

- provide for reconciliation of stocks and flows at the enterprise (or enterprise group) level. For this purpose, recording the identity of larger transactors is important.

**874.** A closed ITRS, *prima facie*, has an advantage over an open or partial system because, in the former, it is possible to reconcile bank positions with the measurement of BOP transactions. Nevertheless, many built-in checks may be provided in an open or a partial system, and these can provide assurance of data quality.

**875.** Collection forms should be well designed so that data are correctly recorded. An important and often difficult part of data collection is the classification of transactions. The reporter should provide information that is sufficient to ensure correct coding. A system in which the reporter describes and codes the transaction produces the best results—if the coding is checked by the compiler. Whatever approach is adopted, it is essential that the compiler be closely involved with coding transactions. It is important to ensure that settlements covering a number of BOP categories or settlements representing both payments and receipts are recorded on a gross basis and that all underlying BOP transactions are identified.

**876.** Within the framework of the ITRS, the compiler may collect data from alternative sources. The most obvious example is the choice between recording the purchase and encashment of travelers checks' by individual travelers or recording traveler check settlements between banks and nonresident correspondent banks. Therefore, it is necessary to have clear rules as to who should report what and which transactions should not be reported.

**877.** An ITRS is likely to produce a large number of records on transactions—a result that may make this type of collection somewhat costly. Costs may be reduced without affecting quality if thresholds are introduced and used sensibly. If thresholds are used, two conditions are desirable. First, some information on transactions falling below the threshold should be collected and aggregated. Second, transactions falling below the threshold should be examined from time to time—for example, through sample surveys. The examination should be made to determine appropriate classifications for transactions so that data on transactions occurring above the threshold may be supplemented with data on small transactions that are appropriately classified. If these two conditions

apply, relatively high thresholds can be used without jeopardizing quality.

**878.** An important component of a good ITRS is contact between the compiler and the data providers—particularly those enterprises engaging in international transactions of large value. Such interaction facilitates correct classification of transactions and monitoring of individual enterprises so that data can be checked and verified and the compiler kept abreast of developments affecting the BOP.

**879.** Because of the complexity of an ITRS and the volume of transactions covered, a large computer processing system is usually required. To calculate resource requirements in this area, it is important to quantify: (a) the volume of records to be processed; (b) the average number of characters per record to be entered and stored; (c) the numbers of interrogations and tabulations to be submitted and the frequency of submission; and (d) the number of staff necessary to organize the system efficiently. Paragraphs 1085-1097 of chapter 20 provide information on the development of computer processing systems.

**880.** Many international transactions reporting systems require large numbers of processing staff to check, code, and enter data. Staff numbers can be reduced significantly if sophisticated computer processes are used—in particular, electronic transmission of data from provider to compiler. The work of processing staff should be monitored to identify and correct any errors. In some systems, every coder's work is checked by another. This procedure may be expensive, and the mere checking of one's work by another may not identify all errors.

**881.** More effective are quality control procedures that tolerate a minor level of error while identifying significant errors and causes thereof. Procedures for checking all large transactions and a sample of smaller transactions should be developed. The checkers should be highly skilled staff. If the error rate on a sample of checked records exceeds the acceptable level for an individual coder, an additional, larger sample of the coder's work should be checked. If the error rate on that sample is also found to be beyond tolerance, remedial action should be taken—including, in the extreme case, the recoding of entire batches. This type of quality control procedure is more likely to detect individual weaknesses, improve coder skills, and enhance data quality than complete checking procedures. Such an approach is also applicable to ES.

**882.** Compiler requirements for detailed, timely, and accurate statistics should be emphasized when an ITRS is being developed. The compiler should establish priorities in these areas and the collection strategy should be chosen in accordance with these priorities. For example, the requirement for timely statistics may be best satisfied through judicious use of estimation techniques, which will obviously have an impact on collection strategy.

### *Enterprise Surveys*

**883.** Selection of collection strategies for ES depends on a number of factors.

**884.** One of these factors is segmentation of population. The population may be segmented so that certain homogeneous groups can be easily identified. For example, a few foreign-owned petroleum companies may be a dominant group in an economy, and these may be isolated as one group for collection purposes. Banks and certain other financial institutions could be similarly isolated.

**885.** Another factor is distribution of population. Enterprises involved in international transactions often show a skewed distribution—that is, relatively few enterprises in an economy are involved in international transactions and even fewer are involved in international transactions in a significant way. Usually, an enterprise must be fairly large before it develops a foreign market for its output or before it decides to deal directly with nonresident principals. This factor has led to the use of thresholds by many compilers.

**886.** In practice, compilers in many countries use a combination of two or three approaches—census, partial coverage, or sample—when conducting ES. A **census** is a collection that includes all members of the population. A **partial coverage collection** includes enterprises with BOP activity or external assets and liabilities above certain thresholds. (Those below the thresholds are excluded.) In a **sample survey**, enterprises are selected according to rigorous sampling procedures, and the results of the sample are expanded by using simple number raising or ratio estimation techniques.

**887.** Large transactors must be approached each time a partial coverage collection is conducted. It is therefore important that the list of large transactors be kept up-to-date. Use of partial coverage collections can provide cost savings without much loss of quality.

**888.** If the partial coverage approach is used for BOP surveys, compilers should develop methods to measure,

at frequent intervals, the contribution to BOP activity of all members of the population. These measurements could be made by using an exploratory survey, a sample survey of smaller units, or a benchmark census. An exploratory survey can be used to collect broad information on the size of BOP transactions of individual transactors in the population frame. This information could be used directly to estimate the impact of units not surveyed in the partial coverage collection, or it could be used indirectly in the creation of a framework for a sample survey. Because sample surveys are relatively inexpensive, they can be conducted at frequent intervals—for example, annually—and can provide high quality factors for expanding results from partial coverage surveys. Another advantage with sample surveys is that the impact of non-response is reduced.<sup>183</sup> The disadvantage with sample surveys is the presence of sample (or standard) error.

**889.** Efficient sampling procedures seek to keep both the number of units selected and the sample error to a minimum. These objectives are usually achieved by stratifying the population—that is, grouping population components according to size of selected activity so that units in different strata have different probabilities of selection. Two factors predominate in the determination of sample error. One is sample size; the larger the sample, the smaller the sample error. The other is the variability of the activity being measured; the wider the dispersion of the activity, the greater the sample error. Population size is not an important factor unless the population is very small or the sample size approaches the size of the population. By using stratification techniques, the compiler essentially increases sample size for units likely to have large absolute variability in size of activity. That is, relative sample size increases as variability increases. In fact, the most variable units, which are typically the largest, are often fully enumerated—a circumstance that means there is no sample error for this stratum.

**890.** In addition to supplementing partial coverage surveys, sample surveys can also be used as the primary survey method. For example, compilers in some countries use sample surveys as the principal source of information on international trade in selected services.

**891.** Compilers in many countries choose not to use a sample survey approach to supplement partial coverage surveys. Instead, they use benchmark censuses to establish

the contribution of smaller units. These censuses are usually costly and undertaken infrequently. Therefore, revisions to results may be made at greater intervals. However, benchmark censuses typically provide more detailed information than other approaches and also establish whether or not some entities, which should now be included in the completely enumerated partial coverage sector, have changed size during inter-census periods.

**892.** Enterprise surveys are usually conducted by mail, telephone, or personal interview. The choice of collection method in BOP surveys often combines elements of a mail survey and personal contact (telephone and face-to-face interviews). BOP collections usually require complex accounting information from large enterprises—a requirement that, in turn, calls for survey reporters to be well educated and trained in accounting. Fortunately, ES are usually directed to central accounting units or international departments of enterprises, which usually contain highly qualified staff. Because of survey complexity, collection by mail is often appropriate; comprehensive instructions can be provided and the data provider given time to assemble the information. For smaller enterprises that have less of an impact on overall results, a simpler form could be used without a resulting loss of quality. BOP collections are not necessarily comparable to surveys that approach a greater number of small businesses, less sophisticated accounting units or other departments within enterprises, or households in which the general level of education and form completion skills may not be as high.

**893.** Many ES contain an extensive number of *form types*. There may be exploratory and regular survey forms. Different forms may be used to collect different data; for example, separate forms may be used for goods, transport, travel, other services, compensation of employees, external assets and liabilities and associated financial and income flows, and certain security transactions conducted by intermediaries. Different forms may be used for different types of units; for example, enterprises in the banking and transport industries may receive forms that differ from those sent to other enterprises. Also, different forms may be sent to direct investment enterprises, direct investors, enterprises that are both direct investors and direct investment enterprises, and other enterprises. Different form types may be used for smaller enterprises or for those that report less frequently.

**894.** While there are many advantages to tailoring BOP forms to particular enterprises, proliferation of form types should be avoided. Too many BOP form types can

<sup>183</sup>Non-responding enterprises are generally treated the same as unselected enterprises and, in effect, are allocated the average activity of related, responding enterprises.

confuse respondents and processing staff alike, lead to complicated procedures that are difficult to manage, and cause inconsistencies in collection of data.

**895.** A common issue is whether to send one form covering all aspects of the BOP activity of an enterprise or a number of forms, each of which covers a different aspect. The former approach simplifies reporting and collection procedures. However, if the information required is likely to come from different parts of the organization or be available at different times, the second approach may be preferred. In any case, the compiler should involve data providers in the decision-making process.

**896.** All forms should conform to a set of standards. That is, forms should use a common set of model questions and instructions, although there may be departures from these to meet individual circumstances. If the model questions and instructions are modified, these modifications should be implemented in all collection forms. All forms should have a proper numbering system, and the place of each within the collection scheme should be clear.

**897.** Form design is discussed in detail in chapter 19.

**898.** Volatility of the activity being measured may affect the frequency with which data should be collected. Assigning percentages to the proportion of an activity that should be collected quarterly rather than annually (or less frequently) is difficult unless one knows the national situation. In the case of financial transactions, the compiler might aim to collect, for example, 95 percent of gross transaction flows on a quarterly basis and to measure the remainder with annual or less frequent surveys. Because financial flows are volatile, it is difficult to make adjustments to account for partial coverage, particularly when net flows are being measured. Hence, nearly complete coverage of the activity is required on a frequent basis. Less frequent collection may be sufficient for surveys measuring less volatile activity. For example, for certain service transactions that are relatively constant over time, the compiler may aim to collect only 50 percent of the activity on a quarterly basis and cover the rest at annual or even less frequent intervals.

**899.** The compiler should establish historical coverage ratios and use the ratios as a basis for estimating the non-surveyed component. A **coverage ratio** is the ratio of the value contributed by enterprises that report quarterly (or whenever) to the value for the total population. If there is a stable relationship from period to period, the percentage of activity surveyed frequently could be kept relatively low. The objectives of using the coverage

ratio are to operate cost effectively and to prevent the necessity for large revisions at a later date. In all cases, the compiler should ensure that new units or units changing levels of activity are monitored and added to surveys as appropriate.

**900.** If thresholds are used for an enterprise survey, it will be necessary for the output to incorporate partial coverage factors based on coverage ratios.

**901.** Choice of processing method typically depends on computing facilities available. For small and simple collections, a personal computer with off-the-shelf spreadsheet and/or database software could be used. For bigger applications, a tailor-made database computer processing system may be required. The system should be designed in accordance with principles outlined in paragraphs 1085-1097 of chapter 20. To determine the type of processing system required, it is necessary to examine the elements of the system in some detail. These elements are summarized in illustration 18.3 and discussed in paragraphs 910-918 of this chapter.

**902.** To satisfy the criterion for timeliness, the compiler may have to release preliminary statistics that suffer from less than complete response. In this situation, the compiler must determine which reporters should be targeted for quick and complete response and which reporters may be followed up after preliminary results are released. The survey compiler should also adjust data received from reporters by making estimates for non-response.

**903.** Use of estimates, rather than raw data, may be preferable when some segments of data cannot be checked prior to preliminary release and there is no guarantee that raw data are correct. If the survey and BOP compilers are different persons, the survey compiler—who is familiar with collection procedures and their impact on results—may be in a better position to develop these estimates than the BOP compiler.

**904.** Different levels and frequencies of output may be required by different users. Consequently, more detailed tables may be produced and published at less frequent intervals. Output requirements should be determined in consultation with users.

## Collection Processes

### *International Transactions Reporting Systems*

**905.** Illustration 18.2 on page 196 shows the primary processing activities in a typical ITRS.

**906.** Illustration 18.2 depicts a representative system; actual systems may use somewhat different approaches. The diagram shows three types of basic input: bank client forms (completed by bank clients), bank reports (completed by banks), and enterprise reports (completed by enterprises in respect of foreign currency accounts with resident banks, accounts with nonresident banks, noncash transactions, and stock positions of external assets and liabilities). Bank client forms are checked by banks that receive the forms. These forms, as well as reports completed by banks and enterprises, are submitted to the BOP compiler. Forms not coded by data providers are coded at this stage. Initial validation, an important step is performed to identify any obvious errors, such as non-completed fields or inaccurate coding. Data are then entered in the database and subjected to various quality control procedures.

**907.** Quality control procedures may include: (1) checking the conversion rate between the foreign currency value and the domestic currency value if both amounts are reported; (2) checking the comparability of patterns of transactions reported by enterprises from period to period; and (3) listing large transactions likely to affect overall results. Reporting banks or enterprises may be queried about large transactions; responses may result in amendments to the database. Another quality control procedure consists of reconciling reported positions and flows for individual reporting banks and for individual enterprises. This procedure involves collating data from all sources and examining residuals—activities that may, in turn, lead to data queries and amendments. Transaction values may then be converted to the domestic currency if the value in domestic currency was not collected.

**908.** The process of summarizing records and analyzing aggregates should include estimation for non-response and any ratio expansion used to take thresholds into account. The analysis may reactivate some quality control procedures, which may—in turn—generate new queries and amendments. New aggregates may have to be generated; this is a reiterative process. (Further information on verifying BOP data can be found in chapter 20, paragraphs 1067-1083.) Results are released after the compiler is satisfied with the quality of the data.

**909.** The diagram in illustration 18.2 shows a link between the BOP enterprise register and the unit record database. Data from the register may be used to classify transactions by sector and industry. Enterprise reports may provide additional information, such as name changes, for the BOP enterprise register. Also shown in the diagram is the important link between bank client forms and the BOP register. This link demonstrates the matching of

transactions data to enterprises and the identification of new enterprises for inclusion on the register.

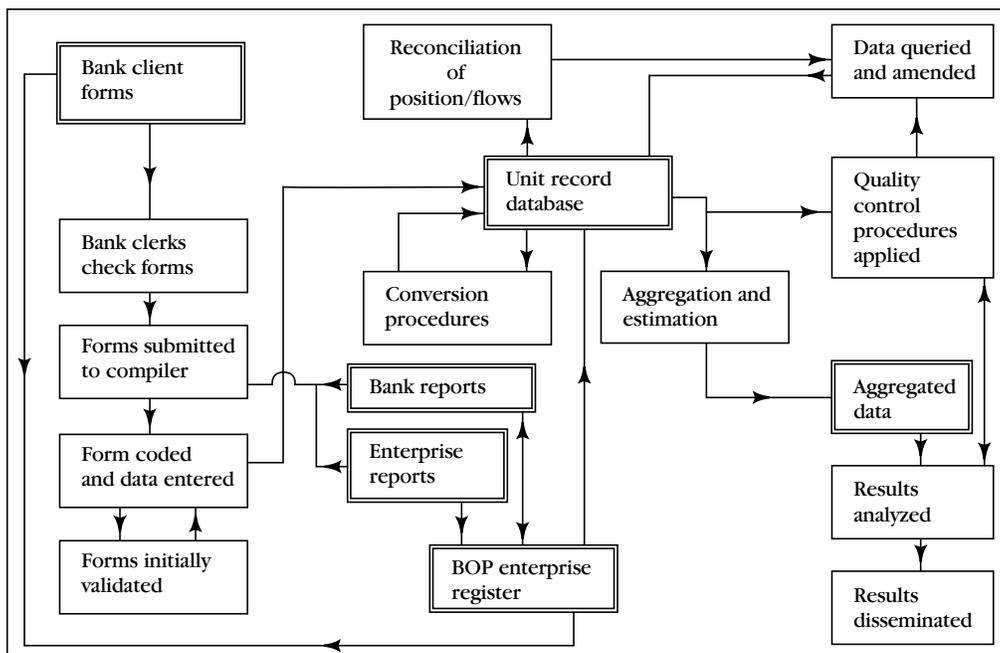
### *Enterprise Surveys*

**910.** Illustration 18.3 on page 196 shows how an enterprise survey processing system may function. The diagram shows that a collection register for any survey period is derived from the BOP enterprise register. This enterprise register, in turn, is the outcome of register maintenance. All enterprises included in a collection should be on the collection register.

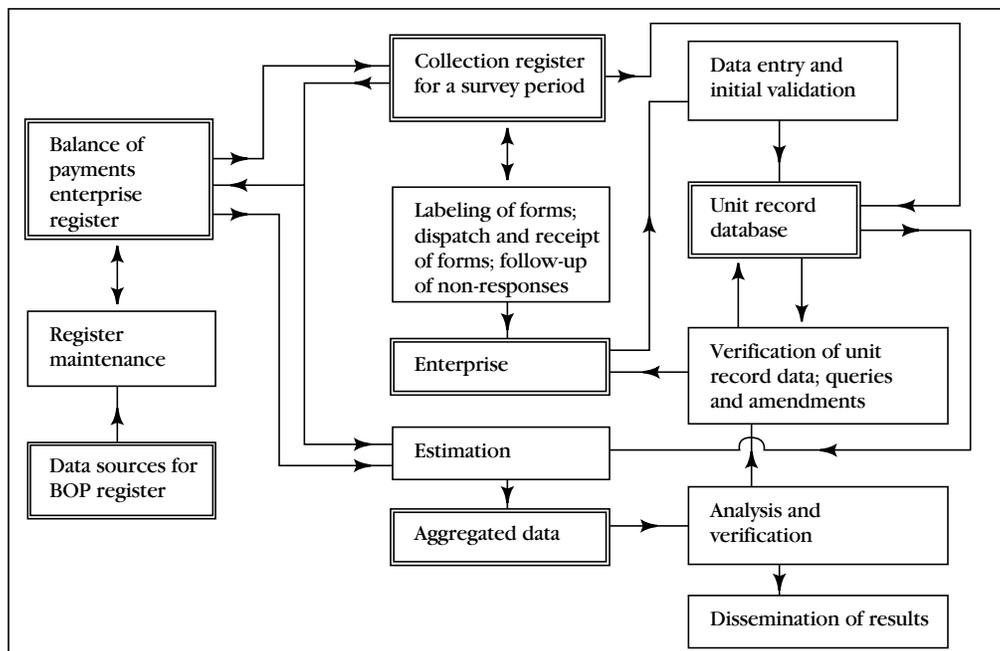
**911.** The collection register is an essential tool for monitoring and controlling the dispatch and collection of data. The collection register should pass relevant information, such as response history, from one collection period to the next. The register can be a paper document or, in more sophisticated systems, a computer database. For each unit in the collection, the register records information such as the name of the enterprise in the collection, the contact name and telephone number, the form type (if more than one type of form is used), the dispatch date, the due date (and any extensions that may have been granted), the timing and nature of follow-up action, any special information that the compiler should know about the enterprise—for example, response history and special reporting arrangements, records of any telephone conversations, the date the form is received, and the initials of the compiling staff member responsible for accepting the form. The collection register provides important input for the dispatch and collection control process, which is shown, along with a pro forma for a collection register, in illustration 18.4 on page 197.

**912.** As illustration 18.4 indicates, Ms. Loi, the reporter for ABC Incorporated, apparently required some encouragement to return the completed form but otherwise is a good reporter. The enterprise received form A1 and, on this occasion, was given an extension to April 21. Unfortunately, Ms. Loi did not meet that deadline and was reminded by facsimile on April 22 and by telephone on April 24. The form was received the next day. A staff member with the initials GH undertook the follow-up action and signed off on accepting the form. More details on the follow-up action were recorded on the enterprise's file; presumably, the space on the register was insufficient to record the follow-up action. The sign-off function is important, and the compiler may wish to introduce more columns to ensure that this function is undertaken correctly. Before signing off, staff should ensure that the form has been correctly completed and that any changes to the name and address of the enterprise, the contact name, the form type,

**Illustration 18.2 ITRS Processing Activities**



**Illustration 18.3 Enterprise Survey Processing System**



**Illustration 18.4 Example of a Collection Register**

Enterprise Name, Contact Name, Title, Telephone	Form Type	Dispatch Date	Due Date	Follow-up Action	Notes and Telephone Calls	Date Received
ABC Inc. Ms. Loi, Manager Accounts Dept. (703) 256-3298	A1	3/27	4/15 ext- 4/21	Fax 4/22 GH. Tel 4/24 GH.	Tardy, but otherwise ok. See file on follow-up.	4/25 GH.
ABD Inc., etc.						
ABE Inc., etc.						

and any special information are recorded in the BOP register.

**913.** In illustration 18.3, a feedback line extends from the dispatch and collection control process to the collection register and from the collection register to the BOP register. The feedback line reflects the updating of the registers with new or amended information obtained from the dispatch and collection control process.

**914.** Once collection forms are received, they should be checked for obvious omissions and errors and coded before the data are entered into the database (data entry). Initial validation would include confirming that all requested items are completed and checking for any simple errors or invalid codes. Initial validation may result in office corrections or querying of the reporter. However, complicated checks that are best performed by computer should be left to the quality control stage.

**915.** Data entered in the database are usually subject to a series of quality control measures. The checks that could be undertaken are discussed in paragraphs 926-927 of this chapter and involve more intense examination of data reported by individual reporters.

**916.** When the compiler is satisfied with the quality of data reported for individual enterprises, aggregation can be undertaken. Aggregation should, if appropriate, include estimates for partial coverage and non-response. The information necessary to make such estimates may come from the BOP register, which may contain information on numbers and sizes of enterprises, or from a statistical analysis of results from exploratory or benchmark surveys. If a sample survey is used, sample estimation would have to be undertaken. Quality control checks should also be performed at the aggregation stage. These checks are discussed in paragraphs 1067-1083 of chapter 20.

**917.** Aggregate results deemed acceptable may be entered in a publication database containing data for all periods (historical time series). Thereafter, data may be disseminated. Chapter 21 provides information on publishing and disseminating BOP statistics.

**918.** As the collection process may also involve amending data for previous periods, unit record databases for previous periods may also be affected. These amendments may, in turn, affect the publication database.

### **Developing Relationships with Data Providers**

**919.** Personal contact between compilers and reporters is the key to collection of useful and accurate data. When establishing collections, compilers should discuss the collection parameters and the form design with representatives from a large group of enterprises. These initial discussions often lead to mutual understanding, between compiler and reporter, of respective requirements. Such understanding is essential for good collections. Reporters should be encouraged to get in touch with the compiler if there are any issues about which they are uncertain. Contact can be facilitated by having the compiling organization's telephone numbers highlighted on collection forms and by having a responsive staff member accept calls and answer queries promptly and correctly. The compiler should initiate contact—by conducting personal interviews in more complex cases and by telephone in more straightforward cases—to follow up with reporters who have not responded to a questionnaire. Similarly, the compiler should initiate queries when a reporter has misreported or reported an unusual and/or a large transaction about which the compiler requires further information. The compiler should conduct (preferably in person) regular evaluation interviews to discover how well reporters understand the collection form, the extent to which they comply

with instructions, and whether or not reporters have any recommendations for modifying the collection form or procedures.

**920.** The compiler should respect reporters but not be intimidated by them. The compiler should feel comfortable about taking the reporter into his or her confidence and giving—whenever possible—correct, complete, and honest answers to questions. In fact, the better the reporter’s understanding of what is required, the more helpful he or she is likely to be. If a reporter asks a difficult question and the answer is not readily apparent, the compiler should not be afraid to admit that he or she does not know the answer. Effort should be made, however, to find the correct answer (if it is available) and provide a prompt reply. BOP methodology is evolving, and new information supplied by collection reporters may help further the evolution. Reporters may offer worthwhile insights into the BOP, and the compiler should not have reservations about discussing fundamental BOP issues with reporters.

### Dealing with Non-response

**921.** Although previous collections may have been successful and follow-up action intensive, less than 50 percent of the forms currently due may be returned by the due date. If follow-up procedures have not been sufficient, the initial response rate for ongoing surveys is likely to be even lower. New collections can also be expected to have low response rates. Many enterprises may request additional time in which to complete the form. Extensions to the due date should be granted sparingly; they should be actively negotiated and not passively given. Extensions should be given for only one or two periods; the expectation that the reporter will not need them in the future should be stated; and several days, rather than several weeks, should be granted.

**922.** The follow-up of non-responding units should be timely, persistent, and persuasive—but never abusive. With limited resources, follow-up action should be targeted. For example, as soon as possible after the due date, facsimiles may be sent to large enterprises with forms outstanding to remind the reporters that responses are overdue and to ask them to indicate when the forms will be submitted. If this approach is unsuccessful, the staff of the enterprises should be contacted by telephone. The compiler should be prepared to negotiate. If some data are of high priority, it may be acceptable for the reporter to provide key aggregates by telephone or facsimile and for the complete form to be returned by a specified future date. For smaller enterprises, a more low-key approach may be appropriate. For example, the compiler may send

reminder letters and only follow up by telephone at a later date. Nevertheless, non-response of these enterprises should be followed up in all cases.

**923.** Experience has shown that most lack of cooperation comes from concern over confidentiality, embarrassment stemming from failure to understand a form, presumption that completion of the form would be overly time-consuming, or poor or negative experiences with other government units. If a survey reporter is proving difficult, some of the following questions may help:

“Some reporters are reluctant to give information because they are concerned about confidentiality. Is this a concern of yours?”

“While we do our best to make the form clear, many reporters find it difficult to follow. Is there some part of it that you find difficult?”

“Some reporters do not have all the information to complete the form. Is this a concern of yours?”

These questions, coupled with someone prepared to listen, often melt icebergs or quench fiery furnaces.

**924.** If appropriate legal authority exists, the compiler should be prepared to resort to legal action—that is, to take an enterprise to court for failure to supply data. Occasional use of legal authority can supply the ultimate encouragement to obtain data, although the compiler should first try to identify the reason for non-response and take other suitable action. Suggestions that legal penalties may be invoked should be made only if the compiler actually intends to carry out legal proceedings.

**925.** Follow-up procedures should be designed to obtain 100 percent response, even if the last part of the response is tardy.

### Verifying Reported Data

**926.** After data is received from data providers, it is important for checks to be undertaken to verify the quality of the data. Such checks would identify:

- (1) *any logical discrepancies in data*  
(For example, checks could be undertaken to ensure that components add to totals, that comparable figures reported in different sections of the form are consistent and, in the case of external assets and liabilities, that the reported reconciliation of stock positions and flows is correct.)
- (2) *empirical discrepancies in data*  
(For example, checks could be undertaken to ensure

that relationships between financial fees and use of financing, investment income and the stock position of external assets and liabilities, and freight and imports are within historically derived ratio tolerances.)

- (3) *consistency in reporting from period to period*  
(For example, checks could be made to verify that closing external asset and liability positions from the previous period agree with the opening position for the current period or that activities reported in the previous period continue into the current period.)
- (4) *large transactions that are likely to have a major impact on the overall results*

- (5) *agreement of data reported in the BOP collection with data reported in other related collections or other information that the compiler may have on the unit.*<sup>184</sup>

927. These examinations may result in corrections being made by the compiler if errors in data can be corrected without contacting reporters—or in the compiler contacting, by telephone or in person, the data provider. Identification of the cause of the anomalies is important to ensure data quality.

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<sup>184</sup>For example, the compiler may compare stocks of financial assets and liabilities reported by enterprises with published balance sheets of enterprises.

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## **XIX. Questionnaire (Form) Design**

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### **Overview**

**928.** This chapter examines the topic of questionnaire (form) design and describes the model forms contained in appendix 2.

**929.** There are many approaches to questionnaire design, which may be considered more of an art than a science. Questionnaires should be constructed on the basis of established standards for effective form layouts and for questions, classifications, and instructions that are clear and simply stated.

**930.** In designing a form, it is essential to consider the reactions of those who may receive it. The immediate reaction of most people depends upon whether or not forms are actually addressed to them. Many people receive a large volume of mail; if they perceive it is not their responsibility to reply, they may divert the form to someone else or allow it to languish unanswered. Subsequent reactions typical of recipients are:

“Do I understand the questions on the form?”

“Can I supply the information without consulting any records?”

“Can I obtain the required information from records readily available to me?”

“Can someone else supply the information fairly readily?”

“Will completing this form be a major task requiring much coordination on my part?”

**931.** It may be inferred from these questions that levels of effort on the parts of reporters will vary. If forms can be completed and returned with little effort, reporters may do so immediately; this objective underlies the approach in model exploratory form 1. However, form completion usually requires more than a minimum effort, and the next question reporters may ask is: “When will I have time to complete this form?” The amounts and types of work required of reporters will be important determinants in obtaining responses. The collection compiler should, by direct and indirect means, encourage reporters to assign a high priority to form completion.

**932.** Reporters may also ask:

“Do I approve of this survey?”

“Will this survey supply information of use to me or this enterprise?”

“Does the survey seek sensitive or confidential information?”

“Do I have a legal obligation to comply?”

“What will my supervisor’s attitude be?”

**933.** A well-designed form will contain inherent answers to many of these questions, ease the burden on reporters, and increase their willingness to cooperate. But form design is only part of the equation. The compiler must also establish and maintain effective contacts with reporters. Paragraphs 967-977 of this chapter note some opportunities for development of cooperative rapport between compilers and reporters.

### **Page One of the Form**

**934.** The initial page introduces the questionnaire. Therefore, explanatory comments on general issues should precede presentation of more specific topics (questions and instructions). The introductory page also creates an overall impression in the mind of the recipient. The compiler may wish to convey the message that:

“This form is important; note the official logo.”

“We can help if you have any difficulties in filling out the form; we can be contacted by telephone.”

“The information you provide will be treated confidentially; your competitors will not see it.”

“We trust you; your careful estimates are acceptable.”

“We are not officious bureaucrats; however, completion of this form by the due date is compulsory.”

“We appreciate the time and effort you expend in completing this form. By providing information for the compilation of BOP statistics, you are contributing to the well-being of your nation.”

**Illustration 19.1 Sample Page One of a Collection Form**

Form number	LOGO	
Address label, including reference number		Compiling agency's address, telephone, and facsimile number
	Collection title Reference period	
<ul style="list-style-type: none"> <li># Legal obligation</li> <li># Confidentiality</li> <li># Purpose of collection and data required</li> <li># General layout of questionnaire</li> <li># Level of accuracy required (careful estimates acceptable)</li> <li># Due date</li> <li># Help available</li> <li># Postage-paid envelope for reply</li> <li># Keep a copy for your records</li> <li># Thank you</li> </ul>		Authorized by
Contact name of person completing form Telephone number of person completing form		

“We have done our best to minimize your costs and inconvenience; for example, we have enclosed a postage-paid envelope for your reply.”

935. The layout of page one of the form may resemble illustration 19.1.

936. Examination of sample page one reveals that the address label is likely to be the most eye-catching feature. This label is usually affixed to preprinted forms. In most surveys of enterprises, the label should contain the name of the enterprise, the address, the name—and possibly the title—of the person responsible for completing the form. The label should also contain a reference number, which is essential for identifying the reporting enterprise. It is important that this information be up-to-date; a reporter’s respect for the compiling organization is lost when details are incorrect. If the information is wrong, the form may even be treated as junk mail and tossed away.

937. Other items at the top of page one—such as the compiling organization’s logo (the symbol of a genuine inquiry); the form number; the compiler’s name, address, and telephone number (which are provided in case the reporter has to contact the compiler); the title of the collection; and the reference period—are all important pieces of information.

938. Items in the middle section of page one state important general information. In most of the model

forms, this section begins with the clear direction, “Please read this first.” Items in this section include:

*a statement of the reporter’s legal obligation*<sup>185</sup>

The relevant legislation should be quoted or specifically referenced to show that completing the form is mandatory and to establish the compiler’s credentials.

*a statement on confidentiality*

This statement should be linked to the one on legislation; the confirmation of confidentiality reassures the reporter as to treatment of sensitive information.

*a broad description of the purpose of the collection*

This statement should make the reporter aware of the importance of BOP data and of the data required by the questionnaire.

*a note on the general layout of the questionnaire*

The statement should briefly describe the location of questions and instructions and suggest effective approaches for responding to the questionnaire.

<sup>185</sup>Most collections are covered by appropriate legislation. However, there may be some instances in which this is not the case. For example, a compiler may decide that the cost of obtaining legislative authority would exceed the benefits. Such cases are likely to be the exception rather than the rule.

939. The last section on page one requires reporters to identify themselves and thereby take responsibility for completing the form. Information on a reporter's identity also constitutes a starting point for the compiler to initiate follow-up or query action.

### Questions and Instructions

940. The body of a form consists of questions and instructions. Determination of the information to be collected, the instructions to be given, and the presentation of questions and instructions are central concerns of the collection compiler. Often, the compiler must decide what to leave out, as well as what to include. Users of BOP data generally want more information, and reporters naturally prefer to supply less. The compiler must balance these conflicting perspectives by using astute judgement. The compiler should be aware that seeking additional—or more rather than less—information results in a greater reporting burden, slower response, more follow-up, and higher processing costs in terms of staff and computing.

941. To balance these opposing factors, the compiler might: (a) introduce tailored forms and/or special forms for various segments of the population; (b) collect more information from a lesser number of enterprises; (c) collect less information from smaller enterprises than from larger enterprises; and (d) develop supplementary questions and instructions for certain reporters with unusual or more complex transactions. The compiler should concentrate on collecting items that are important analytically and not on collecting classification categories of little importance. For example, it would not be necessary for a compiler to collect detailed data on portfolio investment liabilities if there is very little of that activity in the country concerned.

942. The compiler should avoid seeking information that can be obtained from sources other than the survey unless there is good reason to believe that alternative data would be unsatisfactory.

943. Survey questions should request information in a form that is consistent with the record-keeping practices of the data provider. If information that the data provider can supply easily is not completely consistent with BOP requirements, it is preferable to obtain this information and make adjustments than to require information that is consistent with BOP criteria but difficult or impossible for the data provider to supply.

944. Instructions should be written in language that is plain and unambiguous. BOP terms used by the compiler are not necessarily familiar to reporters.

945. It is often difficult but important to achieve the proper balance between instructions that should be included on a collection form and those that should be supplementary. Typical cases should be covered by instructions included on the form. As lengthy instructions can make forms appear cumbersome and difficult to complete, instructions for less typical cases could be provided in supplementary form and issued on an ad hoc or selective basis, such as correspondence with individual reporters. An option for positioning instructions on forms would be to place a general set of instructions at the beginning of the form and specific instructions with questions to which they relate. This approach may be effective if the specific instructions are not too long. On the other hand, separating instructions from questions may avoid a cluttered presentation. Another option may be to issue separate instruction booklets—an approach that may work well in some circumstances but generally is not favored.

946. There are many options in form presentation. Good rules of thumb are to avoid unnecessary graphics and to follow a consistent layout. The primary objectives are to ensure a straightforward presentation and to obtain accurate information.

947. To determine the most appropriate presentation, the compiler could prepare several versions of forms and test these with reporters. The version that elicits the best results could then be chosen.

948. Collection forms should initially be kept fairly simple; questions should seek basic information. More detailed questions can be added as reporters become familiar with collection methodology. In many countries, successful use of detailed and frequent questionnaires is the result of a long historical process. An approach that gradually increases the amount of data collected may be harder to adopt in an ITRS. Nevertheless, reporters in an ITRS should accept the principle that collections must remain flexible and responsive to changing circumstances.

949. In general, however, changes should be made to questionnaires only when there is a strong case for change. Any revisions should be properly tested before being implemented, and reporters should be notified about changes as far in advance as possible.

### Types of Questions

950. A compiler may include several different types of questions on a BOP form.

951. In a single item question, the reporter is asked to supply a single value. For example:

What was the value of the enterprise's external financial assets on December 31, 1993?	\$ <input type="text"/>
--	-------------------------

952. "Yes" or "no" questions or multiple choice questions that permit reporters to mark boxes corresponding to answers make form completion and processing relatively easy. For these reasons, such questions are used extensively in the model exploratory form.

953. Self-coding questions, for which reporters enter single characters or codes from a predetermined list in the space provided, also facilitate processing.

954. In a table (matrix) approach, reporters fill in cells in tables. This approach is used often in the model forms. It may combine some features of other types of questions. For example, reporters may be asked to record values in some columns or rows and to record codes in others. If the table approach is used, it is important that rows and columns be labelled for easy reference.

955. The table approach is useful when data being collected are related to each other in some way, such as being components of a total or a reconciliation between stocks, transactions, and other changes. If these relationships are clear to reporters, it is more likely that accurate information will be provided than if a number of separate questions seeking similar information are asked.

956. With a descriptive question, reporters are asked, for example, to describe some activity or to provide the name of a partner country.

957. Some questions may act as trigger questions. That is, if a particular question is answered in a particular way, additional information is sought from the reporter through a supplementary questionnaire or a telephone call. This approach prevents forms from being overloaded with questions and instructions and constitutes an effective means of handling less frequent activity.

958. In addition, there are other devices to make the collection of information easier. A questionnaire may include "of which" questions that seek supplementary answers to previous questions. For example, a question may ask, "Of the amount reported in question 3, how much was in foreign currency?" There may be sequencing questions that have accompanying skip instructions. For example, "If you answered 'no' to this question, go to question 5."

## Some Miscellaneous Issues

### *Magnitude*

959. The compiler should determine, in consultation with users, the level of accuracy required. Along with other things, the magnitude in which data are collected will affect the level of accuracy. Generally, data involving money values are collected in thousands or millions of units of currency. Use of higher rather than lower magnitude greatly reduces collection and processing costs. However, the compiler should check completed forms carefully to ensure that the correct magnitude has, in fact, been used.

### *Revisions to Previously Reported Data*

960. Most forms request data for a single collection period. However, a reporter may occasionally wish to advise that previous data have been reported incorrectly. Therefore, most of the model forms contain a section seeking information on significant revisions to reported data. The word *significant* is used as, in normal circumstances, the compiler can tolerate a margin of error. If information supplied by the reporter is insufficient for processing revisions, the compiler should approach the reporter for additional information.

### *Population Frame Maintenance and Other Supplementary Questions*

961. From time to time, the compiler may add additional questions to a collection form to maintain an up-to-date population frame, to carry out specific inquiries (for example, on financial leasing or securities issued abroad by residents) or to determine how particular transactions are reported. Supplementary questions should be kept fairly simple to avoid prolonging response time and processing of results.

### *Signing Off and Checking the Form*

962. The reporter should sign the form and thereby take responsibility for completing the form correctly and for checking to ensure that information entered on the form is correct. To facilitate the checking process and to emphasize important points to be checked, model forms contain a series of boxes to be marked as checks are undertaken. This feature highlights important parts of the form and provides the reporter with an overview of the task that has been completed. Studies have shown that the inclusion of such checking procedures on forms is viewed favorably by reporters.

### *Colored Forms*

963. A colored form stands out from the white paper that accumulates in most offices and may serve as a reminder to the reporter to complete the form. In follow-up action, the compiling staff can refer to the green (or whatever color) form. This color reference helps the reporter to identify the form quickly and thus facilitates follow-up and query action.

964. Compilers in some countries use colored forms with white answer spaces. The white spaces draw the reporter's attention and make completion of the form more straightforward. The disadvantage with this approach is that it significantly increases printing costs.

### *Form Processing*

965. Forms should be developed to facilitate processing. Forms may include boxes for codes or form layouts may be arranged in special ways. Form design should involve consultation with those who will be responsible for processing completed forms.

### *Collections Via Computer Medium*

966. Compilers in some countries collect data by means of computer media, including computer tape, floppy disk, and on-line (modem) reporting. Computer media are particularly useful for large volumes of data. For more simple surveys, the paper collection form is often preferred, although this preference may change in the years ahead. Many requirements—such as clear instructions and comprehensive testing—for effective design of paper forms are also relevant to collections made by computer media.

### *Steps in Questionnaire Design*

967. The first step in questionnaire design is to define, in consultation with users, broad requirements for data. Questions that should be asked include: What data items are required? What classifications are required? What are the priority areas? How frequently and quickly are data required? (This consultation process is described in more detail in chapter 18, paragraphs 839-840.)

968. Step two consists of initial consultations with potential reporters of data. The compiler should ascertain, in the context of user requirements, the amount of information available and the nature of record-keeping practices of potential reporters. Draft forms should not be produced prior to this stage for two reasons. Confusing

or incorrect assumptions could be made about availability of data and, as enterprises often place low priority on form completion, there may be an attempt to restrict these initial discussions to lower level staff if the compiler presents forms at this time. In initial discussions, it is essential to obtain a broader perspective and support from higher level staff. Also, initial discussions should include a selection of reporters from large and small enterprises.

969. The third step consists of informing and seeking the assistance of the compiling agency's technical and support staff. In this phase, the most appropriate collection methodology options are formulated. Discussions with technical staff provide insights, highlight pitfalls, and facilitate the articulation of options.

970. Step four consists of preparing a proposal that outlines various options, projects option costs, and sets out a development timetable. The proposal should be submitted to the management of the compiling agency—and possibly to users—for a decision.

971. Step five is the actual design phase, which is the subject of paragraphs 934-966 of this chapter.

972. Step six is the phase in which the questionnaire is extensively tested; test results are used to modify the form. This process may involve distribution of draft questionnaires to potential reporters and subsequent personal interviews of reporters from large enterprises. A few reporters from smaller enterprises should be interviewed in person, and many should be interviewed by telephone. Form testing should be implemented in successive stages, and comprehensive testing should be undertaken only after draft forms have been tested on a representative sample of reporters. Short-cuts at the testing phase often lead to poor results later on. Form testing should reveal whether the presentation and content of the form are clear and whether data to complete the form are available. Form testing should also identify issues or problems causing concern for particular enterprises. Attempts should be made to have actual reporters complete forms during the test phase.

973. Compilers in some countries use **observation studies** during the form testing stage. In these studies, the BOP compiler delivers a draft form to potential reporters and observes their reactions to the form. The compiler notes whether parts of the form appear to bewilder reporters, whether some parts are ignored, and the order in which reporters respond to the parts of the form. These studies are most effective when reporters actually complete the form in the presence of the compiler. If

this option is not available, observation studies may still be useful for determining general reactions of potential reporters. Obviously, studies of this type can be quite expensive and, for this reason, should be restricted to a small number of potential reporters.

**974.** Step seven involves designing and testing office and computer processing systems, which are discussed in other chapters of this *Guide*.

**975.** Step eight consists of reporting to management on results of the work in progress. Required modifications to original specifications are outlined and, if necessary, further direction is sought.

**976.** Step nine is implementation. No matter how much testing is undertaken, actual implementation may reveal problems that require further form modification. In the implementation phase, many or all of the significant reporters should be visited to discover how they completed the form and what problems they encountered. A selection of less significant reporters should also be visited or contacted by telephone. Such contacts contribute to the education of reporters and identify any further weaknesses in form design. Implementation may be approached in steps, and priority may be given to obtaining certain output ahead of other output. For example, if the compiler introduces a new collection form for external assets and liabilities, priority may be given to validating and publishing aggregate financial flows and income data. Validating and publishing more detailed classifications (for example, instrument of investment and partner country) and stock position data may be undertaken at a later time.

**977.** Step ten is the evaluation. An evaluation report should be submitted to the compiler's management (and possibly to BOP users) to inform them of any remaining weaknesses and any further modifications required. Evaluation may be staggered to parallel implementation steps discussed in the previous paragraph and/or consist of a preliminary evaluation and a subsequent detailed evaluation. It may be best to conduct and present the detailed evaluation after procedures have become fully established. Evaluations should be carried out periodically to overcome the law of atrophy that applies to all statistical collections.

### **Model BOP Forms**

**978.** A set of model BOP forms is provided in appendix 2 of this *Guide*. Form 1 is an exploratory form, and form 2 is an enterprise register form. Forms 3 through 5 are ITRS forms. Forms 6 through 13 are enterprise survey forms. Form 14 is for embassies and international institutions

located in the compiling country. Form 15 is a household survey form for travelers. The remainder of this chapter describes the essential features of these forms.

**979.** For a number of reasons, compilers are not expected to adopt any of the model forms per se. The purpose of a model form is to illustrate one means of collecting data and thereby provide compilers with a starting point. Model forms are designed to demonstrate potential capture of most classifications required by the *BPM* and the *SNA*. For many countries, some of these classifications may not be important. In these cases, model forms could be simplified for actual use. Model enterprise survey forms include a variety of topics and cover large segments of the population. Under certain circumstances, compilers may wish to create several form types to take advantage of population segmentation, or compilers may wish to combine topics covered by several model forms into a single form. For particular countries, it may be necessary to add questions to the model form. Also, the form design process (outlined in paragraphs 967-977) requires that compilers hold discussions with users and enterprises prior to development of draft forms.

**980.** Although there may be some variation in layout from form to form, most have an introductory page that includes some or all the features mentioned in paragraphs 934-939 of this chapter. In addition, most forms have an *office use only* section. This section is for individuals to verify that certain processes have been completed. Form processing staff record the date the form is received (in the box marked *rec.*), check the form for obvious errors, and mark the box labeled *edit*. The supervisor may also check the initial validation and record his or her verification (in the box marked *check*). Such verifications encourage processing staff to take responsibility for their work, provide a record of the processing stage that forms have reached, and establish the processing trail should some error occur or procedure fail. It is necessary to identify problems so that corrective measures, such as training and procedural changes, may be undertaken.

**981.** When possible, similar approaches and classifications have been used throughout the model forms. As form design standards imply, questions and instructions should be consistent from form to form, unless circumstances dictate some modification. Also, the approaches and, therefore, the forms for an ITRS and for ES will be similar in many ways. For example, both types of collections may approach the same types of institutions, and the output (BOP data items and classifications) of each collection is the same. Each form usually concludes with a series of items to be read and marked by the reporter and a place

for him or her to “sign” off, as described in paragraph 962 of this chapter.

**982.** Aspects of many model forms are discussed in chapters 3, 4, 5, 6, and 9, which describe some of the collections that could be used to meet BOP requirements. The following discussion avoids, as far as possible, duplication of discussions in previous chapters and concentrates on the strategy chosen for each form. Appropriate cross references are provided.

### Model Exploratory Form 1

**983.** The exploratory form is designed to identify enterprises (within an enterprise group) that:

- are direct investment enterprises or direct investors;
- engage in international trade in goods and services and, if so, the type and size of this activity;
- employ foreign workers and, if so, the approximate wages and salaries paid to them;
- have external financial assets and liabilities, and the type and size of this activity.

Also, the exploratory form requests information on the enterprise group structure.

**984.** The purpose of the exploratory form is to identify the population to be included in BOP enterprise surveys. However, the approach could be readily modified to identify enterprises that (a) may have accounts with nonresident banks and other external assets and liabilities and (b) could be included in an ITRS collection.

**985.** The exploratory form makes extensive use of questions with boxes to be marked in response. When values are requested, only approximations are required. The intent of this approach is to obtain quick responses. Most reporters should be able to complete this form with little or no reference to their records. Enterprise profiles developed from exploratory forms should be sufficient for designing a BOP enterprise register and for selecting participants for a sample (or partial coverage) survey. The results of an exploratory survey could also be tabulated and used, if necessary, to estimate data for enterprises falling below collection thresholds or to provide benchmark estimates in sample estimation procedures. The compiler could simplify the form by omitting unnecessary questions. For example, if the compiler does not require information on importing and exporting activity, question 6 could be omitted. Also, questions 9B, 11B, and 12 may not be required or may

be truncated. A shorter questionnaire usually elicits more timely responses.

**986.** Another advantage of this form is that it initiates the reporter in completing a BOP collection form. As completing the exploratory form should be a relatively easy exercise, it may make the reporter more receptive to completing more complex BOP forms.

**987.** Questions 1 and 2 ask whether the enterprise to which the form is addressed is a part of a larger enterprise group that may already be on the BOP enterprise register. If the enterprise is a lower level entity, such as a subsidiary, it is merely necessary for the enterprise to name, in response to question 12, the ultimate parent enterprise in the group and to return the form. On the other hand, if the enterprise has subsidiary enterprises in the reporting economy, the questionnaire should be completed for the group of enterprises as a whole.

**988.** A question about the level of future activity could be added to the exploratory form. Such a question serves a useful purpose when new enterprises are being established and the level of recent activity may not be a good indicator of future activity. Illustration 19.2 contains a sample question of this type.

#### Illustration 19.2 Question on Level of Future Activity

Do you expect that the level of [description of type of activity] in the next twelve months will be much less, about the same, or much more?

- Much less
- About the same
- Much more

**989.** For certain areas of BOP activity (particularly international transportation and travel), more specific exploratory questionnaires could be developed.

### Model BOP Enterprise Register Form 2

**990.** Form 2 is an office form, not a collection form, and it is included to illustrate the type of data that may be stored for units on the BOP enterprise register. Instructions for completion accompany the form. Basic data to complete model form 2 would come from a completed form 1 or a similar form. Model form 2 may be more detailed than necessary for particular countries. Whatever is not required could be omitted, or additional questions could be inserted.

## Model ITRS Forms

991. Additional information on the model ITRS forms is provided in chapter 3, paragraphs 117-120.

### *Model Form 3—Payments*

992. Form 3P is designed to capture bank client payments in foreign currency and payments to nonresidents in domestic currency. BOP transactors should complete form 3P for all such transactions above certain thresholds. (Excepted are transactions undertaken through enterprise accounts with nonresident banks or foreign currency accounts held with domestic banks. These transactions are measured via model ITRS form 5.) A corresponding form (form 3R) would be necessary for receipts. While not included in appendix 2, form 3R would be similar in structure to model form 3P.

993. Instructions for completing form 3P are presented on page two of the form, but classifications and codes that the bank client must refer to are included in the model ITRS Form 3C—Classifications. In a number of European countries, the form providing banks with instructions for making payments is comprised of an original and several carbon copies. Instructions and classifications can then be printed on the backs of original forms and carbon copies rather than on separate pages.

994. Model form 3M has been provided to illustrate how supplementary data on payments for imports of goods may be collected. A model of the corresponding form 3X for export receipts is not presented in appendix 2. Such forms may be necessary if an ITRS is used to compile the goods item. Special supplementary forms may also be required to obtain details on items such as goods for processing.

995. Forms in the “3” category are designed on the premise that reporters can record and code data on the form—a realistic expectation. As can be seen from general notes to the form, a high threshold is used to reduce the reporting burden; however, there would be a tendency for certain reporters to complete the form repeatedly.

### *Model Form 4—Banks*

996. Two model bank collection forms are included among the model ITRS forms in appendix 2. Instructions accompanying the forms describe the overall collection process (especially the procedures for handling the ITRS form 3 series) and present instructions for completing ITRS bank forms 4A and 4B. Some of the forms referred

to (such as forms 3PS and 3RS for the sampling of small transactions) are not included in the set of model forms, but the description given in form 4 should enable the compiler to produce them.

997. Form 4A collects:

- reference information (part A);
- transactions of a bank on its own account (parts B and C);
- a summary of all the transactions passing through the bank’s accounts (part D)<sup>186</sup>;
- a reconciliation of these transactions with the bank’s nostro and vostro account balances (parts E and F);
- the bank’s external asset and liability positions (part G).

Form 4B requests a record of all bank-related foreign currency transactions and all transactions with nonresidents. Such a form is useful to ensure complete reporting of these transactions.

998. Collection instructions for forms 4A and 4B could be treated as a separate, permanent document. These instructions are somewhat longer than those on the other model forms. However, more detailed instructions are appropriate as banks play a major role in an ITRS collection, and staff in each bank should develop in-depth knowledge of the complete collection procedure.

### *Model Form 5—Enterprises*

999. This form is for enterprises that have accounts with nonresident banks, foreign currency accounts with domestic banks, or other external assets and liabilities. Thresholds could be used to exclude small contributors.

1000. Form 5 collects:

- reference information (part A);
- details of foreign payments and receipts (part B);
- a reconciliation of payments and receipts with bank accounts (Part C);
- a check on the exchange rates used in conversion (part D);

<sup>186</sup>Corresponding ITRS forms 3P and 3R should be completed by bank customers conducting large transactions.

information on other external assets and liabilities (part E);

supplementary data on trade transactions (part F), which would only be required when an ITRS is the source for the goods items.

Separate parts B and C would be completed each month for each bank account.

### ***Other ITRS Collection Forms***

**1001.** Previously described model forms represent the principal ones that compilers may have to design. However, it may be necessary to supplement these forms with more specialized forms, such as those for enterprises involved in international transportation and travel or those for measuring reinvested earnings attributable to direct investment. Space prohibits the inclusion of such specialized forms in the *Guide*, but the reader should find that many issues relating to the collection of such data are addressed in enterprise survey forms included in the model set. Another specialized form could be required for financial intermediaries involved in certain security transactions. Model form 13 (which is discussed subsequently) or a similar form could be used for this purpose.

### **Model Enterprise Survey Forms**

**1002.** The model enterprise survey forms presented in this *Guide* cover a range of BOP activities. The compiler may wish to combine some of these forms or rearrange the grouping of questions to address a particular collection strategy. The forms are intended to be illustrative rather than definitive.

### ***Model Form 6—Goods***

**1003.** Form 6 begins with the usual introductory page, which is followed by two pages of instructions and questions in eleven parts. The form concludes with a standard question on significant revisions to past data and a series of questions pertaining to checking the form.

**1004.** Form 6 presents a number of collection possibilities, and compilers are not likely to use this form in its entirety. As most countries rely on other sources to collect data on goods, few countries would use a survey to collect the data requested in parts A and B. Also, it is unlikely that a compiler would collect both selective data on goods (parts H and I) and across-the-board data on goods (parts A and B) in the same

survey. In addition, enterprises involved in processing, repair, and merchandising activities are usually specialized, and it may be more appropriate to use specialized forms for questions and instructions relating to these activities.

**1005.** In parts A and B of form 6, two approaches are used to record a commodity breakdown. The compiler should decide upon the most appropriate approach. More accurate data may be obtained for exports (and imports) if reporters are asked to describe the commodity and to provide information on quantities involved. Parts H through K are included to illustrate collection of selective data to use as the basis for timing adjustments to ITS or certain BOP projections. Further information on form 6 is provided in chapter 4, paragraphs 133-146.

### ***Model Forms 7 and 8—Transportation Services***

**1006.** Form 7 is designed to collect information from resident transport operators, and form 8 collects information from resident entities that provide various goods and services to nonresident transport operators or that receive selected services, such as inland freight and mail, from them.

**1007.** Identifying enterprises that fall within the scope of these forms is often a difficult task. While the exploratory form (form 1) collects broad information on international transportation activity, it may be desirable for the compiler to develop a more detailed exploratory form to identify enterprises with transactions covered by the BOP transportation item. Such an exploratory survey should collect information on whether enterprises are involved as (a) operators, (b) suppliers of goods and services to operators, or (c) acquirers of transportation services from nonresident operators. Such an exploratory form should also collect some general data on the size of the activities involved.

**1008.** One issue that must be resolved is whether to collect data on a transactor or settlement basis. In part A of form 8, for example, data are collected on a settlement basis. That is, the resident enterprise that settles the claim reports the information rather than the resident enterprise that provides the service. The case for employing one approach rather than the other may vary from item to item. Most information on the airline industry is available from the branch office of a nonresident airline operator, so the settlement basis would be more appropriate. For other industries, the choice is less clear. Therefore, the compiler should investigate the issues before finalizing a collection strategy.

**1009.** Further information on forms 7 and 8 is provided in chapter 5, paragraphs 212-217.

### ***Model Form 9—International Travel***

**1010.** As mentioned in chapter 4, paragraph 152, ES of travel businesses may measure instruments used to settle travel expenditure or services provided to nonresident travelers. The former methodology can measure both travel credits and debits while the latter measures travel credits only. Form 9 covers both approaches. Parts A, B, and C measure various instruments (such as travelers' checks, credit and debit cards, and prepaid and advance tour purchases) used to finance travel. Parts D and E measure goods and services supplied to foreign travelers by hotels and other enterprises. In practice, the compiler is unlikely to include all these approaches on a single form. Therefore, the actual form would be relatively simple.

**1011.** The compiler may choose to measure transactions on the basis of those undertaking the transactions or those settling them. In form 9, the enterprise that settles the transactions has been chosen as the reporter.

**1012.** Chapter 4, paragraphs 152-160 provide further information on form 9.

### ***Model Form 10—International Services***

**1013.** Form 10 measures selected service transactions between residents and nonresidents. Two matters associated with the collection of data on services require the compiler's attention. The first concerns determination of the borderline between the activities of a branch and its head office. A branch of an enterprise operating abroad is not regarded as providing international services to residents of the country in which the branch is located. Rather, the branch is regarded as a direct investment enterprise and its impact on the BOP is reflected as part of financial and income flows from direct investment. The second matter is to ensure that intra-group services (such as management fees paid by related companies to each other) that cross international borders are reported. Both of these issues should be focused on during form testing and implementation phases.

**1014.** Parts C, D, and E of form 10 show the data ideally required to measure international insurance transactions. Some amalgamation of categories may be possible in practice. In particular, transactions in insurance of goods and other casualty insurance could be combined as BOP treatments of these types of insurance are similar.

**1015.** Paragraphs 161-166 of chapter 4 provide more information on insurance questions contained in form 10, while paragraphs 167-168 of chapter 4 provide more information on the remainder of the form.

### ***Model Form 11—Compensation Payable to Foreign Workers***

**1016.** Form 11 illustrates the type of data on employee compensation and related transactions that may be collected in a survey of employers. Some items on the form require the employer to provide estimates of employee expenditure and taxes in the host economy and of repatriations abroad. This type of data may be readily available from some employers in some countries. In other situations, the compiler may prefer not to ask employers for such data.

### ***Model Form 12—External Assets and Liabilities***

**1017.** Model form 12, which is presented in appendix 2, is comprehensive; it provides modules that could be used to develop a collection or collections of data on external assets and liabilities.

**1018.** Model form 12 includes the usual introductory page. The instructions follow on consecutive pages. For actual forms, instructions could be presented on odd-numbered pages, issued separately, or handled in other ways. Paragraph 945 of this chapter should be consulted for further information on this point.

**1019.** In model form 12, questions are divided into seven parts. Part A (which requests data about enterprise claims on nonresidents) contains separate columns for opening and closing positions, gross and net transactions, exchange rate and other changes, and investment income. Three categories of claims are shown: claims on direct investment enterprises, claims on direct investors, and claims on other nonresidents. Each category is further subdivided by instrument of investment.<sup>187</sup> Terminology is explained in the instructions. Part B requires the reporter to classify key items from part A by partner country. Parts C and D seek similar information for liabilities to nonresidents.

**1020.** Part E seeks information on financial fees and withholding taxes. Part F contains supplementary questions on the valuation of direct investment equity. Parts G and H seek information on reinvested earnings

<sup>187</sup> Classifying data by sector of the nonresident party may also be desirable. For example, the closing position column could be subdivided into sectors.

of direct investment enterprises. Paragraphs 180-186 of chapter 4 describe form 12 in more detail.

**1021.** Form 12 is designed on the assumption that the reporting entity is both a direct investor and a direct investment enterprise—an atypical circumstance. The form could be modified for other types of enterprises. When an enterprise is a direct investor but not a direct investment enterprise, all instructions and questions relating to direct investors abroad may be omitted. When an enterprise is a direct investment enterprise but not a direct investor, all references to direct investment enterprises located abroad may be omitted. When an enterprise is neither a direct investor nor a direct investment enterprise, all references to both direct investors and direct investment enterprises may be deleted.

**1022.** Further simplifications may be made. For example, a country may receive significant investment in the form of direct investment and loans from nonresidents but otherwise receive no external financing and have little investment abroad. The compiler has few resources to mount a major collection effort and, consequently, wishes to keep collection and processing costs to a minimum. Illustration 19.3 shows how parts A and C of model form 12 may be arranged in a simplified format that would suit a data collection for such a country. While information on reinvested earnings attributable to direct investors should still be collected in the detail shown in part H of model form 12, part G of this form could be reduced to a single item because reinvested earnings from abroad are likely to be very small.

**1023.** Another form could be developed for enterprises that are not direct investment enterprises by omitting rows 1 through 3, row 6, and item 2B in question 9.

**1024.** On the other hand, when more detailed information is required, a different approach could be used. The first column in part A (instrument of investment) could be replaced with three columns that would permit reporter coding of (a) instrument of investment, (b) claim or liability, and (c) country of nonresident liability or claim holder. The reporting enterprise must be instructed to complete a row for each instrument, claim/liability, and country combination. Parts B through D would be deleted. This approach is similar to that used in many of the ITRS forms.

### ***Model Form 13—Security Transactions***

**1025.** Chapter 6 describes data that possibly should be collected from resident intermediaries in respect of securities issued both in the domestic market and

abroad. As stated in that chapter, data on transactions and associated stock positions handled by resident intermediaries cannot, in many cases, be collected from the resident principals involved. Model form 13 is designed to measure, as part of an ITRS or ES, security transactions and associated stock positions handled by resident intermediaries.

**1026.** Many approaches are possible, and the model form 13 presented in the *Guide* represents only one. The form is designed to collect details on a security-holding basis from resident intermediaries. For securities issued by residents and owned by nonresidents, the form collects data on the security reference number and owner code, as well as details on financial transactions, stock positions, income, fees, and withholding taxes. The security reference number enables the compiler to access a security database, maintained by the compiler, that contains for each security: (a) the name of issuing enterprise; (b) the type of instrument;<sup>188</sup> (c) an institutional sector and industry code for the issuer; (d) the currency of denomination of the security; and (e) the country of issue. The owner code enables the compiler to ascertain the country of residence and possibly the institutional sector of the holder. For securities issued by nonresidents and owned by residents, similar information is collected.<sup>189</sup> In these cases, the security reference number identifies characteristics such as type of security, country of residence, institutional sector of issuer, currency of denomination, and country of issue.

**1027.** Model form 13 is based on the assumption that all data can be collected from one institution. As discussed in chapter 6, in some countries, the roles of security broker and portfolio manager are combined; in others, the roles are split. Therefore, the form may have to be split so that, for example, portfolio managers provide details of positions, income payments, and certain fees and taxes, while brokers are approached for purchases and sales, issues and redemptions, and associated fees. Even if the collection is fragmented, a full accounting of each security could be assembled from the different data sources. Security reference numbers could be used as the link. Sometimes, the compiler may be able to collect only partial data—for example, stocks but not flows and income or vice versa. Using methods described in

<sup>188</sup>Type of instrument refers to equities, long-term bonds and notes, short-term money market instruments, and financial derivatives.

<sup>189</sup>The collection, from intermediaries, of data on securities issued abroad could be restricted to those associated with own-account and household transactions because resident enterprises investing abroad may be able to report relevant details on form 12. This choice is left to the compiler, who should ensure that clear reporting rules are provided in all cases.

**Illustration 19.3 Simplified Collection Format for External Assets and Liabilities**

	Opening Position A	Change in Level		Closing Position D	Income E
		Transactions (net) B	Other Changes C		
<i>Liabilities to Direct Investors</i>					
1. Equity (net)					
2. Loans					
3. Other					
<i>Liabilities to Other Nonresidents</i>					
4. Loans					
5. Other					
<i>Claims on Nonresidents</i>					
6. Direct Investors					
7. Nonresident branches and subsidiaries					
8. Other					
9. For the amounts reported in items 2B and 4B, please provide the following information:					
		item 2B	item 4B		
Drawings		9A	9B		
Repayments		9C	9D		

chapters 14 (income) and 16 (stocks and transactions), the compiler can derive uncollected items from data that has been collected.

**1028.** The collection form is also designed on the assumption that computer database facilities can be used to assemble and supply relevant information to the compiler. As some compilers have found, if the necessary facilities are available and intermediaries can supply relevant data, the compiler’s processing costs are relatively low when such an approach is used. For intermediaries to operate efficiently in the market, they usually require database systems in which security reference code information and client account details are essential elements. The compiler should ensure that appropriate legislation exists to undertake the collection, that data are kept confidential, and that staff and computing resources to handle the work are available.

**1029.** For compilers in some countries, model form 13 may seem ambitious, or the compiler may not have the

necessary authority to collect all the data required. In these cases, the compiler could request the intermediary to prepare tabulations that the compiler might otherwise compile. At a minimum, the compiler should attempt to obtain the items in columns C through L in parts A and B of the form. These items should be classified by: (a) sector of the issuer and country of residence of the holder—for securities issued by residents and (b) country of residence of the issuer and sector of the holder—for securities issued by nonresidents and held by residents.

**Other Model Forms**

***Model Form 14—Embassies and International Institutions***

**1030.** Model form 14 illustrates the type of data that could be collected from foreign embassies located in the compiling country. These data could include numbers of local and nonresident staff employed, expenditure on goods and services, compensation paid to locally

employed workers, and details of official transfers and loans. Should a foreign government maintain a military base in the compiling country, the form could be modified to collect such detail. Likewise, form 14 could be modified to collect data from international institutions located in the compiling economy. More information on model form 14 can be found in chapter 9, paragraphs 380-383.

***Model Form 15—Travel***

**1031.** Form 15 is designed to collect, from nonresidents, information on travel and related expenditure in the compiling country. The form is designed to identify types

of goods and services acquired by travelers rather than the means by which expenditures were made. Form 15 also seeks information on income earned by these persons while they were in the compiling country; this data could be used to measure part of compensation of employee debits. The form should be completed by travelers shortly before they depart from the compiling economy. Alternatively, questions on the form could be asked in interviews with these persons.

**1032.** A similar form could be developed for residents returning from travel abroad. Paragraphs 315-324 of chapter 7 provide further information on conducting surveys of travelers.

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## XX. The Balance of Payments Statistical Process

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### Overview

**1033.** This chapter is devoted to design and management of the BOP statistical process. The statistical process consists of extraction of data from data sources, estimation of certain data, preparation of a BOP worksheet, verification of data in the worksheet, and publication of BOP statistics. The BOP database comprises groups of time series required to compile and publish BOP statistics and any data (meta data) that describe these series and the relationship between them.

**1034.** The BOP statistical process may be most effectively analyzed as a series of modules. Through the modular approach, each component may be examined in isolation before all components in the process are combined. The modular approach can be used at various levels—that is, a higher level module may consist of sub-modules. The modular approach also facilitates application of computer software because the first step in computerization of a processing system is to identify the processes involved.

**1035.** Illustration 20.1 on page 216 shows the primary modules in a typical BOP statistical process. A central feature of this process is the worksheet, which usually takes the form of a computer database. (See paragraphs 406-408 of chapter 10 for an introduction to the worksheet.) Data in the worksheet are obtained directly from data sources or from estimation modules. The analysis and verification process provides the compiler with a method of obtaining feedback on data; therefore, information for collection, estimation, and worksheet modules can be gathered during this stage.

**1036.** When the analysis and verification process is complete and any consequent changes have been made in other modules, data can be produced for publication. Most data to be prepared for publication will be obtained from the worksheet, but some data, such as information for inclusion in an analytical commentary, may be obtained during the analysis and verification process. Preparation of data for publication may, in turn, reveal other issues that should be considered. The final part of the statistical process is user analysis, which is extremely important. User analysis may provide feedback to the analysis and verification process which may, in turn, affect all other processes in future cycles. Occasionally, users may play

a role in the current production cycle, especially when the compiler is uncertain of possible user reactions or requirements in response to new developments. In these circumstances, consultation with users may provide input to the analysis and verification process in the current cycle.

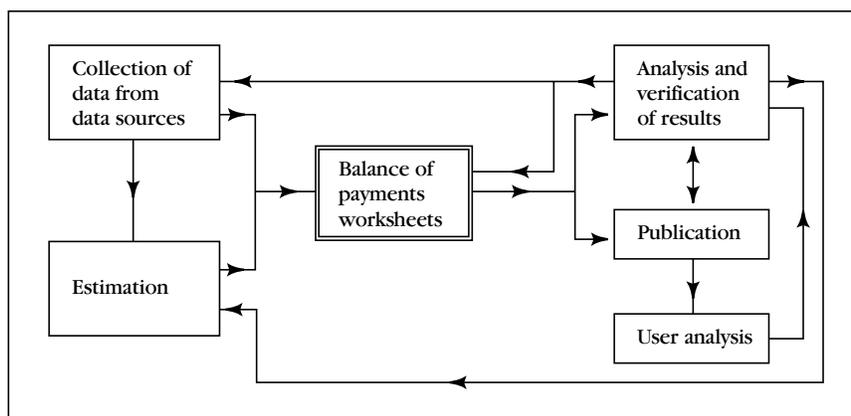
**1037.** The final product of the BOP process should be statistics that are of good quality, produced on a regular and timely basis, and subject to a minimum level of revision.

**1038.** The remainder of this chapter describes in detail most of the topics associated with the BOP statistical process. Primary topics not covered in this chapter are collection design, which is described in chapter 18; form design, which is described in chapter 19; and publication of BOP statistics, which is described in chapter 21.

### BOP Databases

**1039.** A BOP database contains BOP series, each of which is uniquely identified and described. Stored for each series is descriptive information, such as title, unit of measurement (for example, money value, quantity, or ratio), currency of denomination (in the case of money value), magnitude (for example, thousands or millions of units), and time period. Rules or formulae governing the ways that series may be manipulated or linked should also form part of the database. Limitations should be established for access to, or modification of, series in the database. Tabulation or similar facilities should be established to permit extraction and publication of single series or groups of series. Appropriate maintenance functions should ensure that data in the database are properly stored, secure, and accurate. The database may be maintained manually or on a personal, mini, or mainframe computer.

**1040.** Series should be identified in meaningful ways. For example, the compiler may wish to identify separately source series (S), which are series extracted directly from data sources such as ITS, an ITRS, ES, etc.; estimation series (E), which are series resulting from the process of estimation; worksheet series (W), which are series that comprise the BOP statement; and publication

**Illustration 20.1 Balance of Payments Statistical Process**

series (P), which are series made available for publication in print, computer media, or some other format. There may be other series, which the compiler may wish to maintain separately, such as projection series, worksheet back-up series, and previously published series. There may be groups of series to allow for the compilation and publication of BOP series classified by partner country. The labels associated with each group could be assigned as prefixes to series codes. For example, W2100 could refer to exports of goods f.o.b. stored in the worksheet, P2100 to the published version of that series, and C2100 to the previously published version of the series.

**1041.** It is important that this type of functionality be maintained in a database (or across related databases) because the same title may apply to a number of series or versions of a series. For example, the recorded trade series used to compile the goods item may have several different values in the database. The observation from the source for a particular period may be revised. This observation is entered in the S series; however, until the observation is checked and verified or the compiler wishes to update the worksheet series, the W version of that series may be different and, in turn, the W version may not agree with the observation that was last published (P series).

### Designing the Data Extraction Process

**1042.** The design of the interface between data sources and the BOP database is particularly important. Several procedures and safeguards are required; these are shown in illustration 20.2.

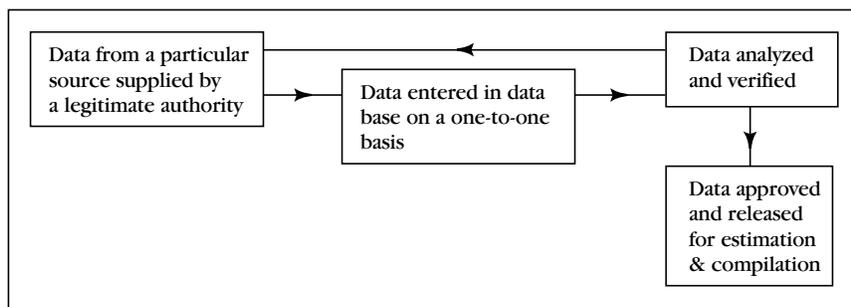
**1043.** The interface between a data source and the BOP compilation system should be designed in consultation with the data provider. Even if the source consists of published data, the compiler of the published data should

be informed about BOP requirements to ensure that he or she and the BOP compiler both understand the relationship of the data to BOP requirements.

**1044.** Source data should be approved by a legitimate authority; if the source is published data, this condition is considered to be fulfilled. Tangible evidence of data provided (in the form of a written return or perhaps a computer disk) is required and should be retained by the compiler as a reference for a reasonable period. If data are provided over the telephone, the person receiving the data should maintain a record (or log) of the data and other relevant details such as the date and the name of the person providing the data.

**1045.** The BOP compiler should extract the data from the source and load it into the BOP system. Data should be entered as received. That is, there should be a one-to-one relationship between the data source series and the series recorded in the BOP system. This practice limits errors to mistakes in transcription and facilitates the checking of data entries.

**1046.** Data should be analyzed by the BOP compiler to ascertain whether the data supplied seem consistent with past data and other information available to the BOP compiler. The compiler may discover errors in source data or find that more information is required. If the compiler wishes to query a data provider about data supplied, the specific reason for the question should be explained to the data provider. The compiler should not simply ask that a figure be confirmed as an error in source data could be repeated. It is helpful if the BOP compiler is able to develop a rapport with the data provider and make the provider aware of the compiler's requirements. Revised data supplied by the source compiler should be released by someone who is authorized to approve such

**Illustration 20.2 Extraction of Data from Source**

data, and suitable documentation should be maintained by the compiler.

**1047.** When a data provider obtains information from other sources, he or she may be limited by confidentiality restrictions in disclosing information to the BOP compiler. Should confidentiality provisions hamper the checking of BOP data, the data provider and the BOP compiler should jointly develop suitable procedures that are consistent with the letter and spirit of the legislation. Eventually, it may be necessary to seek legislative amendments that facilitate access to confidential information while preventing disclosure of such confidential information to unauthorized persons.

**1048.** Once the compiler is satisfied with data from a particular source, he or she should sign off and clear the data for release to the BOP worksheet. The “sign-off” procedure may seem bureaucratic; however, BOP compilation is a complex process, and errors may occur at any stage of processing. Sign-off procedures minimize the risk of errors, permit identification of sources of errors, and facilitate the modification of procedures to avoid future errors.

**1049.** Error detection should be handled in a positive way. When an error occurs, the compiler should not attempt to condemn the guilty party. Rather, the facts of the case should be openly and honestly established, and procedures should be improved. Errors, especially if highlighted in the press, may be highly embarrassing. Therefore, compilers should attempt to maintain effective procedures for detecting and avoiding errors.

### The Estimation Process

**1050.** Four types of estimation procedures are described in chapter 10. These are: simple estimation, sample expansion, estimation via a data model, and extrapolations or interpolations.

**1051.** Illustration 20.3 on page 218 shows that different estimation procedures may interact with one another. As the diagram indicates, informed analysis and judgment play important roles in the estimation process and, in turn, may be influenced by the projection process, which is also described in chapter 10. The estimation process provides important input for the projection process as many similar methods may be used in both processes.

**1052.** The compiler should clearly distinguish among the three elements (shown in illustration 20.4 on page 218) that make up the estimation process.

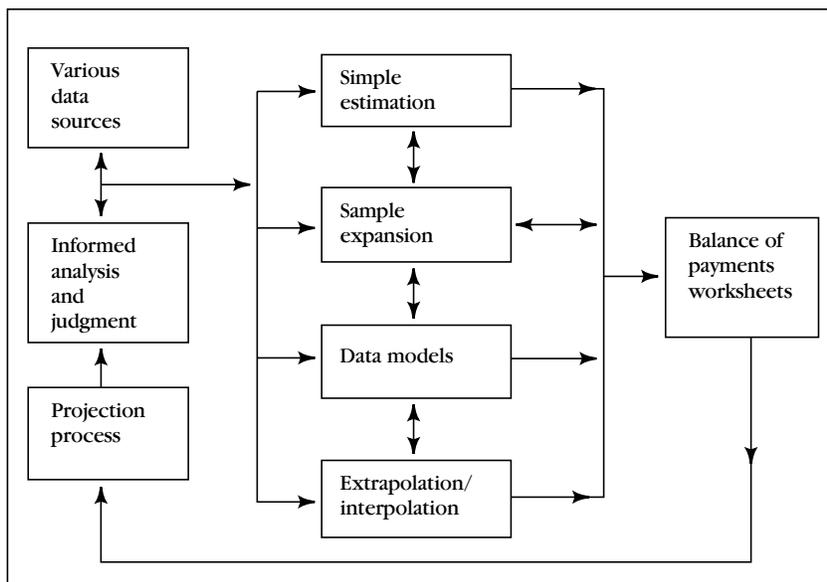
**1053.** The source series, the estimation component (the factors or estimation series), and the resultant series may be recorded separately. For example, if a compiler estimates freight on imports as a percentage of the value of imports, it is possible to store this relationship in the BOP system in one of two ways. The first approach is to record in one series the value of imports and, in a second series, to record the value of freight on imports calculated as a percentage of imports. In other words, two series are stored. The second approach is to record three series: the source series, the factor series, and the resultant series (source series multiplied by factor series). The factor series would show explicitly the factor or assumption used to estimate freight, and the compiler would be able to vary the factor over time. Use of the second approach can greatly enhance the compiler’s ability to analyze and explain results.

### Designing the Worksheet

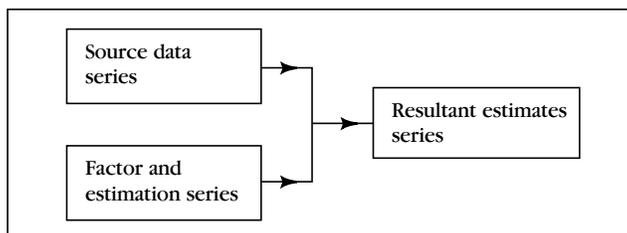
**1054.** The design of a worksheet is a matter of judgment. Suggestions made in this *Guide* represent some alternatives and illustrate general considerations for designing a worksheet.

**1055.** The core of the worksheet contains the series required to compile the BOP statement. As paragraphs 1040 and 1041 of this chapter point out, the

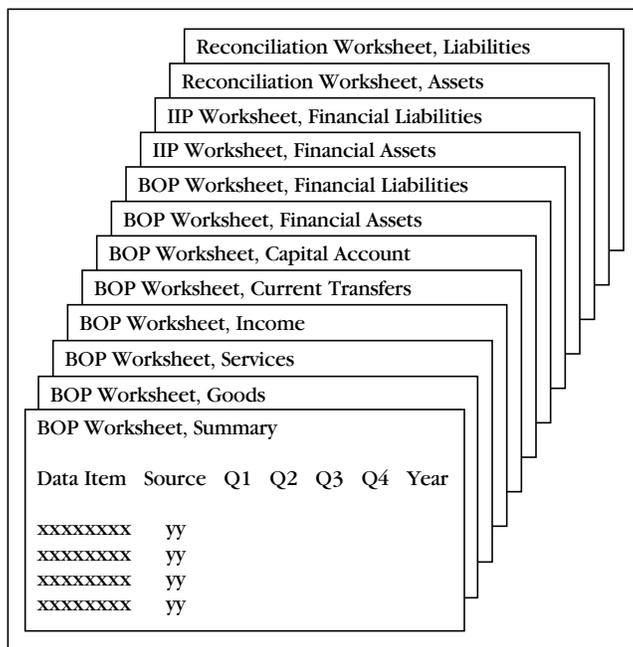
**Illustration 20.3 Balance of Payments Estimation Process**



**Illustration 20.4 Phases of Estimation**



**Illustration 20.5 BOP Worksheet**



compiler should identify these worksheet (W) series separately from other series, such as source (S) series and estimation (E) series, in the database.

**1056.** The W series must be organized in a logical manner so that important data structures and classifications are readily identifiable. The reference number system explained in paragraphs 422-429 of chapter 10 demonstrates one way to identify series.

**1057.** A decision must be made as to the number of periods to be included in the worksheet. This decision may depend on a number of factors, such as paper size (if a manual system is being used) or screen size and computer memory (if a personal computer is being used). A key goal should be to keep the system manageable. If the compiler is using an off-the-shelf spreadsheet or database, considerations such as time required to load the application and the amount of computer memory required may be important factors. These considerations might influence the compiler to maintain only a few periods in a worksheet file and to maintain data for earlier periods in different worksheet files. As a general rule, it may be desirable to show only four quarters and one year (or eight quarters and two years) in the worksheet.

**1058.** The compiler must also decide whether to use a bottom-up or a top-down approach to compilation. In a bottom-up approach, series are entered at the lowest level, and all higher level aggregates are calculated from the lowest level series. In a top-down approach, lower and higher level series are entered, and lower and higher level aggregates are reconciled to ensure that there are no errors. In a top-down approach, various reconciliation series should be included in the worksheet. The top-down approach is very useful when the data provider supplies aggregate data before supplying the component series.

**1059.** The worksheet should also employ a modular approach. There should be a summary section that brings together the main aggregates. The design of the worksheet could follow the pattern shown in illustration 20.5. Separate sheets might be designed for the current account, the capital and financial account, the IIP, and the reconciliation between stocks and transactions. The level of detail in the worksheet is a matter of judgment, although it is usually considered desirable to maintain a one-to-one relationship between series in the worksheet and those in source modules.

**1060.** As an example, part of a worksheet showing compilation of the goods item is presented in illustration 20.6 on pages 220-221.

**1061.** In accordance with the goal of keeping the worksheet to a manageable size, only four quarters and a year are recorded in the example.

**1062.** Labels or codes identifying the worksheet series follow the numbering system developed in the *Guide*. The first letter, W, indicates those that are worksheet series. The next four digits, which are taken from standard codes outlined in chapter 10, indicate the BOP item number. The tag code—information shown after the BOP item number—indicates the components of the BOP item. (The reader may recall that the structure of the tag code is optional, and examples shown in illustration 20.6 are only illustrative.)

**1063.** References to source series are included in the worksheet. Documentation of this type, which shows links to sources, can be a valuable tool for the compiler. Documentation should be retained in working files rather than being left in archives or the compiler's memory. Coding of source series should follow a logical pattern. In this example, source series were obtained from ITS (the SI series), from ES (the SS series), and from estimates (the SE series). The coding pattern for source series shown in the example is similar to that adopted for the W series. Alternatively, coding of source series could follow reference systems (if any) of sources.

**1064.** In this example, source series are generally ITS. In the case of exports, the ITS series on wheat exports is replaced by an enterprise survey series on wheat exports. Also, information (apparently not collected in ITS) on repairs to ships is added. For imports, the only adjustment made is in respect of converting imports valued at c.i.f. to an f.o.b. basis. These adjustments are estimated.

**1065.** Worksheet series for which no source series are shown—for example, W2100 and W2100.A—are derived from other worksheet series. Formulae for deriving these series form part of the meta data of the worksheet.

**1066.** The sample worksheet follows a top-down approach, as is indicated by the fact that data for total recorded trade are recorded as well as the components. Any discrepancy is recorded as a residual (series W2100.K and W3100.K). This top-down approach facilitates the use of preliminary ITS if, for example, aggregate data but not commodity data are initially available. The residual item can also point to any discrepancies that exist between the total and the components. Discrepancies indicate that some errors exist or that aggregate data may be more recent than components. (For example, aggregate data but not component data may have been revised.)

## Illustration 20.6 Worksheet—Goods Items

	Source	Q1	Q2	Q3	Q4	Year
W2100	<i>Exports f.o.b.</i>					
W2100.Z1	Recorded trade (total)	SI-2100.Z1				
W2100.Z2	BOP adjustments (total)					
W2100.A	<i>Food</i>					
W2100.A1	Recorded trade	SI-2100.A1				
W2100.A2	Deduction from ITS (wheat)	SI-2100.A2				
W2100.A3	Addition from ES (wheat)	SS-2100.A3				
W2100.B	<i>Beverages and tobacco</i>					
W2100.B1	Recorded trade	SI-2100.B1				
W2100.C	<i>Crude materials</i>					
W2100.C1	Recorded trade	SI-2100.C1				
W2100.D	<i>Mineral fuels</i>					
W2100.D1	Recorded trade	SI-2100.D1				
W2100.E	<i>Oils and fats</i>					
W2100.E1	Recorded trade	SI-2100.E1				
W2100.F	<i>Chemicals</i>					
W2100.F1	Recorded trade	SI-2100.F1				
W2100.G	<i>Manufactured goods</i>					
W2100.G1	Recorded trade	SI-2100.G1				
W2100.H	<i>Machinery and transport equipment</i>					
W2100.H1	Recorded trade	SI-2100.H1				
W2100.H2	Repairs to ships	SS-2100.H2				
W2100.I	<i>Miscellaneous articles</i>					
W2100.I1	Recorded trade	SI-2100.I1				
W2100.J	<i>Commodities n.e.s.</i>					
W2100.J1	Recorded trade	SI-2100.K1				
W2100.K	<i>Recorded trade residual</i>					
W3100	<i>Imports f.o.b.</i>					
W3100.Z1	Recorded trade (total)	SI-3100.Z1				
W3100.Z2	C.i.f to f.o.b. conversion	SE-3100.Z2				
W3100.A	<i>Food</i>					
W3100.A1	Recorded trade	SI-3100.A1				
W3100.A2	C.i.f to f.o.b. conversion	SE-3100.A2				
W3100.B	<i>Beverages and tobacco</i>					
W3100.B1	Recorded trade	SI-3100.B1				
W3100.B2	C.i.f to f.o.b. conversion	SE-3100.B2				
W3100.C	<i>Crude materials</i>					
W3100.C1	Recorded trade	SI-3100.C1				
W3100.C2	C.i.f to f.o.b. conversion	SE-3100.C2				
W3100.D	<i>Mineral fuels</i>					
W3100.D1	Recorded trade	SI-3100.D1				
W3100.D2	C.i.f to f.o.b. conversion	SE-3100.D2				
W3100.E	<i>Oils and fats</i>					
W3100.E1	Recorded trade	SI-3100.E1				
W3100.E2	C.i.f to f.o.b. conversion	SE-3100.E2				
W3100.F	<i>Chemicals</i>					
W3100.F1	Recorded trade	SI-3100.F1				
W3100.F2	C.i.f to f.o.b. conversion	SE-3100.F2				
W3100.G	<i>Manufactured goods</i>					
W3100.G1	Recorded trade	SI-3100.G1				
W3100.G2	C.i.f to f.o.b. conversion	SE-3100.G2				

(illustration continues)

**Illustration 20.6 (concluded)**

	Source	Q1	Q2	Q3	Q4	Year
W3100.H	<i>Machinery and transport equipment</i>					
W3100.H1	Recorded trade	SI-3100.H1				
W3100.H2	C.i.f to f.o.b. conversion	SE-3100.H2				
W3100.I	<i>Miscellaneous articles</i>					
W3100.I1	Recorded trade	SI-3100.I1				
W3100.I2	C.i.f to f.o.b. conversion	SE-3100.I2				
W3100.J	<i>Commodities n.e.s.</i>					
W3100.J1	Recorded trade	SI-3100.J1				
W3100.J2	C.i.f to f.o.b. conversion	SE-3100.J2				
W3100.K	<i>Recorded trade residual</i>					

### Analysis and Verification of Results

**1067.** The purpose of the analysis and verification process is threefold. First, via the process, compilers may detect and correct any errors in data. Second, through the process, compilers obtain information essential for understanding BOP results and for explaining results to users. Third, by means of the process, compilers may identify weaknesses in existing data sources, methods, and procedures and subsequently modify them.

**1068.** For analysis and verification to be performed effectively by compilers, steps in the process should be carefully designed. Analysis and verification take place at a number of stages in the preparation of BOP statistics, and these activities may be performed by different people. Analysis and verification should be performed: (a) when data are received from data providers and entered in the database; (b) after worksheets are prepared; and (c) when statistics are prepared for publication.

**1069.** The first and most basic step in the analysis and verification process is to ensure that data have been transcribed and/or transferred correctly from the source document to the database and from series to series within the system.

**1070.** The second step is to establish that data provided by survey respondents are accurate. This step is described in paragraphs 926-927 of chapter 18.

**1071.** The third step is to examine logical and arithmetical relationships between aggregate series to ensure that series are logically consistent. Such an examination would include, for example, checking that components add to totals and that series on stocks of external assets and changes in those stocks are arithmetically consistent.

**1072.** The fourth step is to compare BOP data with related data from other sources, such as data published in ITS and data published on external positions of banks.

**1073.** The fifth step is to examine the behavior of series—in source, worksheet, or publication modules—over time. This examination may consist of a formal analysis of movements or a visual review of the series to detect significant changes between adjacent periods. The appearance of an unusual development in a series during a period may indicate an error in data, some unusual feature or development that should be drawn to the attention of users as an aid to understanding BOP developments, or some form of “statistical noise.” The latter indicates that the result for a period may be correct or incorrect but insufficient information exists to make a definitive diagnosis. Obviously, collection and compilation procedures that produce statistical noise should be isolated and modified so that changes are fully explained and the incidence of statistical noise is minimized.

**1074.** The sixth step is to examine empirical relationships between BOP series over time. Many of these relationships are discussed in chapters 11 through 16. Some of the better-known relationships are freight on imports as a percentage of imports, investment income as a percentage of stocks of external financial assets and liabilities, and financial fees related to the level of financing activity. Sometimes, what appear to be unusual movements in series may be adequately explained when the series are compared to related series. BOP ratios shown in table P10 in appendix 3 and explained in paragraphs 1184-1186 of chapter 21 should also be examined during this step of the process.

**1075.** The seventh step is to examine residuals, such as the net errors and omissions item, and any residual changes in stocks that are attributable to measurement problems (for example, the closing stock for one period

does not equal the opening stock for the next). An examination of residuals may assist in isolating causes of error. If residuals are small, the compiler may be satisfied that data are reasonably accurate, although this may not be necessarily so as there could be offsetting errors. In the case of large residuals, the compiler should look at the causes of possible error and resolve them. If large residuals are linked to reporting by a few units, a more intensive querying of those units should be undertaken to pinpoint the particular cause of discrepancies.

**1076.** The eighth step is to identify units with transactions making large contributions to certain BOP items and to ascertain the nature of these transactions. Identification is relatively straightforward when the compiler has direct access to unit record data. If this is not the case, the BOP compiler could approach the data provider, who could, in turn, query the nature of the transactions involved. Monitoring BOP transactions at the unit record level is helpful for understanding BOP developments and is an excellent method for ensuring quality by facilitating linkage of data on micro and macro activity. A related approach would be to match enterprise transactions from one data source with offsetting or associated transactions in other BOP sources.

**1077.** The ninth step is to assess BOP, IIP, and reconciliation series in the context of observed economic events. For example, imports could be expected to rise in periods when national income is rising. Depreciation in a country's exchange rate should lead to increases in quantities of exports and reduced quantities of imports. Changes in foreign interest rates may be expected to have an impact on interest payable on floating-rate external financial assets and liabilities denominated in foreign currencies. Increases in the profitability of domestic companies might affect dividends payable to nonresident shareholders. Appreciation in a country's exchange rate should reduce the value (in national currency) of a country's external financial assets and liabilities to the extent that these are denominated in foreign currencies. Improvement in a country's stock market should increase the value of portfolio investment equity liabilities. A change in a country's foreign investment policy may lead to changes in direct investment transactions over time.

**1078.** Obviously, the possibilities for such comparisons are extensive. By looking at these relationships, the compiler may be better able to understand the meaning of changes in BOP and IIP statistics and to explain these developments to users. Also, by relating BOP and IIP items to general economic events, the compiler may identify errors or shortcomings in the compilation process and rectify them.

**1079.** The tenth step is to anticipate reactions of users and the media to published data. If, for example, the compiler discovers some unusual phenomenon (for example, significantly different statistics produced by alternative treatments) likely to create interest or concern among users, it may be advisable to discuss compilation issues and results with certain users in advance. Also, the compiler may be able to gain additional insight and avoid considerable discomfort by discussing results with users who have knowledge of developments in the external sector. Obviously, the compiler should approach users carefully as there may be restrictions on the pre-release of BOP results.

**1080.** Without compromising objectivity and integrity, it is important that the compiler anticipate potential user and media reaction to release of BOP statistics. Advance consideration of user and media perspectives should be helpful for determining the best way to present data—particularly in terms of explaining unusual results or changes to concepts or methods. Careful handling of published information can enhance the image of the compiler, who needs public support and respect if he or she is to perform effectively. Inadequate preparation for, and explanation of, data that convey unexpected results may suggest that the compiler does not understand the numbers being released and may undermine user confidence in the official statistics.

**1081.** For the analysis and validation process to be effective, data must be well organized. Basic data (source, work sheet, and publication data) should be assembled in a logical, comprehensive manner and be properly documented. The compiler will then be able to concentrate on the content of data to be analyzed. (Time spent developing an understanding of the idiosyncracies of the processing system can greatly detract from effective analysis.) The analytical process will be facilitated if certain predetermined tables, which bring together key aggregates, ratios and comparisons of BOP data with data from non-BOP sources, are produced as part of basic procedures. The compiler should also assemble any supplementary information that may provide useful explanations of events. This supplementary information may include analyses, which may help satisfy the compiler as to the correctness of particular series, of major contributors to certain items.

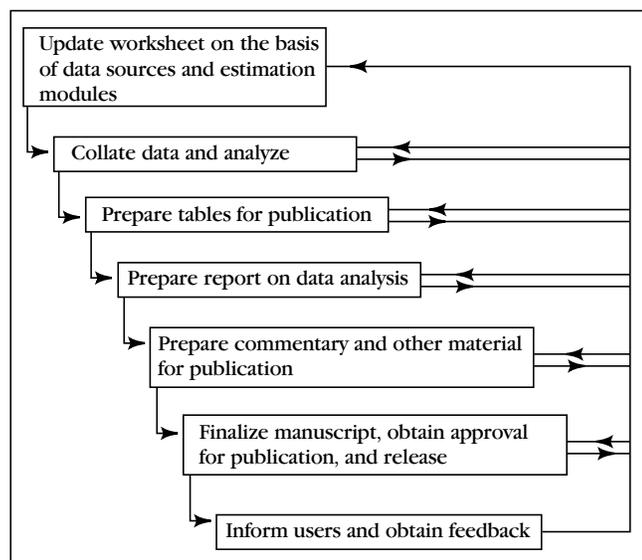
**1082.** The process of analysis and verification is a reiterative one. That is, the compiler analyses data, identifies any sources of error, makes amendments, and repeats the process until he or she judges data to be ready for publication.

**1083.** The final part of the analysis and verification process is production of a report. The report should cover: (1) unusual features, trends, new developments, and anomalies in data; (2) conclusions from an analysis of the reconciliation with related data; (3) the impact of alternative treatments—if this is an issue; (4) an analysis of the effect of major contributors; (5) an assessment of likely user and press reaction; and (6) comments on matters pertaining to the quality of data sources, methods, and procedures. The objectives of the report are: (1) to inform higher level officers in the institution responsible for compilation of BOP statistics; (2) to provide information for preparation of a statement (to be included in a publication or distributed to users) on analysis of results; and (3) to identify factors that may require future modifications in data sources and procedures.

### Preparing Data for Publication

**1084.** Steps in preparing data from the worksheet for publication are set out in illustration 20.7. As the diagram shows, each step may create feedback relevant to a previous step. For example, in preparing tables or commentary for inclusion in a publication, the compiler may detect errors or recognize anomalies that require re-initiation of an earlier step. Actual publication of BOP data is discussed in chapter 21.

**Illustration 20.7 Preparing Data for Publication**



### Developing Computer Processing Systems

**1085.** The processes described in this chapter and in chapter 18 will be facilitated by the use of computer

processing. These processes have been presented in a modular form that underlies the design of an effective computer processing system. Some of the processes can be developed by using a personal computer, although the assistance of a programmer may be required. For example, the collection register, population frame, and source data may be maintained, by using an off-the-shelf database software package, on a personal computer. A spreadsheet system could be used for worksheet tables, publication tables, and other tables prepared for analysis. Even collection forms could be processed with such technology. However, for larger or more complex systems (including those based on an ITRS), a mini or mainframe computer system (which would require the assistance of experienced programmers) may be necessary.

**1086.** Computer processing systems are designed in successive phases. After the completion of each phase, a report should be made to ensure that the design project meets the objectives of management in the relevant institution.

**1087.** The first phase consists of overall assessment of requirements. Options, related development and maintenance costs, and tentative timetables are outlined. An attempt is made to quantify probable processing volumes and staffing options.<sup>190</sup> The first phase concludes with selection of the most appropriate option.

**1088.** During the second phase, the importance of which should not be underestimated, a logical design is established for the development of a new system or the modification of an existing system. Existing systems should be thoroughly analyzed; many are modified to meet implicit objectives that are not clearly articulated. In the absence of existing systems, it may be appropriate to observe and evaluate processing systems (even those located abroad) used for similar purposes. Discovery of current problems requires careful examination of systems in actual operation rather than theoretical perceptions or projections of system operations.

**1089.** In the third phase, a physical design for the new system is articulated. The physical design encompasses logical requirements and available hardware, software, and human programming resources.

**1090.** The fourth phase is devoted to actual coding of the system, which should be undertaken by using a modular approach and by testing at all points.

<sup>190</sup>Consideration should be given to the number of records, the number of record types, the number of characters per record, meta data requirements, the frequency of certain tasks, and the available time for conducting certain tasks.

**1091.** In phase five, the system is tested by users, and any necessary modifications are made. Rigorous testing is of paramount importance; inadequate testing can lead to disastrous results.

**1092.** Phase six consists of system implementation. Shortcomings in earlier phases usually become apparent at this time. Even if activities were properly performed in earlier phases, unanticipated problems may require considerable effort to correct.

**1093.** The seventh phase consists of system evaluation. The fundamental question is: does the system live up to its original specifications and, if not, why not? Valuable lessons may be learned for the future if this phase is completed effectively. It may be desirable to undertake two evaluation phases—one immediately after completion of the implementation phase and another at a future time (such as one year later) when the system has been modified to overcome initial operating problems.

**1094.** In designing and implementing a computer processing system, the compiler and programmer should work closely together; multi-disciplinary teams may be appropriate. It is useful for the compiler to obtain some degree of computer literacy, although he or she need not become a programming expert.

**1095.** Development of a basic, effective system is the primary goal. Unfortunately, much effort is often expended to design sophisticated processes that do not work well. Limiting initial system development to a manageable level should lead to fewer maintenance requirements. More sophisticated enhancements may be added in the future as the necessity for them becomes apparent.

**1096.** System maintenance requirements are often greatly underestimated, and it is important that sufficient resources are available for maintenance. The assumption that a new system will perform all desired functions is usually not realistic. It is only after the compiler has used the system that he or she develops a full understanding of his or her requirements. Therefore, the life of a computer processing system should be regarded as relatively short. The desirability of enhancements, changing requirements and priorities, and the emergence of newer technologies all contribute to the necessity for continually redeveloping computer processing systems.

**1097.** For the beginner, it is desirable to keep the functions of computer systems simple. It is better to have a computer system that performs basic tasks well than a system that fails in the performance of a wide range of tasks. As compilers gain experience with computers, they may take advantage of computer technology to develop

computerized collection forms and to undertake more complex tasks.

## Timetables

**1098.** The object of the BOP process is to collect, compile, and publish—on a timely basis—detailed and accurate BOP statistics that satisfy the requirements of a broad range of users.<sup>191</sup> There may be trade-offs between timeliness and quality and detail; user requests may be met by frequent, timely release of preliminary and less detailed data and subsequent publication of more detailed and more accurate data at greater intervals. The most appropriate publication strategy for each country will be determined by national circumstances.

**1099.** Timetables are an important part of the BOP compilation process and should be developed in consultation with users and with any support areas that are part of the compilation process. The capacity of data providers to supply timely information should also be considered so that timetables may be established on a realistic basis. Once timetables are set, every effort should be made to meet deadlines. Every person involved in the processing of BOP statistics, including those in support areas such as computer processing, should be aware of the timetable and their responsibilities for meeting it.

**1100.** There should be regular reviews and continuous monitoring of timetables. Unmet timetables are very frustrating to BOP users, and failure to adhere to the schedule causes the compiler to appear unprofessional. Potential areas for slippage should be identified, and rectifying action should be undertaken before problems arise.

**1101.** In order to improve the timeliness of BOP statistics, the compiler may assess the possibility of encouraging reporters to provide data more quickly. BOP and ITS compilers could explore ways of improving timeliness. The ITS compiler could, for example, be encouraged to produce broad aggregate results on a preliminary basis, that is, without stringent checks, such as price/quantity or unit value checks that more final figures would receive. These trade-offs should be discussed with users.

**1102.** In the case of an ITRS, the compiler could attempt to speed up the receipt of information by arranging for data to be transmitted electronically. In the case of ES, the compiler could ask more important respondents to transmit data by facsimile rather than by

<sup>191</sup>For a discussion on assessing the needs of users, see chapter 18, paragraph 840.

mail. Alternatively, respondents could be asked to provide preliminary estimates of the most significant items and to follow up with more complete data at a later stage.

**1103.** The compiler could consider making greater use of estimates. (Methods of estimation are discussed in chapters 11 through 16.) If the compiler is unfamiliar with the estimation process, users may provide some assistance if they have developed extrapolation and projection methodologies. The compiler could also consider alternative collection strategies. Replacing a full-enumeration survey with a sample survey could, with only a minimal impact on quality, improve the timeliness of results. When a certain BOP data item can be compiled from more than one source, the more timely source could be used to compile preliminary estimates.

**1104.** The compiler should also examine processing tasks in some detail. Poor procedures can cause delays. A proper analysis of procedures may identify ways to improve them.

**1105.** When establishing new procedures, the compiler should allow for several periods of implementation and testing. For example, if new procedures (such as the use of preliminary source data and a greater amount of estimation) are being developed, the compiler may, without publishing more timely data, simulate the new procedure during several test periods. Revised publication timetables could be introduced when any initial problems are overcome.

## Resources

**1106.** Achieving a satisfactory balance between user demands and available resources is often difficult. An imbalance frequently produces major problems in delivering statistics that are timely and of good quality. Resolution of an imbalance requires careful cost assessment of each step in the statistical process. The compiler could prepare a comparative analysis of resource costs and user benefits. If more resources are required, the compiler should prepare a good case for obtaining additional resources and submit it, along with user statements of their requirements, to relevant authorities. Alternatives should be clearly shown in the presentation. For example, the compiler could draw up a matrix showing various combinations of frequency, detail, quality, and timeliness, and the resource costs associated with each. Resource cost should include professional and support staff, computing resources, office furnishings, and rents.

**1107.** In staffing a BOP project, it is important to have appropriately qualified personnel. Ideally, overall staff skills

should include expertise in international economics and finance, accounting, collection design and management, statistical theory, computing skills, systems design, clerical and office skills, and different languages. Few individuals possess all these skills. Therefore, the compiler should recruit a balanced team. To work effectively, staff should be encouraged to interact and to share or exchange knowledge and skills.

**1108.** Another important qualification for BOP staff is the ability to learn quickly. Because of the complexity of the BOP conceptual framework, collection methodologies, and compilation processes, training must be assigned a very high priority. Training can take a number of forms, such as on-the-job training, internal training courses in the compiling organization, or external training courses at academic institutions or international organizations.

## Assessing the Accuracy of Estimates

**1109.** Accuracy refers to the closeness of a measure to the true value of what it is attempting to measure. The true value of an activity is a notional value as the conceptual framework of the BOP is itself an abstraction. Individuals who carry out and/or record activities that the BOP framework is attempting to measure may not think of these activities in the same way as the BOP compiler.

**1110.** There are two requirements for accurate data. The first is that the conceptual framework and its rules, conventions, and definitions must be logically consistent and meaningful. The second requirement is that measurement of the activity must conform to the conceptual framework in terms of coverage of the activity, valuation, timing, classification, and treatment conventions and rules set out in the framework.

**1111.** The BOP compiler directs much effort towards ensuring accuracy by fully investigating the activity to be measured, further elaborating the conceptual framework if it does not adequately cover the activity being measured, designing and testing collection forms and processing systems, estimating or adjusting data to bridge the gap between the conceptual requirement and the measure used, regularly conducting quality control procedures, periodically evaluating the total process in terms of meeting its objectives, and—if need be—redirecting the statistical process.

**1112.** Most BOP processes are designed so that inaccuracies in data are detected and corrected. However, the compiler may identify errors, or the potential for errors, but not be able to correct them. In such cases, the compiler could develop subjective or objective assessments of the accuracy of BOP data; these assessments

could then be made available to users or used as a guide for further enhancement of the compilation process.

**1113.** The compiler may know from discussions with data suppliers, or from errors discovered through data checks, that certain errors are likely to exist. The size of the errors may not be of sufficient concern, or available resources may not permit investigation and correction. In these circumstances, the compiler may form a subjective view of the level of inaccuracy.

**1114.** Properly designed sample investigations may provide a measure of certain errors. Such investigations attempt to compare what reporters should report with what they actually report. For example, the ITS compiler may investigate the incidence of exporters reporting ex-factory values rather than true f.o.b. values. These types of investigations may identify certain biases in reporting and, as a result, some adjustments may be made to data. Alternatively, such investigations may reveal that certain errors are hard to quantify or are small. As a result, the compiler may make no attempt to adjust the data. Therefore, sample investigations may provide objective data on accuracy or, alternatively, enable the compiler to form a subjective view about accuracy.

**1115.** When a sample survey is used to measure certain data, an analysis of sample error can provide a mathematical measure of accuracy.

**1116.** BOP estimates may be compared with data from other sources. For example, data reported by banks (in money and banking statistics) on the stock of external financial assets could be compared with data obtained in an ITRS or ES. Of course, the data should, if possible, be fully reconciled. However, there may be insufficient evidence to determine which source is more accurate. In these cases, the compiler can merely note that there are differences requiring further investigation. A discrepancy between two sources may provide an indication of the size of a possible error.

**1117.** Existing data sources may be used to derive alternative estimates. Certain assumptions may be made in the compilation process, and these may contain margins of error. It may be useful to investigate the impact of alternative assumptions. For example, the compiler could determine the impact of adopting different, but not necessarily invalid, assumptions for conversion of data from one currency to another. Different assumptions may also be made about undercoverage or non-response. Alternative estimates based on different assumptions may be compiled and compared with original estimates. The size of any differences would provide a measure of inaccuracy.

**1118.** BOP items compiled from certain data sources could be compared with data compiled from alternative sources and methods. For example, if travel services are measured via an ITRS or ES, resulting estimates could be compared with estimates derived by using other methods, such as numbers of arrivals and departures multiplied by estimates of per capita expenditure. From such a comparison, some judgments may be formed as to the accuracy of existing sources.

**1119.** Comparison of BOP estimates with those for partner countries often reveals differences. The differences may be due to many factors, including the use of different conceptual frameworks. However, these comparisons may provide some insights on accuracy.

**1120.** An examination of the net errors and omissions item may also be useful. Different patterns in this item may provide insights into possible causes of errors in BOP statistics. A persistently large but stable positive (credit) or negative (debit) net errors and omissions item may suggest that coverage of certain credit or debit items is inadequate. A fluctuating but offsetting (from period-to-period) item may be evidence of timing differences on volatile items—such as financial account items or large, “lumpy” current account transactions. Large net errors and omissions that arise in periods of exchange rate fluctuation may suggest problems with methods of currency conversion used to compile accounts. Net errors and omissions that appear to change when the behavior of some items changes may be evidence of relationships that indicate inadequate coverage of certain types of transactions. For example, a positive net errors and omissions item coinciding with an increase in imports may suggest undercoverage of trade credit liabilities.

**1121.** Similarly, changes in economic circumstances or policies accompanied by changes in the net errors and omissions item may suggest some relationship. For example, there may be a large negative net errors and omissions item that could be attributable to unmeasured capital flight occurring after the introduction of a law requiring surrender of foreign currency receipts.

**1122.** As factors underlying fluctuations in the net errors and omission item may be very complex, the compiler should obviously exercise care in interpreting this item. Also, the presence of a small net errors and omissions item does not necessarily mean that there are no major problems with the accuracy of BOP statistics. There may be offsetting errors, or certain transactions may not be measured at all.

**1123.** After performing the type of analysis described, the compiler should be able to publish some information on the quality of BOP estimates. In such a statement, the compiler could outline the issues involved, examine the strengths and weaknesses of data sources used, and evaluate the impact, upon quality, of broad data items in the accounts. It may be useful to present a table that shows the size of each broad item and a rating on the related degree of perceived accuracy. For example, the degree of accuracy could be (a) within 1 percent, (b) within 5 percent, (c) within 10 percent, (d) within 20 percent, and (e) larger. Another way of presenting information on quality would be to show, for each broad item, the perceived range of values applicable to the item. Subjective analyses of this type would provide users with an indication of the relative quality of data and serve as a useful tool in BOP analysis.

### Issues Associated with Revisions

**1124.** Revisions to published BOP estimates are a common feature of many compilation systems and may indicate the quality of initial estimates. Initial estimates may be preliminary and subject to revision—that is, preliminary estimates are less accurate than subsequent estimates, which are considered nearer to the true value, for the same reference period. Initial revisions to some estimates are often substantial; later revisions are generally less significant. Data from some systems tend to be less subject to revision. For example, ITRS and ITS data tend to stabilize fairly quickly, whereas enterprise survey results tend to stabilize somewhat more slowly.

**1125.** Revisions may be required for a number of reasons. Data from any source may be preliminary. To provide an early indication of the BOP result, reporters may supply data based on less than complete response or less than complete checking.

**1126.** Revisions may be necessary if reporters are tardy in providing data. Actual data may differ from non-response estimates, if any, made by the compiler.

**1127.** Data may be revised if later generations of estimates for a particular period are based on more complete coverage. For example, quarterly ES may be restricted to larger enterprises; only annual surveys or periodic benchmark surveys may cover all enterprises.

**1128.** Revisions may result from detailed examination of data. A good example is the reconciliation of stock position and flows data that many countries undertake.

**1129.** Survey reporters may discover errors in previously reported data and supply corrected information.

**1130.** Periodic evaluations of data quality may result in adjustments or revisions to data published or recorded previously.

**1131.** Estimation methods may be revised because of changes in methodology or the availability of benchmark survey results showing that previous methods of extrapolation or interpolation require modification.

**1132.** Changes in the conceptual framework, such as the treatment of an activity or its classifications, may require adjustments for previous periods.

**1133.** It is desirable for the compiler to publish information on the impact of revisions to the accounts. In the publication, the compiler could compare initial estimates with later generations of estimates for the same reference periods. The average absolute and actual size of revisions could be published.

**1134.** From database management and dissemination perspectives, there should be a policy on revisions. This policy could cover which issues of publications should include revisions, whether revisions to less than recent reference periods should be incorporated as they occur or less frequently, and whether small revisions to past data should be made at all.

**1135.** Frequent and large revisions are irritating to, and create work for, users. Methodologies should be developed to reduce the frequency of revisions. In other words, more attention should be given to getting the right answer on the first or second attempt. To achieve this, the compiler should examine causes of revisions and whether they could be overcome by, for example, increasing the frequency of collections, collecting the most important classifications more frequently, placing less reliance on infrequent benchmark surveys, speeding up quality control procedures, and improving estimation procedures for non-response and partial coverage. To introduce such improvements, greater resources may be required. A cost-benefit assessment may be in order, and user support could be obtained for improvements that would reduce revisions.

**1136.** However, the fact that revisions are bothersome to users is no excuse for failing to revise estimates. The BOP compiler's objective is to publish the most accurate estimates possible and revised estimates, to the extent that they are more accurate, should be published. A BOP compiler who does not revise estimates when he or she learns that published estimates are inaccurate may contribute to development of economic policies based on misleading information.

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## XXI. Publication of BOP Statistics

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### Introduction

1137. This chapter discusses publication of the output of the BOP statistical process. In some respects, publication is the most important part of that process.

1138. The term *publication* refers to the release of data to the public through various media. Such releases would include tables appearing in general and in specialist BOP publications; time series disseminated via computer disk, computer tape, modem, or CD-ROM; and specially released computer printout tables. *Publication* also encompasses other material that may accompany data released to the public. Such material could include explanatory notes, analytical comments, graphs, technical material, and articles of interest. In addition to BOP and IIP statistics, the compiler may wish to publish information showing the links between the BOP and other bodies of data or supplementary statistics.

### Consultation with Users

1139. User requirements are paramount for determination of statistics to be disseminated. The compiler should attempt to ensure that published information will meet these requirements, which can be best ascertained from regular discussions with users. (See chapter 18, paragraph 840 for further information.) Although governmental economic policy agencies (such as the central bank, the ministry of finance, and the planning agency) are key users, the compiler should also consider the requirements of other parts of government, financial institutions (both national and international), industry, educational institutions, the press, and the general public. Ultimately, governmental economic agencies should confer and negotiate with the larger community of users, and an authoritative set of BOP statistics is essential for this purpose. The BOP compiler should be the recognized author of official BOP statistics.

1140. One of the main functions of BOP statistics is to provide valuable input for official policy formulation. Therefore, a range of BOP data is typically disseminated to relevant official institutions. In disseminating such data, the compiler should make every effort to ensure that all users have equal access to the information. Equal

access assures users of the compiler's impartiality and also imposes useful discipline upon the compiler. Users with different perspectives afford a broader critical appraisal of the statistics. Discovery of weaknesses, which may be very useful and occasionally painful, through external assessment of data should strengthen the compiler's determination to provide statistics of high quality.

### Periodicity

1141. *Periodicity* refers to the frequency of the reference period. BOP statistics are usually compiled on a monthly, quarterly, or annual basis; production of IIP statistics tends to be annual, although compilers in some countries prepare quarterly IIP statistics. The period chosen will depend on a number of factors, including user requirements, types of data collections available, and resources available to the compiler.

1142. For economies in which the external sector acts as a constraint on economic activity or is otherwise a focus of government economic policy, users will require frequent and up-to-date data. In particular, international lending institutions providing significant BOP financing to the official sector require frequent and current statistics.

1143. The periodicity of different data sources may vary. An ITRS usually provides data on a monthly basis because the system measures transactions on an essentially continuous basis. The nature of other sources often permits the compiler to choose the periodicity. On the one hand, it is desirable to collect data frequently and thereby obtain up-to-date information of good quality; on the other hand, less frequent collections require fewer processing resources and are often perceived as less burdensome for data providers.

1144. As a general rule, compilers should aim, at a minimum, to produce quarterly BOP statistics. Quarterly data should be adequate for the requirements of many users and for the purpose of compiling national account statistics. Annual (and less frequent) statistics are not sufficiently timely for most users, and the compilation of such statistics is often error prone. More frequent collection and compilation activity encourages better

reporting of data, development of good methodologies, and timely feedback from users. In contrast, less frequent collection and compilation activity often suffers from low resource allocation, staff turnover between periods of data reporting and compilation, more reporting and compilation errors, and less feedback from users.

**1145.** A monthly periodicity for BOP statistics is seen as important in a number of countries, particularly those in the EU. In these countries, many of the data sources are available monthly, and the additional cost of producing monthly statistics is not considered to be a major factor. Some countries, while not having all the detailed data available to produce a complete monthly BOP statement, produce a less detailed or partial monthly BOP statement.

**1146.** A word of caution about monthly statistics is warranted. Monthly statistics may be volatile, preliminary, and subject to revision; therefore, such statistics should be interpreted with care. Users should be informed of the limitations as they may place undue importance on the latest monthly statistics. (For example, release of monthly BOP statistics in some countries may cause reactions, which reflect lack of understanding among users, in foreign currency and other markets.)

**1147.** This *Guide* suggests that those countries producing annual IIP statistics should strive to produce these statistics at quarterly intervals, if this is the periodicity of BOP statistics. As mentioned elsewhere in this *Guide*, co-production of BOP and IIP statistics helps to ensure the quality of both. If countries are not currently producing IIP statistics, production of annual statistics (at least) should commence as soon as possible.

### Frequency and Timeliness of Publication

**1148.** Frequency of publication need not coincide with periodicity of BOP compilation. Nevertheless, there are many advantages, including timeliness, if publication frequency and compilation periodicity do coincide.

**1149.** Timely publication of statistics is essential if the compiler is to satisfy user requirements. The compiler should set, and adhere to, publication targets. Achievement of targets requires careful scheduling of tasks involved and development of techniques that produce timely statistics of good quality. Management of the statistical process for achievement of timely results is addressed in the previous chapter.

**1150.** Table 21.1 sets out some guidelines concerning times of publication. Compilers in some countries achieve

**Table 21.1 Target Timetables for Release of BOP Statistics After the Close of Reference Periods**

Frequency	Large Countries	Small to Medium Countries
Monthly	Six weeks	One month
Quarterly	Three months	Two months
Annually	Six months <sup>1</sup>	Three months

<sup>1</sup>This frequency target is based on the assumption that quarterly statistics are also published. If this is not the case, annual releases should be made as soon as possible after the close of the reference period and no later than four to five months afterwards.

targets that are better than the guidelines, while various constraints prevent others from reaching these targets.

**1151.** There are often trade-offs between level of detail and timeliness of publication. From a user's viewpoint, there may be advantages if some compromises are struck. Users generally require very detailed and timely statistics. However, users may not require detailed statistics on a frequent basis. Therefore, some countries have developed strategies to maximize responsiveness to users. Preliminary BOP statistics are released in a press statement or a brief announcement that does not contain a lot of detail. These releases are followed up with publication of more details at a later date. Other countries make the maximum amount of detail available on an annual basis and less detail available at more frequent intervals.

**1152.** The compromise among timeliness, frequency, and level of detail may depend upon factors such as periodicity of underlying source data and resources and technology available to the compiler. Each compiler should consult with users to decide on the appropriate trade-offs (which will depend on national circumstances) among publication frequency, level of detail, and timeliness.

### Dissemination Media

**1153.** The increased availability of computer technology has affected the way that BOP statistics are disseminated. Printed publications are still the most common form of dissemination, but that fact is changing. Although more BOP statistics are becoming available, fewer data are being released in printed form. Greater use is being made of computer tape, disk, CD-ROM, and on-line facilities to disseminate data.

**1154.** The format in which data are provided is also changing. BOP statistics in printed publications are usually presented in tables. These tables may show a

number of related series over time (time series) or cross-classifications of data for a single period of time (cross-classified data). A logical way to consider data, at least from the compiler's viewpoint, is often inherent in the design of the table. Of course, it is possible to convert cross-classified data to time series but, in a publication, this conversion may require many pages. For example, a compiler may present 20 BOP series cross-classified by 20 main partner countries and country groups. The resulting table would consist of a matrix of 400 cells, which may fit on one or two pages. If the compiler wanted to show each of these cells in the form of annual time series over 10 years, there would be 4,000 cells. Obviously, the number of pages required might not be practical.

**1155.** In contrast, data distributed in computer readable form are usually provided as time series rather than as tables. This approach has been adopted because compilers and users may have different software, and it is usually not a difficult task for recipients to devise tables into which the time series may be loaded. This approach also permits users to tailor their own data structures.

**1156.** With the advent of database technology, the conflict among detail, frequency, and timeliness has lessened somewhat.

### **Supporting Material in Publications**

**1157.** Supporting materials should be included in information released to users by the compiler. These materials could include an explanation of the BOP conceptual framework and classifications, an explanation of data sources and methods used to compile items in the accounts, and an assessment of the quality of data sources and methods. In addition, any release of data should be accompanied by some analytical comment that draws user attention to the main features of the data, to any important relationships in the statistics, and to any phenomena that may affect the statistical series. The material released should also include technical notes describing publication policy and additional sources of information, such as a public BOP database, that could be accessed.

**1158.** As it may not be appropriate or feasible to provide all these supporting materials with each release of BOP statistics, some strategy for preparing and disseminating supporting information should be developed. An explanation of available supporting material and how the material can be obtained should be provided with each release of BOP data.

**1159.** In addition to publishing BOP statistics regularly, it is important for compilers to produce detailed papers

or separate articles for publication. Topics could include the BOP conceptual framework and classifications, data sources and methods used to compile the BOP, and assessments of the quality of statistics. Better informed users are likely to interpret and apply BOP statistics more wisely. Misconceptions about the meaning and measurement of certain items are common among users and cause problems for policy formulation and evaluation. Awareness of possible weaknesses in statistics permits the analyst to judge the level of confidence that should be given to particular estimates. Preparation of a document on concepts, sources, methods, and quality requires the compiler to articulate the issues involved. In turn, articulation of these matters often leads to a better evaluation of methodologies and, hence, indirectly encourages greater efforts to improve the quality of statistics.

**1160.** Preparation of a detailed paper or articles for publication on the conceptual framework, data sources, methods, and data quality may not be an immediate possibility for compilers in many countries, although a number have now produced such papers. Nevertheless, major releases on BOP statistics could be accompanied by concise, basic statements on the conceptual framework, data sources, etc. Such statements would assist users in understanding some of the issues involved.

**1161.** Some analytical commentary should accompany all releases of BOP statistics. When providing analytical comments, the compiler should keep in mind that formulation and evaluation of economic policy are the prerogatives of some other government body. However, an overcautious attitude can also be counterproductive. The compiler's scope of responsibility includes explaining what the numbers mean and drawing user attention to certain features of the statistics.

**1162.** Many of those who are exposed to published BOP statistics do not understand the conceptual framework of the BOP. Analytical commentary may, by describing developments in key aggregates, explain links within accounts. Important links between the BOP and other statistics presented in the BOP release may also be explained via comments on relationships between summary tables and more detailed tables. The commentary can and should highlight any unusual or unexpected phenomena reflected in the figures. For example, if imports have risen sharply in the most recent period, the BOP compiler might (on the basis of a commodity analysis) explain whether the increase occurred across-the-board or resulted from long anticipated delivery of major items of equipment. This type of comment is both factual and helpful. Compilers

unaccustomed to making analytical comment may begin with brief statements and expand gradually to appropriate levels.

**1163.** Suitable graphs may be used to supplement analytical comment. With developments that have taken place in computer software, graphs are becoming easier to produce. Graphs should be simple, clearly and consistently labelled, illustrative of interesting points, and used sensibly.

**1164.** Material accompanying release of BOP statistics should explain how current data relates to other published data, where additional information may be found, the nature and timing of revisions to past data, and how the BOP database may be accessed (if a public database is available). It is highly desirable to provide telephone numbers of persons who may be contacted for explanations of the statistics or for further information. Telephone contact with users expands compiler awareness of user desires and problems and permits the compiler to be more responsive. In addition, telephone contact may enable the compiler to determine the most common queries and address them in future statistical releases or through special articles published from time to time. Telephone contact also contributes to good public relations and a good image; these are important for the compiler, who needs to collect data from many parts of the community.

**1165.** Special articles in BOP publications are another means of providing users with a better understanding of some aspects of the conceptual framework, data sources, methods, and quality issues. These articles may range from brief technical notes to more detailed papers and may be published on an ad hoc basis.

## Presentation of Key Aggregates

### *Introduction*

**1166.** When tables are included in the publication of BOP statistics, it is most effective to present a key or summary table first and to follow this with more detailed tables.

**1167.** While many people may have different views on what key aggregates are, most compilers and users would agree on the following propositions. BOP series should be presented so that the distinction between the current account and the capital and financial account is clear. Within the current account, clear distinctions should be made between goods, services, income, and transfers. For current account items, it is desirable to show BOP credits and debits separately. Within the

**Table 21.2 Two-column Approach to Presentation of the Balance of Payments**

	Item Number	Credit	Debit
Current account			
Goods	2100/3100	200	300
Services	2200/3200	40	30
Income	2300/3300	22	28
Current transfers	2379/3379	14	10
Total	2993/3993	276	368
Capital account	2994/3994	12	20
Financial account			
Direct Investment			
Abroad	4505	—	5
In the host country	4555	50	—
Portfolio investment			
Assets	4602	3	—
Liabilities	4652	4	—
Other investment			
Assets	4703	32	—
Liabilities	4753	22	—
Reserve assets	4800	—	10
Total	4995	96	—
Net errors and omissions	4998	4	—

financial account, major aggregates should be shown. (In the sample statistical presentations in appendix 3, the main aggregates in the financial account are direct investment, portfolio investment, other investment, and reserve assets. However, some users may prefer to give greater weight to a classification of financial transactions by domestic sector.) Within the financial account, it is desirable to show transactions in external assets separately from transactions in external liabilities. The net errors and omissions item should be shown outside the current and capital and financial accounts.

**1168.** Key BOP aggregates can be presented in neutral fashion or in a form that shows an overall balance. Presentation of an overall balance is discussed in paragraphs 1174-1176.

### *Two-column BOP Presentation*

**1169.** In the two-column presentation of the BOP (see table 21.2), credit and debit entries for each BOP item are shown in separate columns. This presentation is the best way to illustrate the BOP conceptual framework.

**1170.** Key BOP aggregates are presented in table 21.2. The reader may note that credit and debit entries are recorded (gross recording) for current account items (goods, services, income, and transfers) and for the

capital account. For financial account items, either a credit or a debit entry is shown (net credit or debit recording). While the two-column approach is a good way of presenting the conceptual framework, analysts have moved away from this presentation as data cannot be presented in a time series format and there is less flexibility for showing balances that analysts may wish to see. Therefore, the single-column approach is often preferred.

### *Single-column Approach*

**1171.** Table 21.3 illustrates the single-column approach, which represents a rearrangement of the series in table 21.2.

**1172.** In table 21.3, the analytical usefulness of the table is expanded by addition of a number of balances. Presentation of the table in a single-column format requires introduction of a sign convention. In table 21.3, the absence of a sign (a positive entry) represents a credit, and a minus sign represents a debit. In some presentations, for current account debit items and gross financial account credit entries (such as loan repayments), no sign is shown because the sign is clearly understood. The policy on the use of signs in published material should be clearly stated.

**1173.** The single-column approach facilitates presentation of data for many periods (time series) in a single table, and each subsequent period can be added to the right of the table.

### *Presentation of an Overall Balance*

**1174.** Table 21.3 does not show an overall balance. The concept of an overall balance is discussed in note 20 on page 161 of the *BPM*. There is no accepted international standard as to what constitutes an overall balance of payments outcome, and different definitions are used in different circumstances. In general, certain items or transactions are excluded from “above-the-line” entries to arrive at a measure of the overall balance.<sup>193</sup> In fact, as the *BPM* points out, the analyst has a number of such balances to choose from.

**1175.** For example, as a measure of the overall balance, an analyst may wish to exclude reserve assets, exceptional financing transactions, and LCFAR from “above-the-line” transactions. Exceptional financing includes debt

<sup>193</sup>Items or transactions excluded from “above-the-line” entries are shown “below the line” as financing the balance of payments outcome.

**Table 21.3 Single-column Approach to Presentation of the Balance of Payments**

	Item number	Value
Current account		
Goods		
Credit	2100	200
Debit	3100	-300
Balance	4100	-100
Services		
Credit	2200	40
Debit	3200	-30
Balance	4200	10
Income		
Credit	2300	22
Debit	3300	-28
Balance	4300	-6
Current transfers		
Credit	2379	14
Debit	3379	-10
Balance	4379	4
Balance on current account	4993	-92
Capital account		
Credit	2994	12
Debit	3994	20
Balance	4994	-8
Financial account		
Direct Investment		
Abroad	4505	-5
In the host country	4555	50
Portfolio investment		
Assets	4602	3
Liabilities	4652	4
Other investment		
Assets	4703	32
Liabilities	4753	22
Reserve assets	4800	-10
Financial account balance	4995	96
Net errors and omissions	4998	4

cancellation (included in capital transfers), borrowing for BOP support (included in portfolio or other investment), debt-to-equity swaps (included in direct or portfolio investment), rescheduling of debt (included in portfolio or other investment), or incurrence of arrears (included in other investment).

**1176.** Table 21.4, which appears on page 234 and represents a rearrangement of table 21.3, shows the impact of creating an overall balance. For the purpose of calculating an overall balance, reserve transactions and

**Table 21.4 Presentation of Balance of Payments  
Showing an Overall Balance**

	Item number <sup>1</sup>	Value
Current account		
Goods		
Credit	2100	200
Debit	3100	-300
Balance	4100	-100
Services		
Credit	2200	40
Debit	3200	-30
Balance	4200	10
Income		
Credit	2300	22
Debit	3300	-28
Balance	4300	-6
Current transfers		
Credit	2379	14
Debit	3379	-10
Balance	4379	4
Balance on current account	4993	-92
Capital account n.i.e.		
Credit	2994*	5
Debit	3994	20
Balance	4994	-15
Financial account n.i.e.		
Direct Investment n.i.e.		
Abroad	4505	-5
In the host country n.i.e.	4555*	33
Portfolio investment n.i.e.		
Assets	4602	3
Liabilities n.i.e.	4652*	-8
Other investment n.i.e.		
Assets	4703	32
Liabilities n.i.e.	4753*	8
Financial account n.i.e. balance	4995*	63
Net errors and omissions	4998	4
<i>Overall balance</i>		-40
Financing of overall balance		
Reserve assets	4800	-10
Exceptional financing	4900	47
LCFAR	4920	3

<sup>1</sup> Items with asterisks are exclusive of reserves, LCFAR, and exceptional financing transactions.

the following exceptional financing transactions are excluded from “above-the-line” items: debt forgiveness of 7; debt to direct investment equity swap of 17; cancellation and re-issue of securities of 9; loan rescheduling of 11; and incurrence of arrears on interest payments of 3. In

addition, securities (of 3) issued by resident banks are acquired by foreign central banks as part of their reserves (LCFAR).

### *Presenting the Summary Table*

1177. Appendix 3 provides a model BOP summary table (table P1), which the compiler may consider for inclusion in published material. The model table does not present an overall balance, but it does present, as memorandum items, elements that the analyst may use to construct an overall balance. The advantage of not presenting an overall balance is that the relationship between the summary table and those that follow is clear. However, this *Guide* makes no recommendation as to whether or not the compiler should use a presentation that includes an overall balance; this decision is left to individual compilers, who should consult with BOP users. The summary table also includes some key exchange rate series as memorandum items.

### **Presentation of Detailed and Supplementary Statistics**

#### *Introduction*

1178. Model tables P2 through P10 in appendix 3 are core tables that the compiler may wish to consider for use in publishing BOP material. These tables show how the compiler may present BOP statistics, including statistics on the IIP and external debt. The tables are not mandatory; BOP compilers will have their own priorities in this area. Some of the items shown in the tables may not be relevant in some countries, while other items omitted from the tables may be very important. The tables include primary standard components presented in the *BPM* and make a good starting point for deciding which tables should be used in the publication of BOP statistics. Compilers could regard the tables as a target to be published on a quarterly basis. There is much more BOP and related information that the compiler may consider essential to the work of analysts and wish to publish. Possible extensions to core tables are described in table 21.5. This additional information could be published quarterly or annually, made available on a public database, or released on request.

#### *Goods*

1179. Table P2 in appendix 3 provides for a commodity classification of exports and imports of goods. Such a classification, while not part of the standard components of the *BPM*, contributes greatly to analyst understanding of developments in transactions in goods. It is also highly

**Table 21.5 Additional Statistics**

<p><b>1. Goods</b></p> <p>A more detailed commodity breakdown and a further disaggregation of BOP adjustments than that shown in table P2 could be published. Many countries also publish some quantity data in addition to values for certain important export or import commodities. Some countries publish commodity detail in constant prices and corresponding price indexes or implicit price deflators. These data may be published in seasonally adjusted as well as original terms. Some countries publish goods classified by broad economic category.</p>
<p><b>2. Services</b></p> <p>More detailed breakdowns than those shown in table P3 could be provided. For <i>transportation</i>, the breakdown could include, as recommended by the <i>BPM</i>, the type of service (passenger, freight, and other) and mode of transport (sea, air, and other).</p> <p>For <i>travel</i>, business and personal travel could be separately distinguished, as is recommended by the <i>BPM</i>. In addition, if the compiler has developed a data model for estimating travel from component series (for example, numbers of travelers by classes of travel multiplied by expenditure per head), the component series could be published.</p> <p>Breakdowns for <i>other business services</i> and <i>personal, cultural, and recreational services</i> could, as recommended by the <i>BPM</i> (see table 10.1), be provided.</p> <p>Some countries publish a breakdown of services in constant prices and corresponding implicit price deflators. These data may be published in seasonally adjusted as well as original terms.</p>
<p><b>3. Income</b></p> <p><i>Compensation of employees</i> is shown as a single item in table P4; this treatment is consistent with recommendations of the <i>BPM</i>. This item could be further subclassified to show wages and salaries and actual and imputed social contributions of the employer. In addition, if the compiler has developed a data model for estimating compensation of employees, details of the component series (for example, the number of nonresident workers and the per capita income in the host economy) could be provided.</p> <p>For <i>investment income</i>, more detailed breakdowns than those shown in table P4 could be provided. Such breakdowns could, as recommended by the <i>BPM</i> (see table 13.1), include complete subclassification by institutional sector. In addition, detailed income yield analysis and seasonally adjusted series could also be provided.</p>
<p><b>4. Transfers (current and capital)</b></p> <p>Information additional to that provided in tables P5 and P6 could be published, especially in respect of components of transfers not reflected in the standard components. These could include development assistance (such as budgetary assistance, project aid, other forms of financial assistance, technical assistance, education, and training), military grants, various taxes, and pension components. In respect of development assistance provided, a reconciliation showing the relationship between official aid statistics and aid transfers shown in the BOP would be useful.</p>
<p><b>5. Financial account and IIP</b></p> <p>More detailed breakdowns than those shown in tables P7 to P8 could be provided. These breakdowns could include the complete classification recommended by the <i>BPM</i> (see tables 10.3 and 10.4) and a breakdown of exceptional financing and LCFAR items. Detailed breakdowns of non-flow changes in stocks (such as exchange rate changes, price changes, and other reconciliation items) could also be provided in the form of a reconciliation table. Information on the currency composition and residual maturity of debt are also often analytically useful.</p>

*(table continues)*

**Table 21.5 (concluded)**

<p><b>6. Linkage series</b></p> <p>Tables could be included to illustrate the relationship between the BOP and other statistics, such as national accounts, money and banking, and government finance statistics. Statistics on exchange rates could also be presented.</p>
<p><b>7. Partner country statistics</b></p> <p>Cross-classification of BOP and IIP items by partner country is important. The level of detail should be at least that shown in table P1 although, for reasons of sensitivity, reserves may be combined with other investment.</p>

desirable that the relationship between recorded trade statistics (which may come from ITS or even an ITRS) be demonstrated and that BOP adjustments be explicitly shown, although the adjustments need not be shown in detail. Showing the adjustments reveals differences between ITS (or an ITRS) and BOP items for goods; it also helps the analyst to ensure that, if using ITS data, he or she has the same generation of data as the BOP compiler. In table P2, it is assumed that BOP adjustments are made at the commodity level. If this is not possible, BOP adjustments should still be included explicitly in the table and not merely shown as memorandum items.

### ***Services, Income, and Current Transfers***

**1180.** Breakdowns for services, income, and current transfers (included in tables P3, P4, and P5, respectively) do not include all subclassifications recommended by the *BPM*. However, these tables show the minimum list of categories that should be published.

### ***Capital Account***

**1181.** Table P6 is a model capital account table. Classifications shown are consistent with the standard components of the *BPM*.

### ***Financial Account and IIP***

**1182.** The breakdown of the financial account and the IIP statement shown in tables P7 and P8 does not include all subclassifications recommended by the *BPM*—partly because additional detail on the domestic sector is included in table P9. The reconciliation between stocks and transactions is not shown in any of the model tables, although reconciliation items may be derived by deducting financial flows recorded in table P7 from the change in stocks recorded in table P8. For this reason, it is important that classifications in both tables be presented on a consistent basis. As countries become

more sophisticated in the compilation of IIP statistics, it is suggested that a full reconciliation table (similar to table 10.4 in chapter 10 of this *Guide*) be published.

### ***External Debt Statistics***

**1183.** Table P9 is included for two reasons. First, table P9 provides a classification, which is not included in tables P7 and P8, of stocks and financial transactions by domestic sector. Second, table P9 underlines the link between debt instruments in the BOP and the IIP and external debt statistics.

### ***BOP Ratios***

**1184.** The compiler may wish to calculate a number of BOP ratios for verification and publication purposes. Table 21.6 sets out a series of such ratios, which include both flow and stock series. When flow series are used in the calculation of a ratio, they should be annualized. That is, data for the latest 12 months or latest four quarters (not just the observation for the most recent period) should be included in the formulae. Stock position data used in the calculation of ratios should consist of stock positions at the ends of reference periods for which ratios are being calculated.

**1185.** Each ratio is fairly self explanatory, except for the debt service ratio. Debt service should, theoretically, be calculated as interest payable plus repayments on long-term debt liabilities and any net reductions in short-term debt liabilities.<sup>194</sup> Calculation of the latter two items requires series not included in the list of standard components recommended in the *BPM*. These additional

<sup>194</sup>Debt liabilities consist of all liabilities other than equity (including reinvested earnings). They include liabilities relating to “other” direct investment, bonds and notes, money market instruments, financial derivatives, trade credits, use of Fund credit and loans from the Fund, other loans, currency and deposits, and the “other liabilities” component of other investment less net equity of households in life insurance reserves and in pension funds.

**Table 21.6 Selected Balance of Payments Ratios**

Description
Exports f.o.b./current account credits
Imports f.o.b./current account debits
Goods and services credits/gross domestic product
Goods and services debits/gross national expenditure <sup>1</sup>
Investment income credits/current account credits
Investment income debits/current account debits
Balance on goods and services/gross domestic product
Current account balance/gross domestic product
Reserves at end of period/imports of goods and services
Gross external debt/gross domestic product
Gross external debt/exports of goods and services
Net external debt/gross domestic product
Net external debt/exports of goods and services
Net international investment position/gross domestic product
Debt service/exports of goods and services

<sup>1</sup>Gross national expenditure is defined as gross domestic product plus imports of goods and services less exports of goods and services.

series are repayments on long-term debt liabilities that form part of direct investment in the host country; the net reduction of short-term debt liabilities that form part of direct investment in the host country; redemptions of bonds and notes; and the reduction, resulting from secondary market transactions, in bonds and notes held by nonresidents. To avoid compiling these additional series, the compiler could take a simpler approach. Repayments on debt could be calculated as the sum of the reduction in the debt component of direct investment in the host country, reductions in non-equity portfolio liabilities, repayments of Fund loans and credit, repayments of other long-term debt liabilities recorded in other investment, and reductions in short-term debt liabilities recorded in other investment.

**1186.** As another alternative, compilers in some countries calculate debt service ratios simply as interest debits as

a percentage of exports of goods and services. However, this approach would generally be warranted only for countries not facing constraints on the availability of external financing.

### **Seasonally Adjusted, Trend, and Constant Price Series**

**1187.** Movements in statistical series may be affected by three influences: seasonality, trend, and an irregular component. In addition to publishing BOP series at original values, some countries publish seasonally adjusted series for certain items. Seasonal adjustment is a process designed to take account of the variation, which is due to normal seasonal influences, in a time series from period to period. Normal seasonal influences are those that tend to occur regularly once or more a year. By definition, annual series cannot be seasonally adjusted. Therefore, publication of seasonally adjusted statistics will be restricted to those with monthly or quarterly periodicity, although not all such series will be subject to discernable seasonal influences.

**1188.** Mathematical techniques are available to remove seasonal influences from time series. Many analysts find seasonally adjusted statistics extremely useful, particularly those relating to goods, services, and income. Accordingly, compilers should investigate the possibility of seasonally adjusting BOP statistics if such adjustments are not already being made.

**1189.** Seasonal adjustment removes the effect of one movement influencing statistics. Many users of BOP statistics are, however, interested in the trend element. To accommodate these users, some countries prepare trend estimates derived by “smoothing” seasonally adjusted series. There are a number of trending techniques that could be used, and compilers should at least investigate these.

**1190.** One difficulty in analyzing certain BOP statistical series, particularly those relating to goods and services, is that movements over time reflect changes in both quantities and prices. In many cases, economic analysis is best served by analysis of changes in quantities (or volumes) only. Therefore, some countries publish constant price estimates.<sup>195</sup> Constant price estimates are series expressed in base period prices to explain changes in quantities in monetary terms. Constant price estimates

<sup>195</sup>In most cases, it is the national accounts compiler, rather than the BOP compiler, who is responsible for calculating constant price estimates for BOP transactions. However, this does not preclude the information from being shown in BOP publications where it is likely to be of immediate interest to users.

are only meaningful when analyzed in the form of a time series.

**1191.** Constant price estimates can be derived by two methods. In one method, current period quantities for each component are multiplied by base period prices, and results can be aggregated across components. In the second method, current price estimates are divided by an appropriate price index having the same base period as the constant price estimates being derived. The first method is conceptually pure; however, the second method is often more practical.

### **Historical Data**

**1192.** Often, historical data are not well managed. As classification schemes change, there may be problems with relating data that have been collected via different classification schemes. Poor documentation or lack of resources may make it difficult to align historical data with current classification schemes. To the extent possible, historical data should be aligned with the current classification. This task may be onerous, but the benefits

to current users and economic historians justify the effort.

### **Housekeeping Matters**

**1193.** While not involving any major conceptual or methodological issues, housekeeping matters, such as preserving the security of BOP statistics until release time and ensuring simultaneous distribution to users, may consume the compiler's time. This *Guide* strongly recommends that these matters be approached with the same intellectual vigor as other issues concerning the BOP.

**1194.** One issue that often arises is whether or not attempts should be made to recover the costs of publishing BOP statistics and related information. Generally, recovery of costs through fees charged for published material has much to recommend it. However, the main function of the compiler is to compile and make available to users (in the broadest sense of that term) statistics of good quality, and cost recovery should always remain a secondary consideration.

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**Appendix I. Balance of Payments Compiler Survey on  
Data Sources and Methods**

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## Introduction

**1195.** This appendix presents the results of a BOP compiler survey, which was conducted in 1991, on data sources and methods.<sup>1</sup> Compilers in 58 countries responded to the survey and provided a considerable amount of information, without which the *Guide* could not have been produced. Table 1 (on page 242) shows the countries for which a response was received. In some cases, responses were not completed fully or contained conflicting information; therefore, it was necessary to use some judgement in compiling the results of the survey.

**1196.** Of the compilers reporting, 71 percent were from central banks or monetary authorities; 22 percent were from national statistical offices; and 7 percent were from other agencies. A breakdown of agency types by region is shown in table 2 on page 242.

**1197.** Table 3 (on page 243) provides a description of the data sources referred to in the survey and in this appendix. These sources include international trade statistics (ITS), the international transactions reporting system (ITRS), enterprise surveys (ES), official sources n.i.e., household sector collections, and partner country sources (including international organizations).

**1198.** Table 4 (on page 243) shows the incidence of data sources used by compilers. Compilers sometimes reported sources not actually used in BOP compilation; these sources were excluded from the analysis. Table 4 shows that compilers in all of the countries responding to the survey reported using official sources; compilers in 88 percent of the countries responding use ITS and/or ES; compilers in 84 percent of the countries use an ITRS; and compilers in 62 percent of the countries use household collections and/or data from partner countries to compile their BOP accounts. A more detailed analysis of the use of each of these sources is given in subsequent tables.

**1199.** Table 5 (on page 243) shows a cross-classification of sources by the primary BOP classifications in which the sources are used. The table shows that:

(1) ITS are used to compile goods items in 88 percent of cases, to compile service items (usually associated with transportation) in 43 percent of cases, and to compile transfer items (usually associated with the identification of goods under foreign aid programs) in 17 percent of cases.

(2) An ITRS is used to compile goods items in 26 percent of cases; service items in 79 percent of cases, income items in 66 percent of cases, transfer items in 76 percent of cases, financial account items in 62 percent of cases, and IIP items in 31 percent of cases.

(3) ES are used (usually as a supplementary source) to compile goods items in 40 percent of cases, service items in 72 percent of cases, income items in 57 percent of cases, transfer items in 21 percent of cases, financial account items in 66 percent of cases, and IIP items in 48 percent of cases.

(4) Official sources are used (usually as a supplementary source) to compile goods items in 21 percent of cases, service and income items in about 70 percent of cases, and transfer and financial account items in 81 percent of cases. For countries that compile stock positions, official sources are used in all but one case.

(5) Household collections (mostly migration statistics and surveys of travelers) are used to compile service items (mostly travel) in 62 percent of cases and to compile transfer items in 12 percent of cases.

(6) Data from partner countries, etc. are used to compile service items (particularly those associated with foreign government expenditure) in 34 percent of cases, and transfer items (usually those associated with foreign development assistance) in 36 percent of cases.

## Individual Data Sources

### *International Trade Statistics*

**1200.** A number of questions were asked about ITS, including whether a country's statistics are compiled on a general or a special trade basis. As table 6 (on page 244) shows, 61 percent of all countries responding to this part of the survey use a general trade basis.

<sup>1</sup>At the time of the survey, the fourth edition of the *BPM* was used by most countries as the basis for compiling BOP statistics. However, wherever possible, the terminology of the fifth edition of the *BPM* has been used in this appendix in order to maintain consistency with the rest of the *Guide*.

**Table 1. Countries Reporting in the BOP Compiler Survey**

Country Group	Number	Countries
Industrial countries	15	Australia, Belgium, Canada, Denmark, Finland, Germany, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Sweden, the U.K., and the U.S.A.
Africa	14	Benin, Burundi, Congo, Gabon, Liberia, Mali, Mauritius, Nigeria, Senegal, Sierra Leone, South Africa, Sudan, Swaziland, and Tunisia.
Asia n.i.e.	13	Bangladesh, China, Hong Kong, Indonesia, Korea, Malaysia, Pakistan, Philippines, Singapore, Solomon Islands, Sri Lanka, Thailand, and Tonga.
Western Hemisphere	11	Bahamas, Costa Rica, Dominica, Ecuador, El Salvador, Guatemala, Haiti, Jamaica, Peru, Trinidad and Tobago, and Venezuela.
Other countries	5	Bahrain, Egypt, Malta, Saudi Arabia, and Turkey.

**Table 2. Types of Agencies Reporting in Survey**

Type of Agency	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
Central Bank	8	11	7	11	4	41
Statistical agency	6	—	6	—	1	13
Other	1	3	—	—	—	4
Total	15	14	13	11	5	58

Germany, which uses a special trade basis, reported that it adjusts goods for warehouse transactions and thus makes the coverage of its trade statistics consistent with a general trade basis.

**1201.** Compilers were also asked to report the point of valuation used in ITS. Of particular interest was whether imports are recorded on a c.i.f. or an f.o.b. basis. When more than one basis was reported, compilers were asked which basis is used to compile goods items in the BOP. Table 7 (on page 244) shows that 38 countries (75 percent) measure imports on a c.i.f. basis and the remainder use an f.o.b. basis. Some qualifications are needed. The United States uses a free-along-side ship basis, and Canada uses an ex-plant basis. (Both are coded as f.o.b. in table 7.) Indonesia, which is coded as c.i.f. in table 7, uses a cost and freight basis.

**1202.** Compilers were asked whether goods were recorded on a shipment, documents cleared, documents processed, or some other timing basis. Compilers were also asked about the methods used to undertake currency

conversion. The answers to these questions were varied, and there was no easy way to tabulate them.

### ***International Transactions Reporting Systems***

**1203.** Compilers who use international transactions reporting systems were asked about the nature of their systems; questions included (a) whether the system covers foreign currency only or foreign and domestic currency transactions, and (b) whether the system is closed, open, or partial. Table 8 (on page 244) shows that, in the 49 countries in which an ITRS is used, 55 percent of systems measure foreign currency transactions only. Twenty-nine percent of the systems used are closed, 49 percent are open, and 16 percent are partial.<sup>2</sup> In the case of industrial countries that use an ITRS, 92 percent of systems cover both domestic and foreign currencies

<sup>2</sup>Compilers in 6 percent of the countries that use an ITRS did not answer the question on whether their systems are open, closed, or partial.

**Table 3. Classification of Data Sources**

Source	Description
International trade statistics (ITS)	ITS measure the quantities and values of goods that add to or subtract from a nation's stock of goods as a result of movement into or out of a country. These data are compiled from forms submitted (by exporters, importers, or their agents) to customs officials or directly to the ITS compiler.
International transactions reporting system (ITRS)	An ITRS measures individual BOP cash transactions (passing through the domestic banks and foreign bank accounts of enterprises) and noncash transactions and stock positions. Statistics are compiled from forms submitted to domestic banks and from forms submitted by enterprises to compilers.
Enterprise surveys (ES)	ES collect data on BOP activity from enterprises. In comparison with an ITRS, ES collect aggregate enterprise data rather than individual transactions data.
Collections from persons and households	These collections obtain information from individuals and households (for example, migration statistics and surveys of travelers).
Official sources n.i.e.	Official sources n.i.e. cover official sources other than those mentioned elsewhere in this table and include (a) sources that measure activities of the official sector and (b) sources that are by-products of administrative systems.
Partner country and international organizations	These sources cover data available either from foreign government agencies or international organizations.

**Table 4. Compiler Survey—Incidence of Sources Used**

Type of Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITS	14	12	12	9	4	51
ITRS	12	11	11	10	5	49
ES	15	12	11	9	4	51
Official sources n.i.e.	15	14	13	11	5	58
Household collections	9	6	8	9	4	36
Partner country sources	7	11	6	9	3	36

**Table 5. Compiler Survey—Sources Used to Compile Data Items**

Source	Goods	Services	Income	Transfers	Financial Account	IIP Statistics
ITS	51	25	—	10	—	—
ITRS	15	46	38	44	36	18
ES	23	42	33	12	38	28
Official sources n.i.e.	12	40	41	47	47	35
Household collections	2	36	2	7	—	—
Partner country, etc. sources	6	20	5	21	4	2

Note: Compilers in only 36 of the countries responding to the survey compile either full or partial IIP statistics.

**Table 6. Compiler Survey—ITS Statistical Basis**

	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
Special trade	4	7	4	3	2	20
General trade	10	5	8	6	2	31

**Table 7. Compiler Survey—Import Valuation in ITS**

	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
C.i.f.	10	10	11	3	4	38
F.o.b.	4	2	1	6	—	13

**Table 8. Compiler Survey—Nature of International Transactions Reporting Systems**

	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
<i>Coverage of Currencies</i>						
Foreign currency only	1	6	9	7	4	27
Both domestic and foreign currency	11	5	2	3	1	22
<i>Type of System</i>						
Closed	6	2	3	2	1	14
Open	4	6	6	5	3	24
Partial	2	1	2	3	—	8
Not stated	—	2	—	—	1	3

and 50 percent of the systems are closed. While answers to other questions on the use of an ITRS provided valuable information, it was difficult to compile meaningful tables.

### ***Enterprise Surveys***

**1204.** Table 9 shows types of ES used by compilers. The most prevalent types reported by compilers were designed to measure: bank transactions (compilers in 67 percent of countries use ES for this purpose); transportation transactions (66 percent); external assets and liabilities (59 percent); service transactions, other than transportation and travel (48 percent); travel (36 percent); transactions in goods (34 percent); the activities of financial intermediaries (29 percent); compensation of

employees (26 percent); and the transactions of private aid organizations (26 percent).

### ***Official Sources***

**1205.** Table 10 (on page 245) shows the types of official sources that compilers reported using. In order of frequency, the most prevalent sources reported were: central bank information on reserves (used by compilers in 91 percent of countries); debt management offices (71 percent); government accounts (67 percent); foreign aid accounts (66 percent); approvals of foreign investment (22 percent); education statistics (21 percent); applications to obtain foreign exchange and taxation records (16 percent in both cases); immigration records, other than migration statistics, (12 percent);

**Table 9. Compiler Survey—Use of Enterprise Surveys**

Type of Collection	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
Goods	4	8	4	4	—	20
Transportation	10	11	9	8	1	39
Travel	4	7	5	4	1	21
Services n.i.e.	8	8	4	7	1	28
Compensation of employees	3	7	3	1	1	15
Private aid organizations	4	5	1	5	—	15
External assets and liabilities	11	9	6	7	1	34
Transactions associated with financial intermediaries	10	3	2	2	—	17
Banks	12	11	6	8	2	39

**Table 10. Compiler Survey—Use of Official Sources n.i.e.**

Type of Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
<i>Sources Measuring Official Sector Activities</i>						
Government accounts	9	10	9	7	4	39
Debt management offices	6	13	10	9	3	41
Central bank information on reserves	13	14	11	11	4	53
<i>Administrative By-product Collections</i>						
Approvals of foreign investment	3	3	2	4	1	13
Applications to obtain foreign exchange	—	2	3	3	1	9
Applications to export	—	1	—	—	—	1
Immigration records	2	1	2	—	2	7
Taxation data	4	2	1	2	—	9
Foreign aid accounts	8	12	9	6	3	38
Education and health data	2	4	2	4	—	12

and health statistics (5 percent). A compiler in one country reported using information from applications to export goods. Several other types of official sources were reported, but these are not shown in the table.

### **Household Collections**

**1206.** Table 11 (on page 246) shows the types of household collections that compilers reported using. The table shows that compilers in 50 percent of the countries responding use surveys of travelers and compilers in 43 percent of the countries use migration statistics. These

two sources are usually used in combination to compile all or part of the travel item. The use of other types of household collections was reported by 14 percent of compilers.

### **Partner Countries and International Institutions as Data Sources**

**1207.** Table 12 (on page 246) shows the use by BOP compilers of partner countries and international institutions as sources of data. Compilers in 21 percent of the countries responding reported using surveys of

**Table 11. Compiler Survey—Use of Household Collections**

Type of Collection	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
Migration statistics	4	4	5	8	4	25
Surveys of travelers	8	5	7	6	3	29
Other household surveys	4	—	1	2	1	8

**Table 12. Compiler Survey—Use of Information from Partner Countries and International Institutions**

Type of Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
Surveys of foreign embassies	3	5	1	3	—	12
Accounts of foreign aid donors	—	9	5	7	2	23
Other partner country sources	6	7	1	2	1	17
International institutions	3	2	—	2	—	7

foreign embassies; in 40 percent of cases, compilers reported using information on foreign aid from the accounts of donors; and in 29 percent of cases, other partner country sources were reported as being used. Compilers in 12 percent of countries reported using data from international institutions.

### ***Frequency and Timeliness of Data Sources***

**1208.** This section discusses the observations of compilers on the frequency and timeliness of data sources used to compile BOP statistics. Compilers were asked to record, for each data source used, how frequently data were available and the elapsed time, from the reference period, in which data became available. Results are presented in table 13 on page 247. Some compilers reported the frequency but not the timeliness of data sources; these cases were excluded from the table. For the frequency of data collections, only three time periods are shown in the table. Sources reported as being available each month or more frequently are shown as monthly; sources reported as being available every six months or less frequently are shown as annual. When compilers reported several frequencies for one source, a judgement was made about the predominant frequency. Data on average time lags are rounded to the nearest week.

**1209.** Predominantly monthly sources include ITS, international transactions reporting systems, information on reserves from central banks, foreign investment approvals, applications to acquire foreign exchange, ES of banks, and migration statistics. ES measuring transactions in goods, ES of financial intermediaries, government

accounts, foreign aid accounts, debt office records, ES of transportation activities, surveys of travelers, and partner country data on foreign aid tend not to have a predominant frequency. Sources that tend to have an annual frequency are ES of travel, ES of other services, ES of external assets and liabilities, and education statistics. However, a significant incidence of quarterly ES of external assets and liabilities was reported by compilers from countries that rely predominantly on ES to compile quarterly BOP statistics.

**1210.** As table 13 shows, compilers reported that most data were available within a reasonable time frame. However, compilers frequently reported estimating some items when data were unavailable to meet timetables. Table 13 also shows that the more frequent data sources were usually the most timely. Information from central banks on reserves, government accounts, and applications to acquire foreign exchange tended to be the most timely of all data sources. Generally, the timeliness of ITS, international transactions reporting systems, and ES was good.

**1211.** The average time lags for data sources shown in table 13 mask some significant variations. If the more extreme time lags are removed, the results show what could be reasonably expected. Adjusted results are shown in table 14 on page 248.

### **Compiler Assessments of the Quality of Data Sources**

**1212.** Compilers were asked to assess, by using the following ratings, the quality of their data sources:

**Table 13. Compiler Survey—Frequency and Timeliness of Data Sources**

Source	Frequency with Which Data Became Available (number of countries)				Average Time Lag for Data to Become Available (weeks)		
	Monthly	Quarterly	Annual	Not Reported	Monthly Sources	Quarterly Sources	Annual Sources
<i>ITS and International Transactions Reporting Systems</i>							
ITS	41	4	3	3	7	16	102
International transactions reporting systems	44	2	1	2	7	5	15
<i>Enterprise Surveys</i>							
Goods	4	6	7	3	5	7	36
Transportation	3	11	14	10	6	14	31
Travel	3	2	12	2	4	10	31
Services n.i.e.	3	5	14	6	5	7	37
Compensation of employees	1	4	8	3	3	7	43
Private aid organizations	—	2	9	4	—	3	24
External assets and liabilities	3	8	20	3	4	8	37
Financial intermediaries	6	4	7	—	5	6	37
Banks	24	5	7	3	5	9	22
<i>Selected Official Sources</i>							
Government accounts	18	6	12	3	4	13	22
Debt management records	17	10	7	7	7	5	22
Central bank reserves information	41	1	3	8	3	9	8
Approvals for foreign investment	8	2	3	—	7	9	10
Applications for foreign exchange	8	—	—	1	4	—	—
Foreign aid accounts	9	6	11	12	10	10	34
Education statistics	1	1	8	2	1	4	13
<i>Selected Other Sources</i>							
Migration statistics	16	2	3	4	9	5	40
Surveys of travelers	6	9	6	8	6	12	31
Accounts of donors of foreign aid	6	2	9	6	6	6	26

(A) There is good coverage of transactors, and data are valued and classified correctly.

(B) There is less than complete coverage of transactors, but data are valued and classified correctly.

(C) There is good coverage of transactors, but data are not always valued and classified correctly.

(D) There are coverage, valuation and classification deficiencies, but data are considered to be useful indicators for BOP purposes.

(E) The data are of poor quality.

**1213.** Compiler ratings were converted into numeric values (“A” equaled 1, “B” equaled 2, and so on), which were then aggregated and averaged; results are presented

**Table 14. Compiler Survey (Adjusted Results)—Frequency and Timeliness of Data Sources**

Source	Number of Countries Eliminated	Frequency with Which Data Became Available (number of countries)			Average Time Lag for Data to Become Available (weeks)		
		Monthly	Quarterly	Annual	Monthly Sources	Quarterly Sources	Annual Sources
<i>ITS and International Transactions Reporting Systems</i>							
ITS	8	36	3	1	6	13	16
International transactions reporting systems	7	37	2	1	5	5	15
<i>Enterprise Surveys</i>							
Goods	1	4	6	6	5	7	25
Transportation	5	3	10	10	6	12	22
Travel	3	3	2	9	4	10	19
Services n.i.e.	5	3	5	9	5	7	20
Compensation of employees	3	1	4	5	3	7	25
Private aid organizations	1	—	2	8	—	3	21
External assets and liabilities	7	3	7	14	4	7	27
Financial intermediaries	—	6	4	7	5	6	37
Banks	6	22	4	4	5	5	12
<i>Selected Official Sources</i>							
Government accounts	6	14	6	10	3	13	15
Debt management records	4	14	10	6	6	5	17
Central bank reserves information	5	37	1	2	2	9	5
Approvals for foreign investment	1	7	2	3	6	9	10
Applications for foreign exchange	—	8	—	—	4	—	—
Foreign aid accounts	3	8	6	9	4	10	22
Education statistics	—	1	1	8	1	4	13
<i>Selected Other Sources</i>							
Migration statistics	3	15	2	1	7	5	18
Surveys of travelers	2	6	9	4	6	12	21
Accounts of donors of foreign aid	1	6	2	8	6	6	20

in table 15. Sources with lowest values may be considered, in the opinion of compilers, to be the most accurate. The results should be viewed with care, as the ratings provided are based on subjective perceptions that may not be directly comparable.

**1214.** As table 15 (on page 250) shows, the sources rated most highly, in terms of quality, were: central bank reserves information (average rating 1.2); government accounts and ES of banks (average rating of 1.3 for both); ITS and debt management offices (average rating of 1.5 for both); foreign aid donor accounts (average rating 1.6); and partner country accounts of foreign aid donors (average rating 1.8). Sources receiving the lowest ratings were: tax records and ES of employees compensation (average rating 2.9 for both); surveys of foreign embassies (average rating 2.8); and partial international transactions reporting systems, ES of services other than transportation and travel, and surveys of travelers (average rating of 2.5 for each).

**1215.** Table 16 (on page 251) shows compiler assessments, which are broken down by region, of the quality of the main sources. Compilers in industrial countries rate ITS quite highly, whereas compilers in African countries rate the quality of ITS at a much lower level. On the other hand, all regions rate official sources about the same. Regional differences in the ratings for ES and international transactions reporting systems are not particularly significant. The consistent 2.0 rating given to partner country sources by non-industrial countries contrasts markedly with the average rating of 3.9 given by industrial countries.

### Compilation of BOP and IIP Statistics

**1216.** This section examines the data sources used to compile items in the BOP and IIP.

#### *Goods*

**1217.** Table 17 (on page 251) shows sources used to compile goods items in BOP accounts. Compilers in 45 countries (78 percent) use ITS as the main data source; compilers in 23 of these countries use only ITS; and compilers in the remaining 22 countries supplement ITS with other sources. These supplementary sources include international transactions reporting systems (used in 5 countries), ES (used in 17 countries), official sources (used in 5 countries), and partner country sources (also used in 5 countries). Compilers in 6 countries (10 percent) use an ITRS as their main data source; compilers in 3 of these countries use only an ITRS; compilers in 2

countries supplement the ITRS with official sources; and, in 1 country, the ITRS is supplemented with ITS.

**1218.** Compilers in 7 countries reported that they use neither ITS nor an ITRS as the main source for measuring goods items. The Congo uses a mixture of sources including ITS, an ITRS, official sources (for goods provided under development assistance), and ES. Gabon uses ES for exports and ITS for imports. Swaziland uses ITS but, as it also uses ES to check the ITS results, Swaziland has been counted in the *other sources* row. Indonesia uses a combination of ITS and ES. Sri Lanka measures imports by using both ITS and an ITRS and measures exports by using an ITRS. The Bahamas uses ES for imports and relies on government accounts and surveys of travelers for exports. Trinidad and Tobago essentially relies on ES of goods.

### *Transportation Services*

**1219.** Table 18 (on page 251) shows that compilers use a variety of sources to measure transactions in transportation services. Compilers in 40 countries (69 percent) reported that they use ES (usually surveys of transportation enterprises) to measure transportation transactions. In 10 cases, ES are not supplemented with either ITS or an ITRS. Thirteen compilers reported using an ES supplemented with ITS.

**1220.** Compilers in 33 countries (57 percent) rely on international transactions reporting systems to measure transportation items. In 9 of these cases, the ITRS is not supplemented with either ITS or ES. Seven compilers reported using an ITRS supplemented with ITS; 12 reported using an ITRS supplemented with ES; and 5 reported that they supplement the ITRS with both ITS and ES.

**1221.** Compilers in 24 countries (41 percent) use ITS to measure certain transportation items, such as freight. Several of these compilers reported that ITS provided them with information on imports of goods on both an f.o.b. and a c.i.f. basis or other data necessary to derive freight and insurance on imports.

**1222.** Official sources are used by compilers in five countries to measure transportation items; in each case, other sources are used to supplement the official sources.

**1223.** Respondents from the United Kingdom and the United States reported using surveys of travelers to estimate passenger fares.

**Table 15. Compiler Survey—Compiler Perceptions of Data Source Quality**

Source	Number of Countries Reporting	Average Rating
ITS	51	1.5
<i>International Transactions Reporting Systems</i>		
Closed systems	15	2.1
Open systems	24	2.3
Partial systems	10	2.5
<i>Enterprise Surveys</i>		
Goods	21	2.0
Transportation	36	2.2
Travel	16	2.3
Services n.i.e.	27	2.5
Compensation of employees	15	2.9
Private aid organizations	14	1.9
External assets and liabilities	32	2.3
Financial intermediaries	17	2.0
Banks	39	1.3
<i>Official Sources</i>		
Government accounts	39	1.3
Debt management office	30	1.5
Central bank reserves information	50	1.2
Approvals of foreign investment	13	2.1
Applications to obtain foreign exchange	11	2.1
Immigration records	7	1.9
Tax records	8	2.9
Foreign aid accounts (donor accounts)	16	1.6
Foreign aid accounts (recipient accounts)	25	2.0
Education statistics	12	2.3
<i>Household Collections</i>		
Migration statistics	24	2.1
Surveys of travelers	28	2.5
<i>Partner Country Sources</i>		
Surveys of foreign embassies	8	2.8
Accounts of donors of foreign aid	21	1.8
Other partner country sources	11	2.9

**Table 16. Compiler Survey—Compiler Perceptions, by Region, of Data Source Quality**

	Number of Sources Reported					Average Rating				
	Industrial Countries	Africa	Asia n.i.e.	Other Countries	Total	Industrial Countries	Africa	Asia n.i.e.	Other Countries	All Countries
ITS	14	12	12	13	51	1.1	1.9	1.5	1.6	1.5
ITRS	12	11	11	15	49	2.3	1.9	2.1	2.6	2.3
Official sources n.i.e.	46	56	48	63	213	1.6	1.7	1.5	1.7	1.6
ES	60	66	38	54	218	1.9	2.3	2.0	2.3	2.0
Household collections	10	8	12	22	52	2.4	2.5	2.3	2.2	2.3
Partner country sources	6	22	5	4	37	3.9	2.0	2.0	2.0	2.3

**Table 17. Compiler Survey—Sources Used to Measure Goods Items**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITS only	4	4	6	6	3	23
ITS supplemented by other sources	10	6	3	2	1	22
ITRS only	—	1	1	1	—	3
ITRS supplemented by other sources	1	—	1	—	1	3
Other sources	—	3	2	2	—	7

**Table 18. Compiler Survey—Sources Used to Measure Transportation Services**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITS	11	6	3	2	2	24
ITRS	10	6	9	5	3	33
ES	11	11	8	8	2	40
Official sources n.i.e.	1	1	1	1	1	5
Household collections	2	—	—	—	—	2
Transactions not measured	—	—	—	1	1	2

### **Travel Services**

**1224.** Table 19 (on page 252) shows that compilers in 37 countries (64 percent) reported using an ITRS to measure travel services. In 33 countries (57 percent), compilers use household sector collections (typically immigration statistics and surveys of travelers). Compilers in 12 countries (21 percent) use ES; compilers in 8 countries (14 percent) use official sources; and compilers in 5 countries (9 percent) use data from partner countries.

**1225.** It is interesting to analyze the combinations of data sources used to measure travel transactions in the

BOP. Single sources are used in 25 cases (ITRS, 16; ES, 2; household collections, 6; and foreign exchange approvals, 1). An ITRS is combined with other sources in 21 cases; in 14 of these, the ITRS is combined with household collections, in 4 cases—with both household collections and ES, and in 3 cases—with other sources. ES are combined with sources other than an ITRS in 7 cases; in 4 of these cases, ES are combined with household collections, in 1 case—with official sources, and in 2 cases—with other sources. Household collections are combined with sources other than international transactions reporting systems and ES in 4 cases.

**Table 19. Compiler Survey—Sources Used to Measure Travel Services**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	10	7	9	7	4	37
ES	2	4	6	—	—	12
Official sources n.i.e.	3	3	—	1	1	8
Household collections	8	5	7	9	4	33
Partner country	5	—	—	—	—	5
Transactions not measured	—	—	—	1	—	1

### ***Education and Health Services***

**1226.** Table 20 (on page 253) provides information on sources used by countries to measure education and health services for the BOP.<sup>3</sup> Compilers in 39 countries reported measuring education services, and compilers in 33 countries reported measuring health services. In the countries that compile these items, the main sources are international transactions reporting systems (used in 25 countries) and official sources (used in 18 countries).

**1227.** Compilers in 26 countries reported using a single source (an ITRS in 17 cases, an official source in 7 cases, and ES and household collections in 1 case each). Compilers in 7 countries combine an ITRS with other sources—9 with official sources, 1 with a household sector collection (Bahrain), and 1 with partner country data (El Salvador). Compilers in 3 other countries reported using more than 1 source: Australia (ES and official sources), Canada (official and partner country sources), and the United Kingdom (household collections and partner country sources).

### ***Other services n.i.e.***

**1228.** Table 21 (on page 253) shows the data sources used to compile other service items. The main sources are: international transactions reporting systems, which are used by compilers in 41 countries (71 percent); ES, which are used in 30 countries (52 percent); official sources, which are used in 37 countries (64 percent); and partner country sources, which are used—particularly to measure services provided to foreign governments—in 11 countries (19 percent).

<sup>3</sup>Education and health services provided to persons traveling in countries other than those of which they are residents should be included in travel items in the BOP.

**1229.** Compilers in 13 countries reported that they use only one source to measure transactions in other services. Eight of these compilers reported using an ITRS; three compilers reported using official sources; one compiler reported using ES; and one compiler reported using partner country data. Compilers in 33 countries reported using two sources; the most common combinations were an ITRS and official sources (13 cases), ES and official sources (8 cases), and an ITRS and ES (7 cases). Compilers in 10 countries reported using three sources; the most common combination was an ITRS, ES, and official sources. One compiler reported using four sources and another reported using five.

### ***Compensation of employees***

**1230.** Compilers in 32 countries reported that they collect data on compensation of employees. Compilers in 22 of these countries use an ITRS for this purpose; in 16 countries, ES are used; and in 3 countries, official sources—government accounts and tax data—are used. Australia reported using a survey of travelers to measure wages and salaries paid to nonresident travelers while they are traveling in Australia.

**1231.** Compilers in 25 countries reported using a single source—either an ITRS (17 cases) or ES (8 cases)—to measure the compensation of employees item. Compilers in 4 countries reported using both an ITRS and ES. One compiler reported using a combination of ES, official, and household sector collections, while another compiler reported using an ITRS, ES, and official sources.

### ***Reinvested Earnings***

**1232.** As table 23 (on page 254) shows, compilers in 36 countries reported collecting data on reinvested earnings of direct investment enterprises. Most (24 compilers) reported that they use ES. Compilers in 8 countries reported that they use official sources

**Table 20. Compiler Survey—Sources Used to Measure Education and Health Services**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	6	5	5	5	4	25
ES	1	—	1	—	—	2
Official sources n.i.e.	2	7	3	4	2	18
Household collections	1	—	1	—	1	3
Partner country data	2	—	—	1	—	3
Education services not measured	7	4	4	3	1	19
Health services not measured	6	7	5	6	1	25

**Table 21. Compiler Survey—Sources Used to Measure Other Services n.i.e.**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITS	—	1	—	1	—	2
ITRS	11	8	10	8	4	41
ES	7	8	5	8	2	30
Official sources n.i.e.	8	10	9	7	3	37
Partner country data	4	2	2	2	1	11

**Table 22. Compiler Survey—Sources Used to Measure Compensation of Employees**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	10	3	7	1	1	22
ES	4	7	3	1	1	16
Official sources n.i.e.	2	1	—	—	—	3
Household collections	1	—	—	—	—	1
Item not measured	3	5	4	10	4	26

(including foreign exchange approvals, approvals of foreign investment, and debt office records) and compilers in 5 countries reported that they use an ITRS. Only one compiler reported using two sources—an ITRS and information from approvals of foreign investment.

### ***Other Investment Income***

**1233.** Compilers in all but 3 countries reported that they collect data on investment income other than reinvested earnings. Table 24 (on page 254) shows that compilers in 37 countries (64 percent) use an ITRS; compilers in 35 countries (60 percent) use official sources; and

compilers in 29 countries (50 percent) use ES. Compilers in Belgium and the United Kingdom reported that they use data from international institutions to measure part of income debits.

**1234.** Compilers in 21 countries reported that they use a single source—either an ITRS (14 cases), ES (4 cases), or official sources (3 cases). Compilers in 20 countries reported using two sources; 8 combine an ITRS with official sources and 10 combine ES with official sources. Compilers in 14 countries reported that they use at least three sources; 13 of the compilers reported combining an ITRS, ES, and official sources.

**Table 23. Compiler Survey—Sources Used to Measure Reinvested Earnings**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	—	2	2	—	1	5
ES	9	6	4	4	1	24
Official sources n.i.e.	1	2	2	3	—	8
Item not measured	5	5	5	4	3	22

**Table 24. Compiler Survey—Sources Used to Measure Investment Income, Other than Reinvested Earnings**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	11	6	9	8	3	37
ES	8	8	3	8	2	29
Official sources n.i.e.	8	9	7	8	3	35
Other sources	2	—	—	1	—	3
Items not measured	—	—	1	2	—	3

***Transfers (current and capital)***

**1235.** Compilers in all but two countries reported that they measure transfers for the BOP. Ten compilers reported that they use ITS; 44 reported using an ITRS; 12 reported using ES; 47 reported using official sources; 7 reported using household collections; and 21 reported using partner countries or international institutions as sources.

**1236.** Only seven compilers reported using a single source—either official sources (5 cases) or an ITRS (2 cases)—to measure transfers for the BOP. Twenty-nine compilers reported using two sources; the most common combination was an ITRS and official sources. Most of the other compilers reported using between three and five sources.

***Direct Investment, Other Than Reinvested Earnings, Financial Flows***

**1237.** Table 25 shows that compilers in all but 6 countries reported that they collect data on direct investment, other than reinvested earnings, financial flows. Compilers use a variety of sources including international transactions reporting systems (26 countries); ES (26 countries); and official sources (16 countries) consisting mainly of government accounts, debt office records, and information from foreign exchange and foreign investment approvals.

**1238.** Compilers in 37 countries reported that they rely on a single source. In 16 cases, this source is an ITRS; in 15 cases—ES, and in 6 cases—official sources. Compilers in 13 countries reported using two sources—in 7 cases, an ITRS and ES; in 3 cases, an ITRS and official sources; and in 3 cases, ES and official sources. Two compilers reported using a combination of an ITRS, ES, and official sources.

***Portfolio Investment, Financial Flows***

**1239.** Compilers in 41 countries reported that they collect separate information on portfolio investment, financial flows. Compilers in 15 other countries reported that they measure portfolio investment indistinguishably from other investment.

**1240.** Table 26 shows that the more common sources for measuring portfolio investment items are: an ITRS (20 countries); ES of external assets and liabilities (17 countries); ES of financial intermediaries (12 countries); ES of banks (18 countries), and official sources (20 countries), including government accounts, debt office records, and information from foreign investment and foreign exchange approvals.

**1241.** Compilers in 21 countries reported that they use a single source—in 10 cases, an ITRS; in 6 cases, ES; and in 5 cases, official sources—to measure portfolio investment, financial flows. Eighteen compilers reported that they use

**Table 25. Compiler Survey—Sources Used to Measure Direct Investment, Financial Flows\***

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	10	4	6	3	3	26
ES	7	6	4	6	3	26
Official sources n.i.e.	2	3	4	4	3	16
Items not measured	—	3	1	2	—	6

\*Other than reinvested earnings

**Table 26. Compiler Survey—Sources Used to Measure Portfolio Investment, Financial Flows**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	9	1	4	3	3	20
ES—external assets and liabilities	6	5	3	2	1	17
ES—financial intermediaries	6	5	1	—	—	12
ES—banks	5	5	3	3	2	18
Official sources n.i.e.	8	2	6	4	—	20
Items not measured or separately identified	—	8	4	4	1	17

two sources—12 use ES and official sources; 3 use an ITRS and ES; and 3 use an ITRS and official sources. Compilers from 2 countries reported that they use a combination of ITRS, ES, and official sources.

### ***Other Investment, Financial Flows***

**1242.** Compilers in 40 countries reported that they collect separate information on other investment. Compilers in 9 other countries reported that they collect data on other investment that are indistinguishably included with portfolio investment. Compilers in 9 countries reported that they do not collect data for either portfolio investment or other investment; six of these compilers also do not collect information on direct investment.

**1243.** As table 27 (on page 256) shows, the most common sources of information on other investment, financial flows are: an ITRS (23 countries); ES of external assets and liabilities (20 countries); ES of banks (23 countries); and official sources (27 countries) including government accounts, debt office records, and approvals for foreign investment and foreign exchange. Belgium, Germany, and the United Kingdom reported using data from international institutions to measure part of other

investment, and Venezuela reported using data from partner country sources.

**1244.** Compilers in 12 countries reported that they rely on a single source—either an ITRS (5 cases), ES (5 cases), or official sources (2 cases)—to measure other investment financial flows. Compilers in 22 countries reported using two sources; the most common combinations were an ITRS and official sources (9 cases) and ES and official sources (8 cases).

### ***International Investment Position Statistics***

**1245.** A majority (36 out of 58) of countries responding to the survey compile some form of IIP statistics. Thirty-four countries produce statistics on stocks of direct investment; 29 measure stocks of portfolio investment; and 30 measure stocks of other investment. However, in a number of cases, the coverage of the statistics is only partial. Compilers in 22 countries reported that they do not compile any IIP statistics.

**1246.** Table 28 (on page 256) shows that the main sources used to measure stocks of direct investment are ES (used in 24 countries), international transactions reporting systems (10 countries), and official sources

**Table 27. Compiler Survey—Sources Used to Measure Other Investment, Financial Flows**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	9	3	4	4	3	23
ES—external assets and liabilities	8	5	2	4	1	20
ES—financial intermediaries	3	—	—	—	—	3
ES—banks	10	5	2	6	—	23
Official sources n.i.e.	9	6	6	5	1	27
Partner country	3	—	—	1	—	4
Items not measured or separately identified	—	5	7	4	2	18

**Table 28. Compiler Survey—Sources Used to Measure Direct Investment Stocks**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	3	2	2	2	1	10
ES	12	6	4	2	—	24
Official sources n.i.e.	1	2	2	3	1	9
Items not measured	3	6	6	5	4	24

(9 countries). The official sources used include debt management offices and approvals of foreign investment.

**1247.** Compilers in 24 countries reported that they use a single source—either ES (18 cases), an ITRS (3 cases), or official sources (3 cases)—to compile statistics on stocks of direct investment. Compilers in 6 countries reported that they use both ES and an ITRS, and compilers in 4 countries reported using both ES and official sources.

**1248.** Table 29 shows the sources used to measure stocks of portfolio investment. Compilers in 11 countries reported that they use an ITRS. Compilers in 18 countries reported that they use ES. The United States relies solely on ES of intermediaries and, in El Salvador and Portugal, the ES are restricted to banks. Compilers in 20 countries reported using official sources.

**1249.** Compilers in 12 countries reported that they use a single source—in 6 cases, an ITRS; in 2 cases, ES; and in 4 cases, official sources. Fourteen compilers reported that they use two sources; 11 of these compilers combine ES and official sources. Compilers in 3 countries combine an ITRS, ES, and official sources.

**1250.** Table 30 shows the sources used to measure stocks of other investment. Thirteen countries use an ITRS, 22 use an ES (the compiler from New Zealand reported

that their ES did not include banks), and 16 use official sources. The compiler from Germany reported using data from international institutions to measure part of stocks of other investment.

**1251.** Compilers in 9 countries reported that they use one source (in 6 cases—ES and in 3 cases—an ITRS) to measure stocks of other investment. Compilers in 20 countries reported that two sources are used. The combinations consisted of ES and official sources (11 countries), an ITRS and ES (5 countries), and an ITRS and official sources (4 countries). One compiler reported using an ITRS, ES, and official sources.

### Compiler Assessments of the Quality of Statistics

**1252.** Compilers were asked to rate the quality of their BOP and IIP statistics by using the same rating system that they used to rate the quality of their data sources (see paragraph 1212). The ratings for statistical quality were also converted to numeric values and then averaged. The results are presented in table 31. The table shows the average assessment of quality for particular BOP and IIP components. The number of compilers who rated a particular component is shown in parentheses.

**1253.** The ratings provided in table 31 should be interpreted with caution. In a number of cases, the rating

**Table 29. Compiler Survey—Sources Used to Measure Portfolio Investment Stocks**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	4	1	3	2	1	11
ES—External assets and liabilities	9	3	3	—	—	15
ES—Financial intermediaries	6	1	1	—	—	8
ES—Banks	9	2	3	1	—	15
Official sources n.i.e.	9	2	6	3	—	20
Items not measured	2	10	6	7	4	29

**Table 30. Compiler Survey—Sources Used to Measure Stocks of Other Investment**

Source	Industrial Countries	Africa	Asia n.i.e.	Western Hemisphere	Other Countries	Total
ITRS	3	3	3	2	2	13
ES—external assets and liabilities	11	3	2	—	1	17
ES—financial intermediaries	5	—	—	—	—	5
ES—banks	12	4	2	3	—	21
Official sources n.i.e.	9	3	2	2	—	16
Partner country data	1	—	—	—	—	1
Items not measured	2	8	9	6	3	28

**Table 31. Compiler Survey—Compiler Assessments of the Quality of BOP and IIP Components**

	Average Rating				
	Industrial Countries	Africa	Asia n.i.e.	Other Countries	Total
Recorded trade	1.2(15)	2.2(12)	1.9(12)	1.9(16)	1.8(55)
Adjustments to recorded trade	1.8(12)	2.4(10)	2.3(7)	1.9(9)	2.1(38)
Transportation	2.6(15)	2.4(12)	2.4(12)	2.8(13)	2.6(52)
Travel, other than education	2.2(15)	2.3(12)	2.1(12)	2.6(14)	2.3(53)
Education services	1.8(9)	2.0(8)	2.1(9)	2.3(11)	2.1(37)
Other services	2.1(15)	2.4(12)	2.2(12)	2.4(15)	2.2(54)
Reinvested earnings	2.2(10)	2.3(8)	2.6(7)	2.2(9)	2.3(34)
Other investment income	1.6(15)	2.1(12)	2.1(11)	2.2(14)	2.0(52)
Compensation of employees	2.8(13)	2.6(8)	2.8(8)	2.4(7)	2.6(36)
Transfers	2.3(15)	2.4(11)	2.1(11)	2.4(12)	2.3(49)
Other direct investment transactions	1.7(15)	2.1(10)	2.2(10)	2.2(14)	2.0(49)
Portfolio investment transactions	1.6(15)	1.9(7)	1.7(10)	2.2(12)	1.8(44)
Other investment transactions	1.5(15)	1.5(7)	1.8(6)	2.5(9)	1.8(37)
Reserve asset transactions	1.0(15)	1.0(8)	1.3(10)	1.9(10)	1.3(43)
Direct investment stocks	1.6(11)	2.1(7)	2.2(6)	2.3(7)	2.0(31)
Portfolio investment stocks	1.4(12)	1.9(5)	1.6(7)	2.5(6)	1.7(30)
Other investment stocks	1.3(11)	1.4(6)	1.6(4)	2.6(5)	1.6(26)
Reserve asset stocks	1.0(13)	1.0(7)	1.0(6)	1.1(4)	1.0(30)

Note: Numbers of compilers providing ratings are shown in parentheses.

for a component was derived from ratings provided for sub-components.

**1254.** According to compiler perceptions, the most accurate components are reserves, that is, flows (with an average rating of 1.3) and stock positions (with an average rating of 1.0). The next most accurate items are recorded trade and flows and stocks of portfolio investment and other investment. On average, each of these components received a rating of less than 2. Recorded trade statistics were rated highly (average rating 1.2) by compilers in industrial countries, but compilers in other countries—in particular African countries—rated the quality of these statistics somewhat lower. The overall average rating for these statistics was 1.8. Components that received average ratings of between 2.0 and 2.3 included: direct investment (other than reinvested earnings) financial flows, direct investment stocks, other investment income (all with an average rating of 2.0); education services and adjustments to recorded trade (both with an average rating of 2.1); services other than travel, transportation, and education (average rating 2.2); and travel, reinvested earnings on

direct investment, and transfers (all of which received an average rating of 2.3).

**1255.** The components perceived by compilers to be the least accurate were transportation and compensation of employees; each received an average rating of 2.6. For some components there was often a wide range of ratings given to subcomponents. For example, within the other services and transfers components, the subcomponents measured by using official sources were perceived as being quite accurate, while other subcomponents, such as migrants' transfers, were perceived to be significantly less accurate. Within the financial account and income components, compilers, on average, assigned better ratings to items associated with the official sector and somewhat lower ratings to non-official-sector transactions.

**1256.** The assessments by compilers in industrial countries of the quality of their statistics are, on average, higher or equal to the assessments of compilers in other countries for all components except transportation, travel, compensation of employees, and transfers.

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## **Appendix II. Model Balance of Payments Forms**

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### Summary of the Model Collection Forms

Number and Title	Scope and Purpose	Other Comments
1. BOP Exploratory	The form collects information on the type and size of BOP activity undertaken by enterprise groups. It provides information for maintaining and developing a BOP enterprise register.	This form may be regarded as a benchmark collection form. It uses mark boxes to encourage a quick response. It may be modified to establish an ITRS enterprise register.
2. BOP Register	The form records details of enterprise groups and the type and size of their BOP activity. It provides data essential for BOP collection design and maintenance.	This is an office form.
3. ITRS—Transactions	The form collects data, within the limits of certain thresholds and exemptions, on foreign exchange payments and payments passing through the domestic banking system to nonresidents. The form provides information on individual transactions that are not collected in other ITRS forms.	The model form relates to payments; a similar form (referred to as form 3R) is required for receipts. The classifications to be used in an ITRS (form 3C) and a supplementary imports form (form 3M) are included in the set of model forms.
4. ITRS—Banks	The form collects data on banks' own account transactions and stock positions and provides space to summarize transactions recorded on form 3s.	The instructions, which could be issued as a separate booklet, provide an overview of the whole ITRS model collection. A separate form (form 4A) is to be completed for each currency. The model form is for a <i>closed</i> ITRS—one that provides for a reconciliation of transactions and bank positions. An <i>open system</i> would permit simpler forms.
5. ITRS—Enterprises	The form collects information on enterprise transactions and stock positions and reconciles positions and transactions. It provides data on transactions of enterprises that are not recorded on form 3.	The instructions could be issued separately. A separate form is to be completed for each account. An <i>open system</i> would permit simpler forms.
6. ES—Goods	The form collects across-the-board data and selected data on exports and imports of goods.	The form illustrates methods for collecting various data—including processing, repairs, merchanting, and projections—on goods. In practice, a form designed to collect information on goods would be simpler as compilers would only use parts of the model form.
7. ES—Resident transport operators	The form collects data on resident transport operator earnings and expenses for compilation of transportation and certain goods items.	The form could be tailored for different modes of transport.
8. ES—Nonresident transport operators	The form collects, from residents, data on nonresident transport operators earnings and expenses for compilation of transportation and certain goods items.	The form could be tailored for different modes of transport. Several more specialized forms could be created from the model form.

*(table continued)*

**Summary of the Model Collection Forms (concluded)**

Number and Title	Scope and Purpose	Other Comments
9. ES—Travel	The form collects data on the means used to pay for travel and related services for compilation of the travel item.	Several specialized forms could be created from this form.
10. ES—Services	The form collects data on services not covered by forms 6-9 for compilation of various services items.	Separate forms could be created to collect information on insurance. The creation of separate forms would simplify the other services form.
11. ES—Compensation of foreign employees	The form collects data on compensation of foreign employees and associated expenditure for compilation of the compensation of employee, travel, and workers' remittance items.	As employers may have some relevant information, the form includes questions on the estimated expenditure of foreign workers.
12. ES—Claims on and liabilities to nonresidents	The form collects data on financial flows, stock positions, reconciliation items, income, certain financial services, and withholding taxes. The data are used to compile financial account, IIP, investment income, financial services, and current transfer items.	In practice, several forms may be created from this form, or more simplified versions of the form could be developed.
13. ITRS/ES—International securities	This form collects, from financial intermediaries, data on financial transactions, stock positions, income, financial services, and withholding taxes associated with international securities. The data are used to compile financial account, IIP, investment income, financial services, and current transfer items.	This form can be used in either an enterprise survey or an ITRS. The form is based on the assumption that comprehensive data are available from a single source; when this is not true, the form should be modified. For ES, compilers should ensure that the delineation of reporting between form 12 (or its equivalent) and form 13 is clear and that double counting is avoided.
14. Embassies and international institutions	This form collects data on wages and salaries paid to local workers, other embassy expenditures, foreign aid, and official finance. These data are used to compile compensation of employee, government services, current transfer, financial account, IIP, and investment income items.	The model form relates to foreign embassies. It could be easily modified to collect information from international institutions. While the reporters, who will be nonresidents, to this form cannot be compelled to complete it, a number of countries have successfully collected information by using forms similar to the model form.
15. Survey of persons—Travel	This form collects data from nonresident travelers on their expenditure on goods and services and on income and other amounts received in the compiling country. The data are used mainly to compile travel and compensation of employee items.	The model form is designed to be completed by nonresident travelers shortly before they depart from the compiling country. Alternatively, the form could be used as the basis for an interview survey of these travelers. It would also be easy to modify the form to collect BOP information from resident travelers returning from abroad.



**Form 1—Exploratory Form**

**General Notes**

1. This form should be completed for the enterprise named on page one and any of its subsidiaries in Gondwanaland. If there are any errors in the address label, please make corrections before returning the form.
2. A *nonresident* is an individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are regarded as *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are regarded as nonresidents.
3. All values are expressed in Gondwanaland dollars.

**Part A. Introductory Questions**

1. Is this enterprise a subsidiary of another enterprise in Gondwanaland?      Yes    [ ]                      No    [ ]

If the answer is *yes*, go to question 13 and do not answer intervening questions.

2. Does this enterprise have subsidiary companies in Gondwanaland?      Yes    [ ]                      No    [ ]

If the answer is *yes*, the following questions should be completed in respect of the enterprise and its subsidiaries in Gondwanaland.

**Part B. Nonresident Owners**

3. Did this enterprise have **nonresident owners** as of 31 December 1993?      Yes    [ ]                      No    [ ]  
 (An enterprise has nonresident owners if it is a branch or subsidiary of a nonresident company or has nonresident shareholders.)

If the answer is *no*, go to question 4.

- 3A. Is this enterprise a branch of a foreign company?      Yes    [ ]                      No    [ ]

- 3B. Is this enterprise a subsidiary of a foreign company?      Yes    [ ]                      No    [ ]

- 3C. Does a single nonresident shareholder (or a group of related nonresident shareholders) hold between 10 and 50 percent of the equity in this enterprise or any of its subsidiaries?      Yes    [ ]                      No    [ ]

If the answer to question 3A, 3B, or 3C is *yes*, please list the names of the owners, their equity interest, and the name of the enterprise in which the equity is held. ....

4. Did any resident company that is a subsidiary of a nonresident enterprise own between 10 and 50 percent of the equity in this enterprise or its subsidiaries as of 31 December 1993? If the answer is *yes*, please give details. ....

**Part C. Ownership of Nonresident Branches and Companies**

5. Did this enterprise or its subsidiaries have any nonresident branches or subsidiaries or own 10 percent or more of a nonresident enterprise as of 31 December 1993? Yes [ ] No [ ]

**Part D. International Trade in Goods in 1993**

6. Did this enterprise or its subsidiaries export or import goods from abroad during 1993? Yes [ ] No [ ]

If the answer is *no*, go to question 7.

- 6A. Please record the approximate value of:

<i>Goods Exported</i>		<i>Goods Imported</i>	
Nil	[ ]	Nil	[ ]
\$1 to less than \$10,000	[ ]	\$1 to less than \$10,000	[ ]
\$10,000 to less than \$100,000	[ ]	\$10,000 to less than \$100,000	[ ]
\$100,000 to less than \$1 million	[ ]	\$100,000 to less than \$ 1 million	[ ]
\$1 million and more	[ ]	\$1 million and more	[ ]

- 6B. Please mark the categories for which the values of goods exported or imported exceeded \$100,000.

	<i>Exports</i>	<i>Imports</i>
Food, live animals, beverages, and tobacco	[ ]	[ ]
Minerals, fuels, and lubricants	[ ]	[ ]
Chemical, plastic, medical, pharmaceutical, and rubber products, and fertilizers	[ ]	[ ]
Wood, paper, and products thereof	[ ]	[ ]
Textiles, clothing, and footwear	[ ]	[ ]
Machinery, office and communication equipment, and other electrical goods, including spares	[ ]	[ ]
Vehicles and transport equipment, including spares	[ ]	[ ]
Metal and metal products not in other categories	[ ]	[ ]
All other goods	[ ]	[ ]

7. Did this enterprise engage in *merchandising*—that is, buy and sell goods, including gold, abroad without the goods entering Gondwanaland? Yes [ ] No [ ]
8. Did this enterprise (a) send goods abroad for processing or repair or (b) process or repair goods sent from abroad? Yes [ ] No [ ]

**Part E. International Trade in Services in 1993**

9. Did this enterprise or its subsidiaries sell services to or purchase services from nonresidents during 1993? (Include transactions with related nonresident enterprises.) Yes  No

If the answer is *no*, go to question 10.

- 9A. Please record the approximate value of:

<i>Services Exported</i>		<i>Services Imported</i>	
Nil	<input type="checkbox"/>	Nil	<input type="checkbox"/>
\$1 to less than \$10,000	<input type="checkbox"/>	\$1 to less than \$10,000	<input type="checkbox"/>
\$10,000 to less than \$100,000	<input type="checkbox"/>	\$10,000 to less than \$100,000	<input type="checkbox"/>
\$100,000 to less than \$1 million	<input type="checkbox"/>	\$100,000 to less than \$ 1 million	<input type="checkbox"/>
\$1 million and more	<input type="checkbox"/>	\$1 million and more	<input type="checkbox"/>

- 9B. Please mark the categories for which the values of services exported or imported exceeded \$100,000.

	<i>Exports</i>	<i>Imports</i>
Passenger and freight services	<input type="checkbox"/>	<input type="checkbox"/>
Other transport services	<input type="checkbox"/>	<input type="checkbox"/>
Travel services	<input type="checkbox"/>	<input type="checkbox"/>
Construction	<input type="checkbox"/>	<input type="checkbox"/>
Insurance	<input type="checkbox"/>	<input type="checkbox"/>
Financial services	<input type="checkbox"/>	<input type="checkbox"/>
Computer and information services	<input type="checkbox"/>	<input type="checkbox"/>
Royalties and fees	<input type="checkbox"/>	<input type="checkbox"/>
Trade-related services	<input type="checkbox"/>	<input type="checkbox"/>
Operational leasing or rental without operators	<input type="checkbox"/>	<input type="checkbox"/>
Research, development, and professional services	<input type="checkbox"/>	<input type="checkbox"/>
Other business services (specify)	<input type="checkbox"/>	<input type="checkbox"/>
.....		
Personal, recreational, and cultural services	<input type="checkbox"/>	<input type="checkbox"/>
If you are uncertain about the appropriate category, please describe the service. ....		
.....		

**Part F. Employment of Foreign Workers in 1993**

10. Did this enterprise or its subsidiaries employ any foreign workers in 1993?  
 (Foreign workers include persons residing in Gondwanaland for less than 12 months.) Yes  No

If the answer is *no*, go to question 11.

- 10A. What were the approximate wages and salaries (in thousands of dollars) paid to such persons in 1993? \$ \_\_\_\_\_,000

**Part G. External Financial Assets and Liabilities as of December 31, 1993**

11. Please record the approximate market value of shares and other liabilities of this enterprise (and its subsidiaries) held by nonresidents as of December 31, 1993 and financial claims of this enterprise (and its subsidiaries) on nonresidents at that date.

<i>Shares and Other Liabilities Held by Nonresidents</i>		<i>Claims on Nonresidents</i>	
Nil	[ ]	Nil	[ ]
\$1 to less than \$10,000	[ ]	\$1 to less than \$10,000	[ ]
\$10,000 to less than \$100,000	[ ]	\$10,000 to less than \$100,000	[ ]
\$100,000 to less than \$1 million	[ ]	\$100,000 to less than \$ 1 million	[ ]
\$1 million and more	[ ]	\$1 million and more	[ ]

- 11B. Please mark the categories for which the values of liabilities or assets exceeded \$100,000.

	<i>Liabilities</i>	<i>Assets</i>
Stocks (shares) and other equity	[ ]	[ ]
Other securities	[ ]	[ ]
Loans	[ ]	[ ]
Accounts receivable and payable	[ ]	[ ]
Deposits	[ ]	[ ]
Options, futures, warrants, currency swaps, etc.	[ ]	[ ]
Other (specify)	[ ]	[ ]
.....		

**Part H. Details of Subsidiary Companies in Gondwanaland**

12. Please complete the following table if the answer to question 2 is *yes*.

	Name of Subsidiary	Name of Parent Company	% Owned by Parent Company	Main Activity of Company	Office Use Only
A					
B					
C					
D					

**Part I. Final Questions**

13. Please verify that the form has been completed correctly; indicate that you have done so by marking the following boxes.

- The name and address shown on page one is correct or has been corrected.
- The name and telephone number of the person who should be contacted regarding this form are entered on page one. The person who completed this form has signed his or her name on this page.
- The answer to question 1 is *yes*, and the name and address of the primary parent company in the group are .....  
 .....  
 .....  
 Therefore, questions 2 through 12 have not been completed.
- The answer to question 1 is *no*, and questions 2 through 11 have been completed.
- The answer to question 2 is *yes* and question 12 has been completed.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....

## Form 2—Balance of Payments Enterprise Register Form

### Part A. Identification of Enterprise Group

Reference Number and Name	Address	Contact Name and Title	Telephone and Facsimile Numbers

Comments: .....

### Part B. Description of Enterprise Group

	Type of Unit	Sector	Public/Private	Type of Enterprise	Industry
Description					
Code					

Comments: .....

### Part C Activities of the Group

	Exports Goods	Imports Goods	Exports Services	Imports Services	Employs Foreign Workers	Foreign Assets	Foreign Liabilities
Yes/No							
Size							
Categories					////////////////		

Other activities: .....

### Part D. Population Maintenance Information

Enterprise identified from (source): .....

Most recent exploratory survey in which the enterprise was included: .....

**Part E. Details of Subsidiary Companies and Direct Investment Enterprises Abroad**

Name of Subsidiary Company	Reference Number	Country	Sector Code	Industry Code	Name of Immediate Parent Company	Reference Number of Parent Company	% of Voting Shares Held

**Part F. Major Shareholders**

Record details of any shareholder with an equity holding of 10 percent or more in the top enterprise of the group or any subsidiary.

Name of Company	Reference Number	Shareholder's Name	Shareholder's Reference Number	% of Shares Held

**Section G. Officer Completing This Form**

Name: \_\_\_\_\_ Date: \_\_\_ / \_\_\_ /19\_\_\_

## Instructions for Form 2—Balance of Payments Enterprise Register Form

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The enterprise register form is used to record information about members (enterprises) of the population.

The information is subsequently used to conduct BOP surveys.

In **part A**, the reference number, the name of the top enterprise in the group, and the address; the name and title of the contact officer in the enterprise (e.g., the person who completed the exploratory form or the person who completes other collection forms); and the contact's telephone and facsimile numbers are recorded.

In **part B**, information on the enterprise group is entered. This section allows for both descriptive coding and an alphanumeric code. The type of information that may be stored here includes:

### Type of Unit

This section shows whether the statistical unit is:

1. A single enterprise unit
2. A multi enterprise group
3. A split enterprise group—that is, one that has been split according to sector.

### Sector

1. General government
2. Central bank
3. Bank
4. Other financial enterprise
5. Trading enterprise

### Public/private

1. Publicly owned enterprise
2. Privately owned enterprise.

(The first category could be subdivided to distinguish among enterprises owned by central, state, or local governments.)

### Type of Enterprise

1. Direct investment enterprise, branch
2. Direct investment enterprise, company
3. Direct investor
4. Both a direct investment enterprise and a direct investor
5. Neither a direct investment enterprise nor a direct investor.

### Industry

(This section contains whatever coding system is considered appropriate.)

In **part C**, the activities of the group (which are collected in the exploratory survey) are recorded. The **size categories** (consistent with the exploratory questionnaire) are:

- 0 Nil
- 1 \$1 to less than \$10,000
- 2 \$10,000 to less than \$100,000
- 3 \$100,000 to less than \$1 million
- 4 \$1 million and more.

Reporters are asked, on the exploratory form, to mark boxes for activities exceeding certain thresholds. The categories marked should be recorded on the line labelled *categories*. These data are used to identify the target populations and the sizes of population members for collection design purposes.

The categories for **exports of goods and imports of goods** are:

- A Food, live animals, beverages and tobacco
- B Minerals, fuels, and lubricants
- C Chemical, plastic, medical, pharmaceutical, and rubber products, and fertilizers
- D Wood, paper, and products thereof
- E Textiles, clothing, and footwear
- F Machinery, office and communication equipment, and other electrical goods, including spares
- G Vehicles and transport equipment, including spares
- H Metal and metal products not included elsewhere
- I All other goods.

For **exports of services and imports of services**, the categories are:

- A Passenger and freight services
- B Other transport services
- C Travel
- D Construction
- E Insurance
- F Financial
- G Computer and information services
- H Royalties and fees
- I Merchunting and other trade-related services
- J Miscellaneous business, professional, and technical services
- K Personal, cultural, and recreational services.

For **external financial assets and external financial liabilities**, the categories are:

- A Corporate and other equities
- B Other securities
- C Loans
- D Accounts receivable and payable
- E Deposits
- F Options, futures, warrants, currency swaps, etc.
- G Other.

In **part C**, an additional line is included for *other activities*. This is a useful place for identifying activities (which may require special targeting) such as merchunting and imports and exports of goods for processing or repair.

In **part D**, data are recorded on the source used to identify this unit and on the most recent exploratory survey in which this unit was included.

In **part E**, details of subsidiary companies and any direct investment enterprises abroad are recorded. Including the name of the immediate parent company makes it possible to identify the complete company structure when enterprises in the group are subsidiaries of subsidiaries.

In **part F**, major shareholders are identified. Reference numbers should be allocated to these major shareholders, and a separate record created for them, even if they are nonresident entities.



## General Notes on Form 3P

1. Under the *Statistics Act of Gondwanaland*, residents are required to complete form 3P for any foreign exchange payment or any payment to a nonresident in excess of \$G 10,000; however, transactions involving a bank account with a nonresident bank or a foreign currency account with a resident bank are excluded. (The excluded transactions are measured on ITRS Form 5—Enterprises.) Each person or enterprise making foreign exchange payments or payments to nonresidents in excess of \$G 10,000 is required to have a **transactor code**, which should be reported on form 3P.
2. A **nonresident** is any individual, enterprise, or other organization ordinarily resident in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are **residents** of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.
3. The information reported on this form is used to compile balance of payments statistics for Gondwanaland and is treated **confidentially**.
4. Completion of this form requires a copy of ITRS Form 3C—Classifications. Copies may be obtained from the bank that provided form 3P.
5. Responses to questions on form 3P should be **printed clearly** and a **copy should be kept** by the individual or enterprise representative completing the form.
6. ITRS Form 3M—Imports must also be completed if transactions reported on form 3P are for the payment of goods imported into Gondwanaland. A copy of form 3M is available from the bank that provided form 3P.

## Completing Form 3P

- Codes** The reference number and bank code will be entered by the bank that provided form 3P. Individuals or enterprise representatives completing form 3P should enter the month and day as a four-digit number (e.g., 0403 for April 3) and the **transactor code**, if such a code has been assigned by the Gondwanaland Ministry of Statistics.
- Question 1** **Currency codes** are included on ITRS Form 3C—Classifications. All amounts should be reported in thousands of foreign currency units—except yen or lira, which should be reported in millions, or Gondwanaland dollars, for which entries should be left blank.
- Question 2** To report the equivalent Gondwanaland dollar value (expressed in thousands), convert from the foreign currency by using the **midpoint** of the buy and sell rates applicable on the date of the transaction.
- Question 3** Consult ITRS Form 3C—Classifications for the appropriate transaction code and describe the transaction. If a number of codes are applicable to the transaction, leave the entry blank and provide the appropriate information in response to question 4.
- Question 4** Question 4 requests information about single payments relating to more than one transaction. Such payments may be the result of: (1) more than one transaction code being applicable to the payment (e.g., a loan repayment combined with interest); (2) partial netting (e.g., the actual payment is the difference between financing provided and fees charged); (3) a settlement transaction (i.e., the payment settles a number of transactions). In each case, the underlying transactions should be recorded; additional forms should be requested if space is insufficient. When individual underlying transactions are less than the equivalent of \$10,000 Gondwanaland dollars, entries may be amalgamated and the most appropriate transaction code applied.
- Question 5** Refer to ITRS Form 3C—Classifications for a list of **other party codes** and **country codes**.
- Question 6** Please add any comments necessary to clarify answers to questions on form 3P and/or note any difficulties encountered in completing the form.

If you have any questions, please call Mr. Fossum at (202) 623-7942.

**ITRS Form 3C—Classifications**

**Transaction Codes**

<p><b>1. Goods exported and imported</b></p> <p>110 Goods arriving in or leaving Gondwanaland</p> <p>120 Goods for processing</p> <p>130 Gold</p> <p>140 Goods supplied to ships in port</p> <p>150 Merchanting</p> <p><b>2. Transportation and travel services</b></p> <p><i>Freight services</i></p> <p>211 Sea transport</p> <p>212 Air transport</p> <p>213 Other transport</p> <p><i>Passenger services (international routes)</i></p> <p>221 Sea transport</p> <p>222 Air transport</p> <p>223 Other transport</p> <p><i>Other transportation services</i></p> <p>231 Sea transport</p> <p>232 Air transport</p> <p>233 Other transport</p> <p>240 Travel, other than passenger services</p> <p><b>3. Other services</b></p> <p>310 Communications</p> <p>320 Construction</p> <p>331 Insurance premiums</p> <p>332 Insurance claims</p> <p>340 Financial services, excluding insurance</p> <p>350 Computer and information service</p> <p>360 Royalties and fees</p> <p>371 Trade-related services</p> <p>372 Operational leasing and rental of transport equipment without crew</p> <p>373 Research and development</p> <p>374 Legal, accounting &amp; management consulting services</p> <p>375 Advertising and market research</p> <p>376 Architecture, engineering, and other technical services</p> <p>377 Agricultural, mining, and on-site processing</p> <p>378 Other business services</p> <p>381 Audio visual and related services</p> <p>382 Other personal, cultural, and recreational services</p> <p>390 Services to foreign governments, n.i.e.</p> <p>399 Repairs</p>	<p><b>4. Compensation of employees</b></p> <p>400 Compensation of employees</p> <p><b>5. Investment income</b></p> <p>510 Dividends</p> <p>520 Distribution of profits</p> <p>530 Interest</p> <p><b>6. Transfers</b></p> <p>610 Migrants transfers</p> <p>620 Workers' remittances</p> <p>630 Development assistance</p> <p>640 Other</p> <p><b>7. Transactions in claims on nonresidents</b></p> <p>710 Shares</p> <p>720 Other equities</p> <p>730 Bonds and notes (long-term)</p> <p>740 Money market instruments (short-term)</p> <p>750 Loans, long-term</p> <p>760 Loans, short-term</p> <p>770 Deposits</p> <p>780 Options, futures, warrants, swaps, etc.</p> <p>790 Other</p> <p><b>8. Transactions in liabilities to nonresidents</b></p> <p>810 Shares</p> <p>820 Other equities</p> <p>830 Bonds and notes (long-term)</p> <p>840 Money market instruments (short-term)</p> <p>850 Loans, long-term</p> <p>860 Loans, short-term</p> <p>870 Deposits</p> <p>880 Options, futures, warrants, swaps, etc.</p> <p>890 Other</p> <p><b>9. Transfer of funds between accounts</b></p> <p>900 Transfer of funds between accounts</p>
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### Transaction Type

(Required to complete forms 4A and 5 but not forms 3P and 3R)

<p>1. <b>Single payment transaction</b> The payment is applicable to only one transaction code, and no netting or settlement is involved.</p> <p>2. <b>Multi-payment transaction</b> Payments apply to <i>more than one transaction code</i> (e.g., a loan repayment is combined with interest), result from <i>partial netting</i> (e.g., actual payment is the difference between financing acquired and fees paid), or are <i>settlement transactions</i>, in which payments settle a number of transactions. In each case, underlying transactions should be recorded.</p>	<p>3. <b>Offset transactions</b> These transactions do not result in cash payments through bank accounts and should be recorded so that all gross transactions are measured. Offset entries could result from, for example, the acquisition of financing to pay for goods and services; the provision of goods, services, and financial assets in lieu of interest and dividends; various debt to equity swaps; or the issue of shares to pay for goods. In each case, both a payment and a receipt entry should be recorded. If several transaction categories are involved, several payment and receipt entries may have to be recorded.</p> <p>4. <b>Transfer of funds between accounts</b> The other currency involved should be recorded in column D.</p>
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### Other Party Codes

<p>1. Nonresident head office, nonresident parent company, major shareholder, or companies related to or associated with these</p> <p>2. Nonresident branch or subsidiary of transactor or an enterprise in which this enterprise (or a subsidiary or associate company) has a major shareholding</p> <p>3. Foreign government</p>	<p>4. An international institution</p> <p>5. A nonresident central bank</p> <p>6. A nonresident bank</p> <p>7. Another nonresident entity or person</p> <p>8. A resident entity or person</p> <p>Note: In items 1 and 2, a major shareholder is one with 10 percent or more equity interest.</p>
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### Country Codes

To be provided by the compiler

### Currency Codes

To be provided by the compiler

### Export/Import Codes

(Required to complete forms 3M and 3X and part F of form 5)

<p>A. Food, live animals, beverages and tobacco</p> <p>B. Minerals, fuels, and lubricants</p> <p>C. Chemical, plastic, medical, pharmaceutical, and rubber products, and fertilizers</p> <p>D. Wood, paper, and products thereof</p> <p>E. Textiles, clothing, and footwear</p>	<p>F. Machinery, office and communication equipment, and other electrical goods, including spares</p> <p>G. Vehicles and transport equipment, including spares</p> <p>H. Metal and metal products not included elsewhere</p> <p>I. All other goods</p>
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**ITRS Form 3M—Imports**

Reference number   
 Bank   
 Date (day & month)   
 Transactor code



For more information, please contact:

Balance of Payments Division  
 Gondwanaland Ministry of Statistics  
 Archadia, 22003  
 Telephone (202) 623-7942  
 Facsimile (202) 623-6460

**Payments for Goods Imported into Gondwanaland**

**Instructions for Completing Form 3M**

1. Please enter, in the table provided, information on payments, which are recorded on form 3P, for goods imported into Gondwanaland. Each shipment valued at \$G 10,000 or more should be reported on a separate line. Smaller amounts may be combined and reported on one line.
2. In column A, please describe the import and, in column B, apply the appropriate code, which is to be found on ITRS Form 3C—Classifications.
3. In column C, please enter the relevant code for the country from which the goods were shipped. The codes can be found on ITRS Form 3C—Classifications.
4. In column D, please enter the month and year in which the goods arrived or are expected to arrive. The date should be entered as a four digit number (e.g., 0494 for April 1994).
5. In column E, the recorded value of goods should be consistent with that reported in response to question 2 on form 3P. In column F, please record the estimated value of the goods on board the carrier at the port of entry to Gondwanaland—that is, the c.i.f. (cost, insurance, and freight)—and, in column G, the estimated cost of goods on board ship at the point of departure from the exporting country—that is, the f.o.b. (free-on-board) value.

**Supplementary Details of Goods Imported into Gondwanaland**  
 (Report in thousands of Gondwanaland dollars)

Description of Import A	Import Code B	Country of Consignment C	Month and Year of Shipment D	Value of Goods (as reported on form 3P) E	C.i.f. Value F	F.o.b. Value G

Please verify that codes in the top left hand corner are identical to those on form 3P.

Please add any additional information that may clarify your answers.

.....  
 .....  
 .....

Person completing this form: .....

Telephone number: .....

Enterprise (if applicable): .....

Facsimile number: .....



**Balance of Payments Survey  
Form 4—Banks**

Please correct any errors in this label.

<input type="text"/>
Reference number

Balance of Payments Division  
Gondwanaland Ministry of Statistics  
Archadia, 22003

Telephone (202) 623-7942  
Facsimile (202) 623-6460

<b>OFFICE USE ONLY</b>	
Rec.	_____
Edit	_____
Check	_____

**Please read this first.**

**Collection authority** The *Statistics Act of Gondwanaland* requires that, each month, a representative of the bank to which this form is addressed must return ITRS payment and receipt forms 3R, 3P, 3M, and 3X (or records thereof) completed by clients and ITRS bank forms 4A and 4B to the Gondwanaland Ministry of Statistics.

**Confidentiality** The *Statistics Act of Gondwanaland* also guarantees the confidentiality of the information provided via this form.

**Purpose of collection** This form collects information to be used in compiling Gondwanaland's balance of payments statistics. These statistics are published quarterly in *Gondwanaland: Balance of Payments and International Investment Position*, which is available from the Balance of Payments Division of the Gondwanaland Ministry of Statistics.

**Instructions** Detailed instructions for the completion of ITRS forms appear on following pages.

**Due date** Please return completed forms to the Balance of Payments Division of the Gondwanaland Ministry of Statistics so that the forms arrive no later than **six calendar days after the end of each month**.

**Assistance** For queries or assistance regarding this form, please call Mr. Fossum at (202) 623-7942.

**Thank you** Your cooperation is greatly appreciated. Accurate balance of payments statistics depend upon it.

**After you complete each form, please retain a copy for your records.**

Djebangari Robertson  
Gondwanaland Statistician

Person who should be contacted if any queries arise regarding this form:

Name: .....	Telephone number: (.....) .....
	Area code
Title: .....	Facsimile number: (.....) .....
	Area code

## Notes and Instructions for Form 3 Series and for Forms 4A and 4B

1. The International Transactions Reporting System (ITRS) collects information from banks via a number of forms.

### Definitions of Residents and Nonresidents

2. A *nonresident* is an individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are regarded as *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are regarded as nonresidents.

### Form 3 Series

3. The basic forms are the ITRS Form 3P—Payments and the ITRS Form 3R—Receipts. These should be completed by **residents** of Gondwanaland who: (a) purchase foreign exchange from, or sell foreign exchange to, your bank or (b) make payments in Gondwanaland dollars to, or receive payments in Gondwanaland dollars from, **nonresidents**. Supplementary Form 3M—Imports and Form 3X—Exports are required for transactions involving goods arriving in or departing from Gondwanaland. To reduce reporting burdens and processing costs associated with the form 3 series, a number of **exemptions** are permitted. These include:
  - (a) Purchases and sales involving the equivalent of less than \$G 10,000. However, transactions below this level are the subject of small sample surveys. (See note 8.)
  - (b) Purchases and sales of travelers' checks. These should be reported by your bank on ITRS Form 4A—Banks, part B at the time the travelers' checks are settled with nonresident banks.
  - (c) All transactions occurring through **resident foreign currency accounts** held with your bank. Details of these transactions are collected directly from enterprises on ITRS Form 5—Enterprises.
  - (d) All transactions occurring through security brokers and managers. These are reported directly by these organizations on ITRS Form 13—International Securities.
4. In accordance with ITRS collection arrangements, your bank is responsible for making **resident bank customers** aware of their obligations to complete ITRS forms 3P and 3R. In most cases, forms 3P and 3R should be completed when customers enter your bank to undertake the relevant transactions. (Some banks have combined the ITRS forms with bank forms on which payment instructions are specified.) Persons or enterprises engaging in transactions valued at the equivalent of \$G 100,000 or more per year should register with the Gondwanaland Ministry of Statistics to obtain a **transactor code**.
5. Tracking the occurrence of payments made, in Gondwanaland dollars, by residents to nonresidents is more difficult; resident transactors may engage in such transactions without approaching a bank. When particular persons or enterprises regularly conduct such transactions, the Gondwanaland Ministry of Statistics will make special arrangements for resident principals to report the transactions directly to the ministry.
6. The staff of your bank should be familiar with forms 3P and 3R and with ITRS Form 3C—Classifications, which is used by transactors to complete other forms. An **ITRS training package** is available from the Gondwanaland Ministry of Statistics, or your bank may telephone Mr. Fossum for assistance at the numbers shown on page one (upper right-hand corner) of this form.
7. Your bank should maintain a sufficient supply of forms and should also, if customers complete forms regularly, encourage them to maintain supplies of forms for their use. Your bank may order forms by using the **ITRS Form O—Order** or by contacting the Gondwanaland Ministry of Statistics at the address shown on page one of this form.
8. Your bank may also encounter ITRS Form 3PS—Sample of Payments and ITRS Form 3RS—Sample of Receipts. These modified versions of forms 3P and 3R collect data on a sample of transactions valued at amounts below a designated threshold. The information is used to determine appropriate classifications for those transactions.

## ITRS Form 4A—Banks

9. ITRS Form 4A primarily collects data on payments and receipts for your bank's own accounts with **nonresidents**. Separate entries should be recorded for each transaction of \$G 10,000 or more; smaller transactions may be combined. When several transaction codes apply to a receipt or a payment or result from payments being partly offset against receipts (or vice versa), the underlying gross transactions should be recorded. (See ITRS Form 3C—Classifications for further information on **multi-payment transactions**.) Similarly, **offset transactions** (also described on form 3C) that do not result in bank account entries but otherwise affect the banks's external asset and liability position should also be recorded. Should your bank conduct offset transactions denominated in currencies (including Gondwanaland dollars) for which a form 4A is not already being completed, the bank should record such transactions on a separate form 4A.
10. Form 4A can be used as a pro forma for supplying relevant data in computer readable form, or information may be entered on the form itself. If space to record all transactions is insufficient, please be sure to attach the additional details.

## Completing ITRS Form 4A—Banks

### Part A

11. The **bank reference number** is listed on page one of this form. The **currency code** classification is shown on ITRS Form 3C—Classifications. Month and year should be entered as a four-digit number (e.g., 0494 for April 1994).

### Part B

12. The **day** should be recorded as a two digit-number (e.g., 02 would represent the second day of the month). **Number** is a three-digit code. The number 001 should be the first number used each day. Subsequent numbers should be used for subsequent transactions. The **transaction code**, the **transaction type**, the **other party code**, and the **country code** should be taken from form 3C.
13. To reduce the reporting burden and limit processing costs, data should be reported in thousands or millions of currency units; and small transactions should be combined. For multi-payment and offset transactions, it is necessary to identify the underlying transactions, and these should be reported on a gross basis.
14. In columns G and I where values should be expressed in Gondwanaland dollars, transactions should be converted at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Part C

15. Part C facilitates checking of the conversion rates used in part B. Any unusual conversion rates should be explained.

### Parts D, E, and F

16. Parts D, E, and F facilitate reconciliation of stock position and flow data supplied in various forms. Data in part D represent a summary of form 4B, which is described subsequently. Any significant reconciliation amounts reported in column E of parts E or F should be explained. For transactions in Gondwanaland dollars, closing balances in part E, columns A and B should be recorded as zero—unless the bank holds Gondwanaland dollar accounts with nonresident banks, in which case the balance of these accounts should be recorded. See form 3C for a list of **country codes**.

### Part G

17. The **asset/liability code** should be selected from codes 710 through 790 for assets and 810 through 890 for liabilities from the **transaction code** classification shown on form 3C. The **nonresident party code** and the **country code** should be selected from **other party codes** and the **country** classifications, respectively, shown on form 3C. One line should be used for each asset/liability, nonresident party, and country combination. For example, if a bank held a portfolio of equity securities in a nonbank enterprise in the United States and had long-term U.S. dollar loans from banks in the United States and the United Kingdom, three entries should be made:

A	B	C
710	7	001
850	6	001
850	6	002

18. In column A, 710 represents shares in nonresident enterprises and 850 long-term loan liabilities to nonresidents. In column B, 7 represents a nonresident, nonbank entity and 6 represents a nonresident bank. In column C, 001 represents the United States, and 002 represents the United Kingdom.

#### Part H

19. This section is included to assist you in checking the form before you return it.

#### ITRS Form 4B—Bank's Record of Transactions

20. In accordance with ITRS collection arrangements, your bank should, for transactions that pass through the bank, maintain a record of all foreign currency transactions and all transactions in Gondwanaland dollars with **nonresidents**. A copy of these records should be sent to the Gondwanaland Ministry of Statistics, within six days of the end of the reference month, on ITRS Form 4B—Record of Transactions. Entries in some table cells are not required (note /// marks). For example, in columns E, F, and G, only currency code, payments and receipts, and value are required. For column A (bank's own transactions), greater detail is required on the ITRS 4A—Banks; this column is included in the table on the form 4B to show the coverage provided by form 4A. Form 4B can be regarded as a pro forma for supplying data in computer readable form.

#### Other ITRS Forms

21. Your bank may encounter other special purpose ITRS collection forms requesting information on transactions that cannot readily be collected by using forms 3 and 4.

LOGO

**Balance of Payments Survey  
ITRS Form 4A—Banks**

**Part A. Reference Information**

Bank Name	Bank Reference Number	Currency Code	Month and Year

**Part B. Bank's Own Account Payments and Receipts**

(Including transfer of funds between accounts and the purchase and sale of foreign currency)

1. All amounts, except lira and yen, should be reported in thousands in columns F, G, H, and I. Lira and yen should be reported in millions in columns F and H.
2. Small transactions—that is, transactions of less than the value of \$G 10,000 Gondwanaland dollars—should be combined and included as a single transaction. These should be given the most appropriate transaction codes.
3. In the case of multi-payment and offset transactions (see instruction 9), the underlying gross amounts should be recorded.

Day A	Num- ber B	Transaction Code C	Transaction Description D	Transaction Type E	Payment (foreign currency) F	Payment (Gondwanaland dollars) G	Receipt (foreign currency) H	Receipt (Gondwanaland dollars) I	Other Party Code J	Other Party Country Code K
	001									
<b>Total</b>	//////	////////////////	////////////////////////////////////	////////////////					////////	////////////////////////////////

**Part C. Exchange Rate Check**

Please record the average implied exchange rates used in part B:

for payments ..... (Total in column F / Total in column G)

for receipts ..... (Total in column H / Total in column I)

Please explain any unusual exchange rates. ....  
 .....  
 .....

**Part D. Transaction Summary**  
 (Report in millions of currency units)

Description of Transaction	Payments A	Receipts B
1. Bank's own account (column A = column F in part B and column B = column H in part B)		
2. Resident foreign currency accounts		
3. Resident transactions—\$G 10,000 or greater		
4. Accounts of security dealers and managers		
5. Resident transactions—less than \$G 10,000		
6. Nonresident accounts—banks		
7. Nonresident accounts—nonbanks		
8. Total		

**Part E. Reconciliation with Nostro Balances**  
 (Report in millions of currency units)

Closing Account Balance for This Month (in foreign currency) A	Closing Account Balance for Previous Month (in foreign currency) B	Total Payments (as recorded in column A, row 8 of part D) C	Total Receipts (as recorded in column B, row 8 of part D) D	Reconciliation (A - B + C - D) E

Please explain the reconciliation item if it is significant. ....  
 .....  
 .....

Please specify the amounts reported in columns A and B by country.

Country Code						
Value in column A						
Value in column B						

**Part F. Reconciliation of Accounts of Nonresidents**  
(Report in millions of units of currency)

Closing Account Balance for This Month A	Closing Account Balance for Previous Month B	Total payments from Nonresident Accounts (as recorded in column A, rows 6 and 7, of part D) C	Total receipts for Nonresident Accounts (as recorded in column A, rows 6 and 7, of part D) D	Reconciliation (A - B + C - D) E

Please explain the reconciliation item if it is significant. . . . .  
 . . . . .  
 . . . . .

For the amounts reported in columns A and B, please indicate whether the account is held by a nonresident bank or nonbank and record the relevant country codes and amounts involved.

Bank/Nonbank						
Country code						
Value in column A						
Value in column B						

**Part G. Other External Asset and Liability Positions**

1. Report details of claims (other than nostro accounts) on and liabilities (other than vostro accounts and other deposits) to nonresidents.
2. Report in thousands, or millions in the case of yen or lira, of currency units.
3. A separate line should be used to record each asset/liability code, nonresident party code, and country code combination. (See note 17 of instructions for form 4A.)

Asset/ Liability Code A	Nonresident Party Code B	Country Code C	Closing Position for This Month D	Closing Position for Previous Month E	Payments Recorded in Part B F	Receipts Recorded in Part B G	Reconci- liation (a) H

(a) For assets,  $H = D - E + F - G$ . For liabilities,  $H = D - E - F + G$ .

Please explain the reconciliation item if it is significant. . . . .  
 . . . . .  
 . . . . .

**Part H. Final Questions**

Please verify that the form has been completed correctly and mark the following boxes.

- The information in part A of the form is correct.
- Part B of the form has been completed in accordance with instructions. In particular, multi-payment and offset transactions have been reported on a gross basis. The totals for columns F, G, H, and I have been entered.
- The exchange rates in part C have been calculated, and the average exchange rates derived show that each transaction has been converted correctly. Any unusual conversion rates have been explained.
- Parts D, E, and F have been completed in accordance with instructions, and any significant reconciliation items have been explained.
- Part G has been completed in accordance with instructions, and any significant reconciliations have been explained.
- I have made a copy of this form for my records.

Name of person completing this form:..... Telephone number: .....

Signature: ..... Facsimile number: .....



**Balance of Payments Survey  
ITRS Form 4B—Bank's Record of Transactions**

Bank Name	Bank Reference Number	Month and Year

	Own Account Transactions of Bank A	Foreign Currency Accounts of Residents B	Large Transactions of Residents (a) C	Transactions of Security Dealers & Managers D	Small Transactions of Residents (b) E	Nonresident Accounts—Banks F	Nonresident Accounts—Nonbanks G
Currency code							
Payments							
Receipts							
Day and month					//////////	//////////	//////////
Reference number of transaction					////////// ////////// //////////	////////// ////////// //////////	////////// ////////// //////////
Resident transactor code	////////// //////////				////////// //////////	////////// //////////	////////// //////////
Value							

(a) Transactions of \$G 10,000 or larger (b) Transactions of less than \$G 10,000



## General Notes and Instructions for ITRS Form 5—Enterprises

1. The International Transactions Reporting System (ITRS) collects data from enterprises via several forms. The main form is the ITRS Form 5—Enterprises, which enterprises are required to complete and return to the Gondwanaland Ministry of Statistics each month. ITRS Form 3C—Classifications contains the codes and descriptions necessary to complete form 5. ITRS Form 5E—Example is a hypothetical form 5 that has been completed to provide you with a better understanding of this form. Other ITRS forms supplement form 5; these will be explained as the need arises.
2. A **nonresident** is an individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are regarded as **residents** of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are regarded as nonresidents.
3. ITRS Form 5—Enterprises collects monthly data on balance of payments transactions from enterprises with foreign currency accounts at **resident** banks and/or with accounts, denominated in any currency, at **nonresident** banks. In addition, form 5 collects data on other claims on, or liabilities to, **nonresidents**.
4. A separate form 5 should be completed for **each foreign currency account** that your enterprise has at a **resident** bank and **each account** at a **nonresident** bank—unless other arrangements have been made with the Gondwanaland Ministry of Statistics.
5. Form 5 collects data on payments and receipts passing through particular bank accounts of your enterprise. Separate entries should be recorded for each transaction of \$G 10,000 or more; smaller transactions may be combined. When several transaction codes apply to a receipt or a payment or result from payments being partly offset against receipts (or vice versa), the underlying gross transactions should be recorded. (See ITRS Form 3C—Classifications for more information on **multi-payment transactions**.) Similarly, **offset transactions** (also described on form 3C) that do not result in bank account entries but otherwise affect your enterprise's external asset or liability positions should also be recorded. Should your enterprise conduct offset transactions denominated in currencies (including Gondwanaland dollars) for which a form 5 is not already being completed, you should record such transactions on a separate form 5.
6. Form 5 can be used as a pro forma for supplying relevant data in computer readable form, or information may be entered on the form itself. If space to record all transactions is insufficient, please be sure to attach the additional details.

## Completing ITRS Form 5

### Part A

7. The **company reference number** is listed on page one of this form. The **currency code** classification is included in ITRS Form 3C—Classifications. Month and year should be entered as a four-digit number (e.g., 0494 for April 1994).

### Part B

8. **Day** should be recorded as a two-digit number (e.g., 02 for the second day of the month). The **number** of the first transaction recorded each day should be 001; successive three-digit numbers should be used for subsequent transactions. The **transaction code**, the **transaction type**, the **other party code**, and the **country code** should be taken from ITRS Form 3C—Classifications.
9. To limit the reporting burden and processing costs, data should be reported in thousands or millions of currency units and small transactions should be combined. For certain types of transactions (namely, multi-payment and offset transactions), it is necessary to identify the underlying transactions and report them on a gross basis. (See note 5.)
10. In columns G and I where values should be expressed in Gondwanaland dollars, transactions should be converted at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Parts C and D

11. Parts C and D facilitate reconciliation and verification of data supplied in part B. Any significant reconciliation amounts or unusual exchange rates should be explained.

## Part E

12. The **asset/liability code** should be selected from codes 710 through 790 for assets and 810 through 890 for liabilities from the **transaction codes** on form 3C. The **nonresident party code** should be taken from the **other party codes** on form 3C. The **country code** should be taken from the relevant listing on form 3C. One line should be used for each asset/liability, nonresident party, and country combination. For example, if your enterprise held a portfolio of equity securities in a nonbank enterprise in the United States and had long-term U.S. dollar loans from banks in the United States and United Kingdom, these three entries should be made:

A	B	C
710	7	001
850	6	001
850	6	002

13. In column A, 710 represents shares in nonresident enterprises, and 850 represents long-term loan liabilities to nonresidents. In column B, 7 represents a nonresident nonbank entity, and 6 represents a nonresident bank. In column C, 001 represents the United States, and 002 represents the United Kingdom.
14. Not all of your enterprise's payments to, and receipts from, nonresidents will be reported in part B as some payments may have been made through foreign exchange orders with domestic banks. These transactions should be reported on ITRS forms 3P and 3R, which will be provided to you by your bank. However, for purposes of reconciliation, any effect that these payments and receipts have on the external assets and liabilities of your enterprise must be reported in columns H and I.

## Part F

15. This section of the form collects, for payments made through accounts covered by form 5, information on goods imported and exported during the month and on payments made during the month. As delivery and payments may occur in different months, goods reported in columns D, E, and F may not correspond with those recorded in column G. As the value in your books may differ from the cost insurance and freight (c.i.f) and the free on board (f.o.b.) values required for balance of payments purposes, you are requested to provide these bases of valuation, even if some degree of estimation is required. Country of consignment is the country from which your imports were initially dispatched. Country of destination is the country to which you expect to make final delivery of your exports. The relevant **country codes** from ITRS Form 3C—Classifications should be used. Please note that all amounts in foreign currencies should be converted at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

## Part G

16. This section is included to assist you in checking the form before you return it.



**Part C. Reconciliation with Bank Balance**  
(Report in thousands, or millions in the case of lira and yen, of currency units)

Closing Account Balance for This Month (in foreign currency) A	Closing Account Balance for Previous Month (in foreign currency) B	Total Payments (as recorded in column F of part B) C	Total Receipts (as recorded in column H of part B) D	Reconciliation (A - B + C - D) E

Please explain any significant reconciliation items. ....  
.....

**Part D. Exchange Rate Check**

Please record the average implied exchange rates used in part B:

for payments ..... (Total in column F/Total in column G)  
for receipts ..... (Total in column H/Total in column I)

Please explain any unusual exchange rate conversions. ....  
.....

**Part E. Other External Assets and Liabilities Position**

1. Report details of claims (other than accounts at nonresident banks) on, and liabilities to, nonresidents.
2. Report in thousands, or millions in the case of yen or lira, of currency units.
3. A separate line should be used to record each asset/liability code, nonresident party code, and country code combination. (See note 12 of the instructions for form 5.)

Asset/ Liability Code A	Nonresi- dent Party Code B	Country Code C	Closing Position for This Month D	Closing Position for Previous Month E	Payments Recorded in Part B F	Receipts Recorded in Part B G	Payments Made Elsewhere H	Receipts from Elsewhere I	Reconcil- iation (a) J

(a) For assets,  $J = D - E + F - G + H - I$ . For liabilities,  $J = D - E - F + G - H + I$ .

Please explain any significant reconciliation items. ....  
.....

**Part F. Supplementary Data on Trade Transactions**  
 (Report in thousands of Gondwanaland dollars)

Description of Goods  A	Import/ Export Code  B	Country of Consignment or Destination  C	Value of Goods Shipped			Payments Made During Month  G
			Book Value (a)  D	C.i.f Value  E	F.o.b. Value  F	
Imports of Goods						



**Balance of Payments Survey  
Form 6—Goods**

Please correct any errors in this label.

Reference number

□□□□□□□□□□□□

Balance of Payments Division  
Gondwanaland Ministry of Statistics  
Archadia, 22003

Telephone (202) 623-7942  
Facsimile (202) 623-6460

**OFFICE USE ONLY**  
Rec. \_\_\_\_\_  
Edit \_\_\_\_\_  
Check \_\_\_\_\_

**QUARTER ENDED MARCH 31, 1994**

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**Please read this first.**

**Collection authority** The *Statistics Act of Gondwanaland* requires that, each month, a representative of the enterprise to which this form is addressed must complete and return this form to the Gondwanaland Ministry of Statistics.

**Confidentiality** The *Statistics Act of Gondwanaland* also guarantees the confidentiality of the information provided via this form.

**Purpose of collection** This form collects information, which will be used in compiling Gondwanaland's balance of payments statistics, on exports and imports of goods. These statistics are published quarterly in *Gondwanaland: Balance of Payments and International Investment Position*, which is available from the Gondwanaland Ministry of Statistics.

**Instructions** Detailed instructions for the completion of the form appear on pages two and three. Questions commence on page four.

**Due date** Please return the completed form in the postage-paid envelope by **April 13, 1994**.

**Estimates** Some of the data requested may not be readily available from your records. In these cases, **careful estimates** will suffice.

**Assistance** For queries or assistance regarding this form, please call Mr. Fossum at (202) 623-7942.

**Thank you** Your cooperation is greatly appreciated. Accurate balance of payments statistics depend upon it.

**After you complete this form, please retain a copy for your records.**

Djebangari Robertson  
Gondwanaland Statistician

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Person who should be contacted if any queries arise regarding this form:

Name: .....

Telephone number: (.....) .....

Area code

Title: .....

Facsimile number: (.....) .....

Area code

## Instructions for Completing Form 6—Goods

### Reporting Instructions

Form 6 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

### Conversion to Gondwanaland Dollars

All values should be reported in thousands of Gondwanaland dollars. Foreign currencies should be converted to Gondwanaland dollars at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Structure of Form 6

Form 6 collects information on the goods transactions of this enterprise and its Gondwanaland subsidiaries with **nonresidents**.

Parts A and B collect data on exports and imports—that is, goods sold to nonresidents and sent abroad (exports) and goods purchased from nonresidents and brought into Gondwanaland (imports).

Parts C and D collect details of goods for processing. Part C is concerned with goods shipped abroad for processing; part D is concerned with goods processed in Gondwanaland.

Part E covers repairs to goods owned by nonresidents, and part F covers repairs by nonresidents to goods owned by your enterprise.

Part G is concerned with merchanting transactions—that is, transactions in which goods that are bought and sold by your enterprise (and its subsidiaries) do not enter Gondwanaland.

Parts H (exports) and I (imports) measure significant differences between date of sale and date of shipment. The details, if any, to be included in these sections are explained in the correspondence accompanying form 6.

Parts J (export) and K (import) pertain to projections. You should complete these parts only if the Gondwanaland Ministry of Statistics has asked your enterprise to do so.

### Completing Part A (Exports of Goods)

In column A, enter a description of the commodity exported by your enterprise (and its subsidiaries) and, in columns E to I, the countries in which final delivery of the goods is expected. One row should be completed for each commodity. Please note that the sum of columns E through I should equal column D. The free on board (f.o.b.) value is the value of goods at the point of departure from the exporting country (in this case, Gondwanaland), and the f.o.b. value includes the cost of loading the goods prior to transportation. If the response to item 6 is \$G 500 or less, record a dash (—).

### Completing Part B (Imports of Goods)

Record the free on board (f.o.b.) value and the cost, insurance, and freight (c.i.f.) values for each commodity group that your enterprise (and its subsidiaries) imports. The f.o.b. value is the value of goods when they leave the exporting country; the f.o.b. value includes the cost of loading the goods prior to transportation. The c.i.f. value is the value of goods delivered to the border of the importing country (in this case, Gondwanaland). If you are in doubt about the commodity group for a particular import, please contact the Gondwanaland Ministry of Statistics or describe details in the space provided on the form. The country from which the goods were initially dispatched (consigned) should be entered in columns C through G, and the sum of those columns should equal column B. If the answer to question 11 or 12 is \$G 500 or less, record a dash (—).

### **Completing Parts C and D (Goods for Processing)**

In parts C and D, please report details about goods sent abroad for processing, or received from abroad for processing, by your enterprise (and its subsidiaries). A new row should be completed for each commodity and country. The term *c.i.f.* is described in the previous paragraph. In column H, include the value of processing. Enter the totals of rows 1 and 2 in row 3 and verify that the change in stock of material held at the beginning and end of the quarter (column D less column C) equals goods shipped for processing (column E), less goods returned (column F), less goods sold (column G), plus the value of processing (column H).

### **Completing Parts E and F (Repairs to Goods)**

A separate line should be completed for each commodity and country. In part F, any associated transportation and insurance costs should be reported separately.

### **Completing Part G (Merchanting)**

A separate line should be completed for each commodity and country combination. For example, if a commodity is bought from a resident of one country, held in a second country, and sold to a resident of a third country, a separate line should be used to record the purchase (columns A, B, and E), the stock position (columns A, B, C, and D), and the sale (columns A, B, F, and G). Please verify that the total change in stock (row 5, column D less row 5, column C) equals goods purchased (row 5, column E) less the value, at purchase cost, of goods sold (row 5, column F).

### **Completing Parts H through K (Selective Commodity Analysis and Projections)**

If the Gondwanaland Ministry of Statistics has requested that your enterprise complete parts H through K, please do so in accordance with the instructions provided separately by the ministry. If your enterprise has not been asked to supply such information, you may omit reporting in parts H through K.

**Form 6—Goods**

**Part A. Goods Sold to Nonresidents and Exported from Gondwanaland During the Quarter**  
(Report in thousands of Gondwanaland dollars and, where appropriate, specify quantity)

Commodity Description	Volume		F.o.b. Value					
	Amount	Units (specify)	Total	Country of Final Delivery				
				E	F	G	H	I
A	B	C	D	E	F	G	H	I
1.								
2.								
3.								
4.								
5.								

6. Please report, for the quarter, the value of any goods exported from Gondwanaland but lost before delivery.    \$G '000   

**Part B. Goods Purchased from Nonresidents and Imported to Gondwanaland During the Quarter**  
(Report in thousands of Gondwanaland dollars)

Commodity Group	F.o.b. Value A	C.i.f. Value					
		Total B	Country of Initial Dispatch (specify)				
			C	D	E	F	G
1. Food, live animals, beverages, and tobacco							
2. Mineral, fuels, and lubricants							
3. Chemical, plastic, medical, pharmaceutical, and rubber products, and fertilizers							
4. Wood, paper, and products thereof							
5. Textiles, clothing, and footwear							
6. Machinery, office and communications equipment, and other electrical goods, including spare parts							
7. Vehicles and transport equipment, including spare parts							
8. Metal and metal products not included elsewhere							
9. All other goods							
10. Total			////////	////////	////////	////////	////////

If you are unable to assign goods to a particular commodity, please provide details.

.....  
 .....

11. Of the amount reported in row 10, column B, how much was for insurance premiums? \$G '000

--

12. How much was received in respect of insurance claims for goods purchased abroad and lost before arrival in Gondwanaland? \$G '000

--

**Part C. Goods Sent Abroad for Processing**  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country of Processing B	Value of Goods Held Abroad		Goods Shipped During the Period		Value of Goods Sold Abroad G	Value of Processing During the Period H
		Opening Stock C	Closing Stock D	Sent Abroad c.i.f. E	Returned c.i.f. F		
1.							
2.							
3. Total	//////////						

	Column E	Column F
a. Freight costs		
b. Insurance costs		

4. Of the amount reported in row 3, columns E and F, please show:

**Part D. Goods Sent from Abroad for Processing in Gondwanaland**  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country of Ownership of Goods B	Value of Goods Held		Goods Shipped During the Period		Value of Goods Sold in Gondwanaland G	Value of Processing During the Period H
		Opening Stock C	Closing Stock D	From Abroad c.i.f. E	Returned f.o.b. F		
1.							
2.							
3. Total	//////////						

4. Of the amounts reported in column E, please show:

a. Freight costs		b. Insurance costs	
------------------	--	--------------------	--

**Part E. Value of Fees for Repairs to Goods Received from Nonresidents During the Quarter**  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country of Ownership of Goods B	Value of Repairs C
1.		
2.		

**Part F. Value of Fees for Repairs to Goods Paid to Nonresidents During the Quarter**  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country in Which Goods were Repaired B	Value of Repairs C	Transportation Costs D
1.			
2.			
3.			

**Part G. Merchanting\***  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country B	Value of Goods Held Abroad		Value of Goods Purchased and Sold During Period		
		Opening Stock C	Closing Stock D	Goods Purchased E	Value of Goods Sold	
					Purchase Cost F	Selling Price G
1.						
2.						
3.						
4.						
<b>5. Total</b>	////////////////////					

\* Goods that are bought and sold abroad and do not enter Gondwanaland

**Part H. Selective Commodity Analysis—Goods Exported During the Quarter**  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country of Final Delivery B	F.o.b. Value of Goods Sold C	F.o.b. Value of Goods Shipped D
1.			
2.			

**Part I: Selective Commodity Analysis—Goods Imported During the Quarter**  
(Report in thousands of Gondwanaland dollars)

Commodity Description A	Country of Initial Dispatch B	F.o.b. Value of Goods Purchased C	F.o.b. Value of Goods Delivered D
1.			
2.			

**Part J. Export Projections**  
(Report value in thousands of Gondwanaland dollars and specify unit of quantity)

Commodity (specify)	Value	Volume	Units	1994 Q2	1994 Q3	1994 Q4	1995 Q1
1.							
2.							
3.							

**Part K. Import Projections**  
(Report value in thousands of Gondwanaland dollars and specify unit of quantity)

Commodity (specify)	Value	Volume	Units	1994 Q2	1994 Q3	1994 Q4	1995 Q1
1.							
2.							
3.							

**Part L. Revisions to Previously Reported Data**

Please provide details of any significant revisions to data previously reported incorrectly:

.....  
 .....

**Part M. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out the inappropriate phrases.

- [ ] The name of the enterprise shown on page one is correct./I have corrected the name and address on page one.
- [ ] Details about the contact person have been entered on page one.
- [ ] Responses cover all transactions in goods of the enterprise named on page one and its subsidiaries in Gondwanaland./The following activities have not been included: . . . . .
- [ ] The information in part A of the form has been completed in accordance with instructions.
- [ ] The information in part B of the form has been completed in accordance with instructions.
- [ ] The information in parts C and D of the form has been completed in accordance with instructions.
- [ ] The information in parts E and F of the form has been completed in accordance with instructions.
- [ ] The information in part G of the form has been completed in accordance with instructions.
- [ ] Parts H through K are not applicable to this enterprise and its subsidiaries./Parts H through K of the form have been completed in accordance with any special instructions supplied by the Gondwanaland Ministry of Statistics.
- [ ] There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part L.
- [ ] I have made a copy of this form for my records.

Name of person completing this form: . . . . .

Signature: . . . . .



## Instructions for Completing Form 7—Resident Transport Operators

### Reporting Instructions

Form 7 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

### Conversion to Gondwanaland Dollars

All values should be reported in thousands of Gondwanaland dollars. Foreign currencies should be converted to Gondwanaland dollars at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Structure of Form 7

Form 7 collects information on the international transportation activities of this enterprise and its Gondwanaland subsidiaries. Part A collects selected earning and expense data. Part B collects information on expected purchases of large equipment. Part C requests selected details of ticket sales to resident travelers on international routes.

### Partner Country

Part A of form 7 requests information on earnings and expenses by country. The countries in which earnings or expenses were incurred should be indicated. (Transactions with residents of Gondwanaland should be recorded as such in sections 2a and 2b of part A.) Part C requests information on amounts of revenue earned by other nonresident airlines on passenger ticket sales by your enterprise. The country of residence of the nonresident transport operator should be recorded.

### Passenger Fares (Item 1)

Amounts reported should include passenger fares earned, for the categories of persons shown in the table, by your enterprise and its subsidiaries. Earnings from the charter of transport equipment with crew (to carry passengers) and from accompanied luggage (excess baggage) should be included. Earnings should be recorded on a gross basis—that is, before any deduction of commissions on ticket sales. Such commissions should be regarded as expenses and reported in item 8.

### Freight Services (Item 2)

Amounts reported should include earnings by this enterprise and its subsidiaries from the carriage of goods (freight) and from the charter of transport equipment with crew (to carry goods). Earnings should be recorded on a gross basis—that is, before any deduction of commissions to freight agents. Such commissions should be regarded as expenses and reported in item 9.

### Charter of Equipment without Crew (Items 3b and 10)

Amounts reported should cover payments associated with charter of transport equipment without crew—except for transport equipment under a financial lease.

### Agent Fees on Passenger Fares (Item 8)

Amounts reported should include fees paid to nonresidents in respect of passenger fares earned.

### Passenger Fare Ticket Sales to Residents (Part C)

These data are required to estimate earnings and associated expenses of nonresident operators on passenger services provided to resident travelers. In item 14, data on ticket sales (less refunds) to resident travelers for international routes should be reported. In item 15, revenue paid to nonresident operators on tickets sold by your enterprise should be reported. All amounts should be reported before deduction of commissions on ticket sales. Commissions earned by your enterprise on revenue reported in item 15 *should be recorded in item 16 rather than item 3.*

**Form 7—Resident Transport Operators**

**Part A. Selected Earnings and Expenses**  
(Report in thousands of Gondwanaland dollars)

	Total A	Earnings and Expenses by Country (specify)				
		B	C	D	E	F
		<b>Selected Transportation Earnings</b>				
1. Passenger fares earned from:						
a. Nonresident travelers on international routes						
b. Nonresident travelers on domestic routes						
c. Resident travelers on international routes		////////	////////	////////	////////	////////
2. Earnings from freight services on:						
a. Imports to Gondwanaland						
b. Exports from Gondwanaland						
c. Operations in Gondwanaland for nonresidents						
d. Other foreign routes						
3. Other selected earnings from abroad:						
a. Inward mail						
b. Charter of equipment without crew						
c. Other (specify . . . . . )						
<b>Selected Transportation Expenses Abroad</b>						
4. Fuel (bunkers)						
5. Provisions (catering)						
6. Loading and unloading charges (stevedoring)						
7. Port charges, taxes, and landing fees						
8. Agent fees on passenger fares						
9. Other agent fees						
10. Charter of vessels without crew						
11. Advertising abroad						
12. Other expenses abroad (specify . . . . . )						

**Part B. Expected Equipment Purchases**

13. Please give details of any purchases of large equipment (e.g., aircraft, ships) that you expect to take delivery of in the next two years. Include the acquisition of equipment under financial lease and similar arrangements.

.....

.....

**Part C: Passenger Fare Ticket Sales to Residents on International Routes**  
(Report in thousands of Gondwanaland dollars)

	Total	Country of Residence of Nonresident Operator (specify)				
		B	C	D	E	F
14. Ticket sales (less refunds) made, during the quarter, to resident travelers on international routes	A	////// //////	//////// ////////	//////// ////////	//////// ////////	//////// ////////
15. Revenue earned, during the quarter, by nonresident transport operators on tickets issued by your enterprise						
16. Commission earned by your enterprise on amounts reported in item 15						

**Part D. Revisions to Previously Reported Data**

Please provide details of any significant revisions to data previously reported incorrectly.

.....

.....

**Part E. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name of the enterprise shown on the page one is correct./I have corrected the name and address on page one.
- Details of the contact person have been entered on page one.
- The information in parts A, B, and C has been completed in accordance with the instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part D.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



## Instructions for Completing Form 8—Transactions with Nonresident Transport Operators

### Reporting Instructions

Form 8 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

### Conversion to Gondwanaland Dollars

All values should be reported in thousands of Gondwanaland dollars. Foreign currencies should be converted to Gondwanaland dollars at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Structure of Form 8

Form 8 collects information on the transactions of this enterprise and its Gondwanaland subsidiaries with **nonresident** transport operators, including foreign airlines, ships, railways, fishing vessels, etc.

Part A, which is divided into two subsections, collects data on goods and services provided to nonresident transport operators. In items 1 through 8, report goods and services that your enterprise provides to nonresidents and for which your enterprise arranges settlement directly with a nonresident transport operator or the nonresident agent thereof. Information on settlements made through other resident enterprises will be collected directly from them. In items 9 through 16, report goods and services that are acquired by nonresident transport operators from other residents and for which settlement is made through your enterprise or its subsidiaries.

Part B collects data on the ticket sales of, and revenue earned by, nonresident transport operators. This part should be completed by branch offices or principal agents for nonresident transport operators.

Part C collects data on selected earnings, such as those from the provision of freight services within Gondwanaland (inland freight), of nonresident transport operators and other payments to nonresident operators—apart from passenger services and freight services provided on imports and exports). This part should be completed by branch offices or principal agents for nonresident transport operators.

### Country

The country of residence of the nonresident operator should be recorded in several sections of form 8.

### Passenger Fares (Items 17 and 18)

Item 17 requests data on the value of ticket sales (less refunds) made by nonresident transport operators to Gondwanaland resident travelers. Item 18 requests information on passenger revenue earned by nonresident transport operators from tickets sold (irrespective of which operator sold the ticket) to residents of Gondwanaland. (A ticket sold by one operator may be used on another operator's service and thereby generate revenue for the second operator.) If your enterprise is a branch or agent of the first operator, the ticket sale should be reported in item 17. If your enterprise is a branch or agent of the second operator, the ticket sale should be reported in item 18. Fares should be recorded on a gross basis—that is, before deduction of commissions. Commissions paid by nonresident transport operators on ticket sales should be recorded in part A. Revenue includes earnings from the charter of transport equipment with crew (to carry passengers) and from accompanied luggage (excess baggage).

**Form 8—Transactions with Nonresident Transport Operators**

**Part A. Goods and Services Provided to Nonresident Transport Operators**  
(Report in thousands of Gondwanaland dollars)

	Total	Country of Residence of Operator (specify)				
		A	B	C	D	E
<b>Provided by Your Enterprise and Settlements Made Directly with Nonresidents</b>						
1. Fuel (bunkers)						
2. Provisions (catering)						
3. Loading and unloading charges (stevedoring)						
4. Port charges, taxes, and landing fees						
5. Agent fees on passenger ticket sales						
6. Other agent fees						
7. Advertising						
8. Other (please specify . . . . . )						
<b>Provided by Other Resident Enterprises and Settlements Made Through Your Enterprise</b>						
9. Fuel (bunkers)						
10. Provisions (catering)						
11. Loading and unloading charges (stevedoring)						
12. Port charges, taxes, and landing fees						
13. Agent fees on passenger ticket sales						
14. Other agents' fees						
15. Advertising						
16. Other (please specify . . . . . )						

**Part B. Passenger Revenue Earned by Nonresident Transport Operators from Carriage of Resident Travelers**  
(Report in thousands of Gondwanaland dollars)

	Total	Country of Residence of Operator (specify)			
		A	B	C	D
17. Passenger ticket sales (less refunds) made during the quarter by nonresident transport operators to resident travelers in the quarter					
18. Passenger fare revenue earned during the quarter by nonresident transport operators					

**Part C. Selected Earnings of Nonresident Transport Operators from Residents**  
(Report in thousands of Gondwanaland dollars)

	Total A	Country of Residence of Operator (specify)			
		B	C	D	E
19. Inland freight—that is, the carriage of goods, including those carried to and from the border, within Gondwanaland					
20. Mail					
21. Other (excluding freight, passenger, and charter services) Please specify: .....					

**Part D. Revisions to Previously Reported Data**

Please provide details of any significant revisions to data previously reported incorrectly.

.....  
 .....

**Part E. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name of the enterprise shown on the page one is correct./I have corrected the name and address on page one.
- Details of the contact person have been entered on page one.
- The information in parts A, B, and C has been completed in accordance with the instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part D.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....

LOGO

# Balance of Payments Survey Form 9—International Travel

Please correct any errors in this label.

<input type="text"/>
Reference number

Balance of Payments Division  
Gondwanaland Ministry of Statistics  
Archadia, 22003

Telephone (202) 623-7942  
Facsimile (202) 623-6460

<b>OFFICE USE ONLY</b>	
Rec.	_____
Edit	_____
Check	_____

## QUARTER ENDED MARCH 31, 1994

**Please read this first.**

**Collection authority** The *Statistics Act of Gondwanaland* requires that a representative of the enterprise to which this form is addressed must complete and return this form to the Gondwanaland Ministry of Statistics.

**Confidentiality** The *Statistics Act of Gondwanaland* also guarantees the confidentiality of the information provided via this form.

**Purpose of collection** This form collects information, which will be used in compiling Gondwanaland's balance of payments statistics, on international travel transactions. These statistics are published quarterly in *Gondwanaland: Balance of Payments and International Investment Position*, which is available from the Gondwanaland Ministry of Statistics.

**Instructions** Detailed notes are provided on page two. Questions commence on page three.

**Due date** Please return the completed form in the postage-paid envelope by **April 13, 1994**.

**Estimates** Some of the data requested may not be readily available from your records. In these cases, **careful estimates** will suffice.

**Assistance** For queries or assistance regarding this form, please call Mr. Fossum at (202) 623-7942.

**Thank you** Your cooperation is greatly appreciated. Accurate balance of payments statistics depend upon it.

**After you complete this form, please retain a copy for your records.**

Djebangari Robertson  
Gondwanaland Statistician

Person who should be contacted if any queries arise regarding this form:

Name: .....

Telephone number: (.....) .....

Area code

Title: .....

Facsimile number: (.....) .....

Area code

## Instructions for Completing Form 9—International Travel

### Reporting Instructions

Form 9 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

### Travelers

Travelers are persons who stay, for work and other purposes, in countries other than those in which they are residents. Normally, a person staying in a country for less than 12 months should be regarded as a traveler. Students and medical patients should, regardless of their length of stay in the host country, be regarded as travelers. Officials of foreign governments stationed at embassies and similar institutions are not regarded as travelers.

### Conversion to Gondwanaland Dollars

All values should be reported in thousands of Gondwanaland dollars. Foreign currencies should be converted to Gondwanaland dollars at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Structure of Form 9

Form 9 collects information on the international travel transactions of this enterprise and its Gondwanaland subsidiaries.

Part A should be completed by enterprises issuing travelers' checks and making settlements abroad for travelers' check transactions.

Part B should be completed by enterprises issuing credit and debit cards or by enterprises making settlements abroad for credit and debit card transactions.

Part C should be completed by tour wholesalers and enterprises making or receiving prepayments, advances, or travel settlements (apart from amounts settled with travelers' checks and credit and debit cards). Amounts for passenger fares for travel on international routes should be excluded.

Part D should be completed by hotels that provide lodging or other services to international travelers. Part D should include amounts received from supplementary hotel operations (such as gift shops) and amounts received from nonresident travelers and used to acquire, on behalf of these travelers, goods and services from other resident enterprises.

Part E should be completed by travel-related enterprises (such as restaurants, car rental agencies, gift shops, duty free shops, entertainment centers, casinos, etc.) providing, to nonresident travelers, goods and services for which settlements were made directly between the travel-related enterprise and nonresident travelers or enterprises. Payments passing through other resident enterprises (such as hotels) should be excluded.

### Country

In parts A, B, and C, you are requested to classify transactions by country of the nonresident counterparty. In parts D and E, you should report the country of residence of the nonresident traveler.

### Travelers' check and credit and debit card transactions

Travelers' checks and credit and debit card transactions should be recorded at the face value of the transaction. Any fees earned or paid abroad should be separately recorded.

## Form 9—International Travel

### Part A. Selected Travelers' Check Transactions (Report in thousands of Gondwanaland dollars)

	Total	Transactions by Country (specify)				
		A	B	C	D	E
1. Travelers' checks issued abroad by your enterprise and used in Gondwanaland during the quarter						
2. Travelers' checks issued in Gondwanaland by your enterprise and presented for collection by nonresident banks during the quarter						
3. Travelers' checks issued (less refunds) in Gondwanaland on behalf of nonresident banks during the quarter						
4. Travelers' checks issued abroad by other enterprises, purchased by your enterprise, and sent for collection to nonresident banks during the quarter						
5. Earnings from abroad on travelers' check transactions during the quarter						
6. Fees paid abroad for travelers' check transactions during the quarter						

### Part B. Selected Credit and Debit Card Transactions (Report in thousands of Gondwanaland dollars)

	Total	Transactions by Country (specify)				
		A	B	C	D	E
7. Expenditure by nonresident travelers in Gondwanaland during the quarter						
8. Expenditure by Gondwanaland residents traveling abroad during the quarter						
9. Earnings from abroad on credit and debit card transactions during the quarter						
10. Fees paid abroad on credit and debit card transactions during the quarter						

**Part C. Prepaid and Advance Purchase Tours and Other Travel Settlements**  
(Report in thousands of Gondwanaland dollars)

Amounts in respect of international airline travel should be excluded.

	Total	Transactions by Country (specify)				
		B	C	D	E	F
	A					
11. Amounts received from abroad during the quarter for prepaid and advance purchase tours						
12. Amounts paid abroad during the quarter for prepaid tours and advance purchase tours						
13. Amounts received from abroad during the quarter for other travel settlements (please specify ..... )						
14. Amounts paid abroad during the quarter for other travel settlements (please specify ..... )						
15. Commissions received from abroad during the quarter						
16. Commissions paid abroad during quarter						

**Part D. Nonresident Travelers Staying at Hotels**  
(Report in thousands of Gondwanaland dollars)

	Total	Country of Residence of Traveler (specify)				
		B	C	D	E	F
	A					
17. Number of nonresident travelers lodging at the hotel during the quarter						
18. Number of nights that nonresident travelers lodged at the hotel during the quarter						
19. Amount paid, during the quarter, for accommodation by nonresident travelers						
20. Amount paid, during the quarter, for other goods and services provided by the hotel to nonresident travelers						
21. Amount paid, during the quarter, by the hotel to other resident enterprises for goods and services provided to nonresident travelers						

**Part E. Other Purchases of Goods and Services by Nonresident Travelers**  
(Report in thousands of Gondwanaland dollars)

	Total	Country of Residence of Traveler (specify)				
		B	C	D	E	F
20. Value of goods and services that were provided, during the quarter, to nonresident travelers and for which payment was made directly by nonresident travelers or enterprises	A					

**Part F. Revisions to Previously Reported Data**

Please provide details of any significant revisions to data previously reported incorrectly.

.....

.....

**Part G. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name of the enterprise shown on the page one is correct./I have corrected the name and address on page one.
- Details about the contact person have been entered on page one.
- The information in parts A through E has been completed in accordance with the instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part F.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



## Instructions for Completing Form 10—International Services

### Reporting Instructions

Form 10 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

### Conversion to Gondwanaland Dollars

All values should be reported in thousands of Gondwanaland dollars. Foreign currencies should be converted to Gondwanaland dollars at the **midpoint** of the buy and sell rates applicable on the date of the transaction.

### Structure of Form 10

Form 10 collects quarterly information on selected international service transactions of this enterprise and its subsidiaries.

Parts A and B cover services (except insurance, transportation, and travel services) provided to and received from nonresidents. International insurance transactions should be reported in parts C, D, and E. (Details of transportation and travel transactions are collected through other survey forms.) Parts C and D should be completed by insurance enterprises; part E should be completed by all other enterprises engaging in insurance transactions.

### Country

Each question seeks information on country of transaction. Record the country of residence of the nonresident transactor.

### Services Included

Services, which are products other than tangible goods, include communications, advertising, accounting, and management consulting. Services do not include wages, profits, dividends, or interest. Transportation and travel services should not be included as information on these items is collected through other survey forms.

*Services provided to nonresidents* include those for which payment is made directly to your enterprise by a nonresident entity (including a foreign affiliate of your enterprise). Record services provided by your enterprise, its employees abroad, or some other resident entity on whose behalf your enterprise receives payment. Exclude services that are provided to nonresidents by your enterprise and paid for through other unrelated resident entities; however, report the names and addresses of these entities in your response to question 43.

*Services received from nonresidents* include all services provided by nonresidents and paid for directly by your enterprise, its subsidiaries, or its employees. Exclude services that are provided by nonresidents to your enterprise or its subsidiaries and paid for, on your behalf, by other unrelated resident entities; however, record the names and addresses of these entities in your response to question 43.

Because form 10 seeks information on transactions between residents and nonresidents, you should not report services provided to nonresidents by nonresident branches and subsidiaries of your enterprise. However, you should report services provided by your enterprise to related enterprises abroad and services provided by related enterprises abroad to your enterprise. If determinations between branch activities and head office activities prove difficult, or if you are uncertain about whether a particular transaction should be included, please call Mr. Fossum at (202) 623-7942 for assistance.

### Individual Service Categories

*Communications Services* These services include telecommunications (broadcasting, satellite, electronic mail, etc.), postal, courier, newspaper and magazine delivery services, etc.

*Construction and Installation Services* You should include construction and installation services provided on a short-term basis. Exclude long-term (one year or more) construction and installation projects undertaken abroad by your enterprise and long-term construction and installation activity undertaken in Gondwanaland by nonresidents for your enterprise. Also, exclude construction and installation services provided by nonresident branches and subsidiaries of your enterprise or construction services provided in Gondwanaland by Gondwanaland branches and subsidiaries of nonresident enterprises.

**Financial Services** These services include fees for intermediation services such as lending, financial leasing, letters of credit, bankers acceptances, lines of credit, foreign exchange transactions and travelers' check transactions; commissions and fees associated with security brokerage, placements of issues, underwriting, redemptions, swaps, options, and commodity futures; and portfolio and other financial management fees.

**Computer and Information Services** These services include data base development, storage, and on-line time series facilities; data processing, tabulation, processing services (on a time-share or specific basis), and processing management services; hardware consultancy; software design, development, and customized implementation and programming; maintenance and repair of computers and peripheral equipment; and news agency services.

**Royalties and License Fees** These include fees associated with the use of (and purchases and sale of) patents, copyrights, trademarks, industrial processes, franchises, etc. and licensing agreements associated with manuscripts, paintings, sculptures, etc.

**Trade-related Services** These services include commissions on goods and services associated with commodity brokerage, auction sales, sales of ships and aircraft, etc.

**Operational Leasing** Operational leasing includes leasing of machinery and equipment—other than transportation equipment with crew—and excludes items under financial lease.

**Research and Development** These activities include basic and applied research, laboratory and other services related to new products and material development (including computer components) associated with the physical and social sciences.

**Legal, Accounting, and Management Services** These services include legal advice, representation, and documentation; accounting, auditing, bookkeeping, and tax related services; planning, organization, cost projecting, and human resource management; and public relations.

**Advertising and Market Research** These activities include the design, creation, marketing, placement, and purchase of advertising; trade fair exhibition services; and promotion, market research, and public opinion polls.

**Architecture, Engineering, and Other Technical Services** These services include architectural design of urban and other development projects; planning, project design, and supervision of dams, bridges, airports, turnkey projects, etc.; and surveying, product testing and certification, and technical inspection services.

**Agricultural, Mining, and On-site Processing Services** These services include services associated with agricultural crops, e.g., protection against insects and disease, increasing of harvest yields, etc.; forestry services; mining-related services, e.g., analysis of ores, etc.; and on-site processing—other than processing involving goods that are or will be returned to the countries of origin.

**Other Business Services** These services include security and investigative services, translation and interpretation, photographic services, building cleaning, etc.

**Personal, Cultural, and Recreational Services** These services include fees received by actors, directors, and producers associated with the production of motion picture and television films; tapes and radio distribution rights sold to the media; and other cultural services (including those provided by museums, libraries, and orchestras) and sporting and other recreational services.

**Note:** Services, including education and health services, provided to nonresidents visiting Gondwanaland are considered to be travel services and should not be reported on this form.

**Insurance Transactions to be Reported in Parts C and D**

Parts C and D should be completed by insurance enterprises that engage in insurance and re-insurance transactions with nonresidents.

**Premiums earned** are premiums that are payable during current or previous quarters and cover risks incurred during the **current** quarter.

**Claims due** are claims that became due, in the **current** quarter, after the eventualities that gave rise to the claims.

In part D, details of *premiums paid and not yet earned* and *claims due but not yet paid* should be reported. For example, in items 36 and 38, columns A and E, details of the opening and closing positions, respectively, of *premiums paid but not yet earned* should be shown. In items 37 and 39, columns A and E, similar details in respect of *claims due but not yet paid* should be shown. Please verify that amounts recorded in column E equal columns A + B - C - D.

**Insurance Transactions to be Reported in Part E**

Details of insurance premiums and claims for insurance placed directly abroad by Gondwanaland residents (other than insurance enterprises) and by Gondwanaland insurance agents and brokers on behalf of Gondwanaland residents should be recorded. Insurance enterprises, unless such enterprises also act as brokers or agents, should not complete this part of the form. Enterprises that use a resident agent or broker to place insurance abroad should not report these transactions as the transactions will be reported by the broker or agent.

**Form 10—International Services**

**Part A. Selected Services Provided to Nonresidents**  
(Report in thousands of Gondwanaland dollars)

	Total	Transactions by Country (specify)				
		A	B	C	D	E
1. Communication						
2. Construction and installation						
3. Financial services						
4. Computer and information services						
5. Royalties and license fees						
6. Trade-related services						
7. Operational leasing						
8. Research and development						
9. Legal, accounting, and management consulting						
10. Advertising and market research						
11. Architecture, engineering, and other technical services						
12. Agricultural, mining, and on-site processing services						
13. Other business services						
14. Personal, cultural, and recreational services						
15. Other (specify . . . . . )						

**Part B. Selected Services Received from Nonresidents**  
 (Report in thousands of Gondwanaland dollars)

	Total A	Transactions by Country (specify)				
		B	C	D	E	F
16. Communication						
17. Construction and installation						
18. Financial services						
19. Computer and information services						
20. Royalties and license fees						
21. Trade-related services						
22. Operational leasing						
23. Research and development						
24. Legal, accounting, and management consulting						
25. Advertising and market research						
26. Architecture, engineering, and other technical services						
27. Agricultural, mining, and on-site processing services						
28. Other business services						
29. Personal, cultural, and recreational services						
30. Other (specify . . . . . )						





**Part H. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name of the enterprise shown on page one is correct./I have corrected the name and address on page one.
- Details about the contact person have been entered on page one.
- The information in parts A through F has been completed in accordance with the instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part G.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



**Balance of Payments Survey  
Form 11—Foreign Employees**

Please correct any errors in this label.

Reference number

□□□□□□□□□□

Balance of Payments Division  
Gondwanaland Ministry of Statistics  
Archadia, 22003

Telephone (202) 623-7942  
Facsimile (202) 623-6460

**OFFICE USE ONLY**  
Rec. \_\_\_\_\_  
Edit \_\_\_\_\_  
Check \_\_\_\_\_

**QUARTER ENDED MARCH 31, 1994**

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**Please read this first.**

**Collection authority** The *Statistics Act of Gondwanaland* requires that a representative of the enterprise to which this form is addressed must complete and return this form to the Gondwanaland Ministry of Statistics.

**Confidentiality** The *Statistics Act of Gondwanaland* also guarantees the confidentiality of the information provided via this form.

**Purpose of collection** This form collects information, which will be used in compiling Gondwanaland's balance of payments statistics, on foreign employees. These statistics are published quarterly in *Gondwanaland: Balance of Payments and International Investment Position*, which is available from the Gondwanaland Ministry of Statistics.

**Instructions** Reporting instructions are provided on page two. Questions commence on page three.

**Due date** Please return the completed form in the postage-paid envelope by **April 13, 1994**.

**Estimates** Some of the data requested may not be readily available from your records. In these cases, **careful estimates** will suffice.

**Assistance** For queries or assistance regarding this form, please call Mr. Fossum at (202) 623-7942.

**Thank you** Your cooperation is greatly appreciated. Accurate balance of payments statistics depend upon it.

**After you complete this form, please retain a copy for your records.**

Djebangari Robertson  
Gondwanaland Statistician

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Person who should be contacted if any queries arise regarding this form:

Name: .....

Telephone number: (.....) .....

Area code

Title: .....

Facsimile number: (.....) .....

Area code

## Reporting Instruction for Form 11—Foreign Employees

Form 11 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

Form 11 collects information on the *foreign employees* of your enterprise—that is, employees who are not nationals of Gondwanaland. Foreign employees may be working for wages and salaries, on contract, or employed as consultants. Those employed in Gondwanaland for 12 months or more are to be regarded as **residents** of Gondwanaland; those employed for less than 12 months are regarded as **nonresidents**. The following “rule of thumb” may be applied:

All foreign workers employed via contracts of 12 months or more, employed via renewable contracts, or previously employed by another enterprise in Gondwanaland should be regarded as residents; all others should be regarded as nonresidents.

Some of the information requested on page three of the form should be contained in the records of your enterprise; some may require estimation.

*Termination payments* (item 4) are payments likely to be repatriated abroad after being received by foreign employees upon termination of their employment. *Recruitment expenses abroad* (item 8) are any expenses incurred abroad by your enterprise in recruiting foreign employees.

## Form 11—Foreign Employees

### Part A. Compensation Paid to Foreign Employees and Associated Expenditures Incurred During the Quarter (Report in thousands of Gondwanaland dollars)

	Residents of Gondwanaland (specify country of nationality of workers)			Nonresidents (specify country of nationality of workers)		
	A	B	C	D	E	F
1. Number of foreign employees						
2. Wages and salaries paid:						
a. In cash						
b. In kind (such as food, housing, and other noncash benefits)	////////// //////////	////////// //////////	////////// //////////			
3. Employer's contribution to social security schemes	////////// //////////	////////// //////////	////////// //////////			
4. Termination payments						
5. Estimated expenditure by foreign employees in Gondwanaland	////////// //////////	////////// //////////	////////// //////////			
6. Estimated income taxes paid by foreign employees to the Gondwanaland government	////////// //////////	////////// //////////	////////// //////////			
7. Estimated remittances by employees to their countries of origin				////////// //////////	////////// //////////	////////// //////////
8. Recruitment expenses abroad						

### Part B. Revisions to Previously Reported Data

Please provide details of any significant revisions to data previously reported incorrectly.

.....  
 .....

### Part C. Final Questions

Please verify that the form has been correctly completed; mark the following boxes and strike inappropriate phrases.

- The name of the enterprise shown on page one is correct./I have corrected the name and address on page one.
- Details about the contact person have been entered on page one.
- The information in part A has been completed in accordance with the instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part B.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



## Instructions for Completing Form 12—Financial Claims on, and Liabilities to, Nonresidents

### Reporting Instructions

Form 12 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

*Foreign direct investment enterprises* are:

- nonresident branches and subsidiaries of your enterprise or its subsidiaries
- nonresident enterprises in which your enterprise or its subsidiaries have equity of 10 percent or more
- nonresident subsidiaries of nonresident associates of your enterprise or its subsidiaries.

A *nonresident direct investor* is a nonresident entity (or group of related nonresidents) that owns equity of 10 percent or more in this enterprise. Nonresident enterprises related to the nonresident direct investor are also considered nonresident direct investors in your enterprise. Common examples of nonresident direct investors are, foreign head offices (for branches) and foreign parent companies (for subsidiaries). An enterprise may have more than one direct investor, and these direct investors may reside in different countries. An investor need not have the largest shareholding to be considered a direct investor.

*Other nonresidents* are those that are not direct investors or direct investment enterprises.

The definitions and treatments of direct investment are complex. If you are uncertain about the application of definitions, please call Mr. Fossum at (202) 623-7942 for assistance.

### Structure of Form 12

Form 12 collects quarterly information regarding the financial claims of your enterprise and its subsidiaries on nonresidents and the liabilities of your enterprise and its subsidiaries to nonresidents. The form requests data on positions (stocks), financial transactions, reconciliation items (other changes in stocks), income, and associated financial fees and withholding taxes.

Form 12 consists of eight parts. Part A collects basic data on financial assets; part B collects information on financial assets classified by country of the nonresident debtor. Parts C and D collect similar data for liabilities. Part E collects information on financial fees and withholding taxes; part F collects information on the valuation of direct investment; and parts G and H collect information on retained earnings and profits.

### Financial Instruments

**Equity** includes stocks (shares) and other equity, such as investment in branches. Non-voting preferred stock (preference shares) should be recorded under *bonds*.

**Bonds and money market instruments** include bonds, debentures, commercial paper, promissory notes, certificates of deposit, and other tradeable nonequity securities other than financial derivatives. Bonds include instruments issued with original maturities of more than 12 months. Instruments with original maturities of 12 or fewer months are included in money market instruments. In parts B and D, bonds and money market instruments should be included in the **bonds, etc.** category.

**Financial derivatives** include all tradeable financial derivatives or secondary market instruments such as options, futures, and forward contracts. In parts B and D, financial derivatives should be included in the **bonds, etc.** category.

**Loans** include loans and financial leases. Long-term loans are those with original maturities of more than 12 months.

**Deposits** include checking accounts, savings accounts, and other time deposits.

**Trade credits** are commercial credits extended by exporters to importers and prepayments made by importers to exporters.

**Other** includes all other financial assets and liabilities, such as arrears.

## Position, Transactions, Other Changes, and Income

**Opening position** refers to the value of the claims (part A) and liabilities (part C) of your enterprise and its subsidiaries at the beginning of the quarter. The opening positions you report should agree with the closing positions you reported for the previous quarter. If this is not the case, details should be given in part I. The **closing position** refers to the value of the claims and liabilities of your enterprise and its subsidiaries at the end of the quarter.

**Financial transactions** are transactions relating to the acquisition or disposal of your enterprise's financial claims on, or liabilities to, nonresidents. Purchases of stock made by your enterprise (and its subsidiaries) in nonresident companies, purchases of your enterprise's shares by nonresidents, issuances and purchases of bonds, increased deposits in bank accounts, and drawdowns of loans are examples of transactions that increase assets or liabilities. Sales of stock by your enterprise (and its subsidiaries) in nonresident companies, sales of your enterprise's shares by nonresidents, redemptions and sales of bonds, withdrawals from bank accounts, and repayments of loans are examples of transactions that decrease assets or liabilities.

**Income** refers to: (1) income receivable by your enterprise from its ownership of claims on nonresidents; and (2) income payable by your enterprise as a result of its liabilities to nonresidents. The most common forms of income are *dividends*, *remittances of profit*, and *interest*.

*Dividends and remittances of profit* refer to income earned from the ownership of stock (shares) or equivalent equity interest in enterprises. These amounts should be recorded on the basis of dividend (or remittance) payments dates. *Interest* relates to income earned from the ownership of financial assets other than equity assets. Income includes discounts. A discount is the difference between the value of a financial instrument when it issued and its final redemption value. Interest should be recorded on an accrual basis. The difference between income accrued and income payable should be recorded as a financial transaction in the instrument to which the interest relates. Any interest in arrears should be recorded as a financial transaction in the **other** category of financial instruments. If you are unsure how to record these types of transactions, please contact Mr. Fossum at (202) 623-7942.

For direct investments (see definition provided previously), income relating to reinvested earnings should be excluded from parts A through D. This type of income is reported in parts G and H. (See the subsequent instruction for completing these parts.)

## Valuation

All values should be reported in thousands of Gondwanaland dollars. Please convert amounts expressed in foreign currencies to Gondwanaland dollars.

**Financial transactions** and **income** denominated in foreign currencies should be converted to Gondwanaland dollars by using the **midpoint** of the appropriate buy and sell rates applicable on the date of the transaction. Financial transactions and income should be recorded on a *gross basis*—that is, before the deduction of commissions, brokerage fees, and withholding taxes, which are to be recorded in part E.

**Positions** denominated in foreign currencies should be converted to Gondwanaland dollars at the **midpoint** of the appropriate buy and sell exchange rates applicable on the reference dates.

All valuations should be made at **market values**. For valuing equity positions at market value, one of the following methods, which are listed in order of preference, may be used:

- the midpoint of the stock market buy and sell rates on the reference date
- a recent transaction value
- directors' value
- net asset value

Net asset value equals total assets, including intangibles, less liabilities and the paid-up value of non-voting stock. Assets and liabilities should be recorded at current, rather than historical, values.

### Relationships Between Data Items

Information reported in parts A and C should reflect the following relationships:

<b>closing position</b>	=	opening position + change in position
<b>change in position</b>	=	net financial transactions + other changes
<b>net financial transactions</b>	=	<i>increases</i> (transactions relating to the acquisition of assets or liabilities) - <i>decreases</i> (transactions relating to the disposal of assets or liabilities)
<b>other changes</b>	=	valuation changes (caused by exchange rate changes, market price changes, and write-downs) + residuals (caused by reclassification of items and arithmetical errors)

Amounts reported in parts B and D should be consistent with relevant amounts in parts A and C, respectively. For example, the sum of claims on direct investors shown in column A, part B should equal item 1.D in part A.

### Liabilities Held by Resident Nominees and Other Financial Intermediaries on Behalf of Nonresidents

Certain liabilities (such as securities issued in Gondwanaland) of your enterprise may be held by nonresidents through financial intermediaries in Gondwanaland, and the details of these liabilities may not be known to you. Information on these liabilities is collected from the financial intermediaries. If you are unsure what exactly to report on this form, please contact Mr. Fossum at (202) 623-7942.

### Treatment of Transactions with Related Banks

All financial transactions and positions with related banks (except for equity transactions and permanent debt) should be included as claims on, or liabilities to, other nonresidents rather than as claims on, or liabilities to, direct investors or direct investment enterprises.

### Treatment of Hedges

Financial instruments that are hedged by the use of derivatives (such as currency swaps) should be recorded according to the terms of the contract and without regard to the hedge. The details of the hedge, if it is with a nonresident, should be reported under the financial derivative instrument. For example, for a long-term loan that is the subject of a swap, information on the *unhedged* position, principal repayments, and interest should be recorded in the appropriate columns for long-term loans. The market value of the swap and the actual payments on the swap agreement should be recorded under the appropriate position, transaction, and interest columns in the row for financial derivatives. If you are unsure how to report hedges on this form, please contact Mr. Fossum at (202) 623-7942.

### Country classification

**Country** refers to the country of residence of the creditor or debtor. In parts B and C, if the opening and closing positions for particular countries are less than \$G1 million, the amounts relating to these countries may be consolidated and attributed to the largest country.

Transactions with international institutions, such as the Asian Development Bank, should be recorded as *INT. INST.*

## **Retained Earnings (Parts G and H)**

Parts G and H seek information on retained earnings. Part G should be completed for the foreign direct investment enterprises of your enterprise (and its subsidiaries), and part H should be completed in respect of your enterprise. Part H should be completed only if your enterprise has nonresident direct investors.

**Operating profit** is profit from the operations of enterprises. When operating profit is calculated, depreciation should be determined on the basis of replacement cost. Exchange rate gains and losses, special tax provisions (such as accelerated depreciation), and any extraordinary items should be excluded from the calculation.

**Net income received** equals interest, dividends, and any undistributed profits from the ownership of subsidiaries and associates attributable to the enterprise(s) concerned, less interest payable by the enterprise(s).

**Taxes** on profits should be recorded when due and without penalty.

## Form 12—Financial Claims on, and Liabilities to, Nonresidents

**Part A. Claims on Nonresidents**  
(Report in thousands of Gondwanaland dollars)

	Opening Position  A	Change in Position					Closing Position  G	Income  H
		Transactions			Other Changes			
		Increases B	Decreases C	Net D	Exchange Rate E	Other F		
<b>Claims on Direct Investment Enterprises</b>								
1. Equity								
2. Other (a)								
<b>Claims on Direct Investors</b>								
3. Equity								
4. Other (a)								
<b>Claims on Other Nonresidents</b>								
5. Equity								
6. Bonds								
7. Money market instruments								
8. Long-term loans								
9. Short-term loans								
10. Deposits								
11. Financial derivatives								
12. Trade credits								
13. Other								
14. Total claims								

(a) For banks' claims on nonresident banks, include permanent debt only. (Other nonequity claims of banks on nonbanks should be reported in the appropriate item in *Claims on Other Nonresidents*.) For nonbanks' claims on nonresidents and banks' claims on nonresident nonbanks, include bonds, notes, money market instruments, financial derivatives, loans, trade credits, and other claims.

**Part B. Claims on Nonresidents by Country of Nonresident Debtor**  
(Report in thousands of Gondwanaland dollars)

Country of Debtor (specify)	Net Transactions			Closing Position			Income		
	Equity A	Bonds, etc. (a) B	Other C	Equity D	Bonds, etc. (a) E	Other F	On Equity G	On Bonds, etc. (a) H	On Other I
<b>Claims on Direct investment Enterprises</b>									
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
<b>Claims on Direct Investors</b>									
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
<b>Claims on Other Nonresidents</b>									
<b>Total claims</b>									

- (a) The category includes bonds, money market instruments, and financial derivatives.
- (b) Please include amounts relevant to these instruments in the *other* instruments column.

**Part C. Liabilities to Nonresidents**  
(Report in thousands of Gondwanaland dollars)

	Opening Position  A	Change in Position					Closing Position  G	Income  H
		Transactions			Other Changes			
		Increases  B	Decreases  C	Net  D	Exchange Rate  E	Other  F		
<b>Liabilities to Direct Investors</b>								
1. Equity								
2. Other (a)								
<b>Liabilities to Direct Investment Enterprises</b>								
3. Equity								
4. Other (a)								
<b>Liabilities to Other Nonresidents</b>								
5. Equity								
6. Bonds								
7. Money market instruments								
8. Long-term loans								
9. Short-term loans								
10. Deposits								
11. Financial derivatives								
12. Trade credits								
13. Other								
14. Total liabilities								

(a) For banks' liabilities to nonresident banks, include permanent debt only. (Other nonequity liabilities of banks to nonresident banks should be reported in the appropriate item in *Liabilities to Other Nonresidents*.) For nonbanks' liabilities to nonresidents and banks' liabilities to nonresident nonbanks, include bonds, notes, money market instruments, financial derivatives, loans, trade credits, and other liabilities.

**Part D. Liabilities to Nonresidents by Country of Nonresident Creditor**  
(Report in thousands of Gondwanaland dollars)

Country of Creditor (specify)	Net Transactions			Closing Position			Income		
	Equity A	Bonds, etc. (a) B	Other C	Equity D	Bonds, etc. (a) E	Other F	On Equity G	On Bonds, etc. (a) H	On Other I
<b>Liabilities to Direct Investors</b>									
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
<b>Liabilities to Direct Investment Enterprises</b>									
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
		(b)			(b)			(b)	
<b>Liabilities to Other Nonresidents</b>									
<b>Total claims</b>									

- (a) The category includes bonds, money market instruments, and financial derivatives.  
(b) Please include amounts relevant to these instruments in the *other* instruments column.

**Part E. Fees for Financial Services and Withholding Taxes**  
 (Report in thousands of Gondwanaland dollars)

	Total	Country of Nonresident Party (specify)					
<b>Fees for Financial Services</b>							
Receivable from nonresidents							
Payable to nonresidents							
<b>Withholding Taxes</b>							
Paid by your enterprise, on behalf of nonresidents, to the Gondwanaland government							
Paid by nonresidents, on behalf of your enterprise, to foreign governments							

**Part F. Valuation of Direct Investment Equity**

Please record the method of valuation (e.g., stock market valuation of shares, a recent transactions value, directors' valuations, net asset value based on current values, net asset value based on book values) used in part A, item 1G and part C, item 1G.

Part A item 1G .....  
 Part C item 1G .....

What were the corresponding book values?

Part A item 1G	\$G'000	<input type="text"/>
Part C item 1G	\$G'000	<input type="text"/>

**Part G. Retained Earnings of Foreign Direct Investment Enterprises**  
 (For all items except 5, report in thousands of Gondwanaland dollars.)

	Country of Residence of Direct Investment Enterprise (specify)				
1. Operating profit plus net income during quarter					
2. Taxes (on profits) due for payment during quarter					
3. Dividends paid or profits remitted during quarter					
4. Retained earnings (1 - 2 - 3)					
5. Percentage equity owned by reporting enterprise at end of period (%)					
6. Retained earnings attributable to reporting enterprise (4 * 5 / 100)					

**Part H. Retained Earnings of Reporting Enterprise**  
 (For all items except 5, report in thousands of Gondwanaland dollars.)

*This section should be completed only by enterprises having nonresident direct investors.*

	Total for All Shareholders	Country of Residence of Nonresident Direct Investors (specify)		
1. Operating profit plus net income during quarter		//////////	//////////	//////////
2. Taxes (on profits) due for payment during quarter		//////////	//////////	//////////
3. Dividends paid or profits remitted during quarter		//////////	//////////	//////////
4. Retained earnings (1 - 2 - 3)		//////////	//////////	//////////
5. Percentage of equity owned by direct investors at end of period (%)	////////// //////////			
6. Retained earnings attributable to reporting enterprise (4 * 5 / 100)	////////// //////////			

**Part I. Revisions to Previously Reported Data**

Please provide details of any significant revisions to data previously reported incorrectly.

.....  
.....

**Part J. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name of the enterprise shown on page one is correct./I have corrected the name and address on page one.
- Details about the contact person have been entered on page one.
- The questions answered cover all the external assets and liabilities of the enterprise named on page one and its subsidiaries in Gondwanaland./The following activities have not been included: .....
- In parts A and C, row 14 has been completed and for all completed rows, the change in position (columns G-A) equals net transactions (column D = B - C) plus other changes (columns E + F).
- In part B, the total claims row has been completed, and the information reported corresponds with information reported in part A. For example, the total of column A in part B should equal the sum of items 1D, 3D, and 5D in part A.
- In part D, the total liabilities row has been completed, and the information reported corresponds with information reported in part C. For example, the total of column A in part D should equal the sum of items 1D, 3D, and 5D in part C.
- The country columns information in part E sums to the total column.
- The information in part F has been completed.
- Parts G and H have been completed in accordance with the instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part I.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



## Instructions for Completing Form 13—International Securities

### Reporting Instructions

Form 13 should be completed for the enterprise (and any subsidiaries in Gondwanaland) listed on page one of the form—unless different arrangements have been made with the Gondwanaland Ministry of Statistics.

### Residents and Nonresidents

A *nonresident* is any individual, enterprise, or other organization ordinarily domiciled in a country other than Gondwanaland. Gondwanaland branches and subsidiaries of nonresident companies are *residents* of Gondwanaland. Similarly, foreign branches and subsidiaries of Gondwanaland companies are nonresidents.

### Conversion to Gondwanaland Dollars

All values should be reported in thousands of Gondwanaland dollars. Please convert amounts in foreign currencies to Gondwanaland dollars. All amounts for financial transactions, income, fees, and withholding taxes should be converted at the **midpoint** of the buy and sell rates applicable on the date of the transaction; all amounts for opening and closing positions should be reported at the **midpoint** of the buy and sell rates applicable on the reference dates.

### Structure and Scope of Form 13

Form 13 sets out information that should be reported quarterly by this enterprise in respect of international security transactions undertaken on its own account or on behalf of clients. As arranged with your enterprise, information in respect of parts A and B should be supplied on computer print out, magnetic tape, or disk and accompanied by completed parts C through E of form 13.

In part A, you should report details on securities issued in Gondwanaland (a) by residents and held or traded by your enterprise on behalf of nonresident clients and (b) by nonresidents and held or traded by your enterprise on behalf of resident clients or on your own account. In part B, you should report details on securities issued abroad (a) by residents and held or traded by your enterprise on behalf of nonresident clients; (b) by nonresidents and held or traded by your enterprise on behalf of resident clients or on your own account, and (c) by residents and held or traded by your enterprise on behalf of resident clients or on your own account. For all categories, separate details should be reported for each unique security reference number (column A) and owner code (column B) combination. If you are unsure what should actually be reported, please contact Mr. Fossum at (202) 623-7942.

In part C, you should report details of your enterprise's claims on, or liabilities to, nonresident clients in respect of accounts outstanding for security transactions, income, fees, etc.

### Security Reference Numbers and Owner Codes

A standard security reference number should be used for each security. When such numbers do not exist—particularly for securities issued abroad—you should create your own codes and provide a list of these codes to the Gondwanaland Ministry of Statistics. The list should show, for each code, the type of security, the country of issue, the currency of denomination, the industry (activity) of the issuer, and the sector (international institution, government, central bank, other bank, other) of the issuer. (International institutions are organizations, such as Asian Development Bank and the European Investment Bank, whose members are governments.)

The nonresident owner code should consist of four digits. The first digit of the code should describe the sector of the nonresident client (1-international institution, 2-government, 3-central bank, 4-other bank, and 5-other). The last three characters should be the country of residence code of the nonresident client. Country codes are provided at the conclusion of these instructions.

The resident owner code should be four-digit alpha numeric code that is determined by your organization. A separate code should be allocated to each enterprise (business) client. A list of these codes, showing the industry (activity) and sector (government, central bank, other bank, and other) of each owner should be provided to the Gondwanaland Ministry of Statistics. Clients who are individuals rather than enterprises should be assigned the code *HOUS*.

## **Positions, Transactions, Other Changes, Income, Fees, and Withholding Taxes**

The information reported in parts A, B, and C should have the following relationships:

$$\text{Closing Position} = \text{Opening Position} + \text{Financial Transactions} + \text{Other Changes.}$$

**Market prices** prevailing at the reference dates should be used to calculate opening and closing positions.

**Financial transactions** are transactions relating to the acquisition (including issues) or disposal (including redemptions) of a security. Financial transactions should be recorded before the deduction of fees.

**Other changes** are valuation changes, such as those caused by exchange rates (in the case of securities denominated in foreign currencies) and market price changes.

**Income** refers to *dividends* and *interest*. Dividends should be recorded when due for payment. Interest includes discounts. A discount is the difference between the value of a financial instrument when it is issued and its final redemption value. Interest should be recorded on an accrual basis. The difference between income accrued and income payable should be recorded as a financial transaction in the instrument to which the interest relates. If you are unsure how to record these types of transactions, please contact Mr. Fossum at (202) 623-7942.

Income should be recorded before the deduction of any fees and withholding taxes.

**Fees** are amounts payable by nonresident clients for services provided by your enterprise.

**Withholding Taxes** refer to—in the case of securities issued by residents—taxes payable to the Gondwanaland government by your enterprise on behalf of nonresident clients and—in the case of securities issued by nonresidents—taxes withheld by foreign governments on securities held by your enterprise on behalf of resident clients or on your own account.

### **Country codes**

[A country code list should be supplied by the compiler.]

**Instructions for Completing Form 13—International Securities**

**Part A. Securities Issued in Gondwanaland**  
 (Report in thousands of Gondwanaland dollars)

Reference Number	Owner Code	Opening Position	Financial Transactions				Other Changes	Closing Position	Income	Fees	Withholding Taxes
			Issues	Redemptions	Purchases	Sales					
A	B	C	D	E	F	G	H	I	J	K	L
<b>(a) Securities Issued by Residents and Owned by Nonresidents</b>											
<b>(b) Securities Issued by Nonresidents and Owned by Residents</b>											
										//////////	
										//////////	
										//////////	
										//////////	
										//////////	

**Part B. Securities Issued Abroad**  
(Report in thousands of Gondwanaland dollars)

Reference Number A	Owner Code B	Opening Position C	Financial Transactions				Other Changes H	Closing Position I	Income J	Fees K	Withholding Taxes L
			Issues D	Redemptions E	Purchases F	Sales G					
<b>(a) Securities Issued by Residents and Owned by Nonresidents</b>											
<b>(b) Securities Issued by Nonresidents and Owned by Residents</b>											
										//////////	
										//////////	
										//////////	
										//////////	
<b>(c) Securities Issued by Residents and Owned by Residents</b>											
										//////////	//////////
										//////////	//////////
										//////////	//////////
										//////////	//////////

Supplementary item: Fees collected from nonresidents not included in parts A or B above      \$G'000

**Part C. Claims on, and Liabilities to, Nonresident Clients**  
(Report in thousands of Gondwanaland dollars)

Country of Nonresident Client (specify) A	Opening Position B	Transactions C	Other Changes D	Closing Position E
<b>Claims on Nonresidents</b>				
<b>Liabilities to Nonresidents</b>				

**Part D. Revisions to Previously Reported Data**

Please provide details of any revisions to data previously reported incorrectly.

.....  
 .....

**Part E: Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name of the enterprise shown on the page one is correct./I have corrected the name and address on page one.
- Details about the contact person have been entered on page one.
- The questions answered cover all the security activities of the enterprise named on page one./The following activities have not been included: .....
- The information in parts A, B, and C of the form has been completed in accordance with instructions.
- There are no significant revisions to data for previous periods./Details of significant revisions to data for previous periods have been included in part D.
- I have kept a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



**Form 14—Embassies and International Institutions**

**Part A. Average Number of Staff Employed During the Quarter**

1. Diplomatic, consular, and other foreign staff	
2. Locally engaged staff (whether or not Gondwanaland citizens)	

**Part B. Operating and Capital Expenditure in Gondwanaland During the Quarter**  
(Report, except for item 4(b), in thousands of Gondwanaland dollars.)

3. Local staff	
(a) Wages and salaries paid to local staff (including payments in kind and before deduction of income taxes)	
(b) Employer's contribution to social security	
4. Diplomatic, consular, and other foreign staff	
(a) Wages and salaries paid to staff (including any expenses paid on behalf of staff directly by your organization to other organizations in Gondwanaland)	
(b) Of the amount recorded in (a), what percentage do you estimate was spent in Gondwanaland?	
5. Other operating expenditure in Gondwanaland (Include expenditure on office supplies and equipment, fuel and utilities—such as electricity and telephone services, rates, rents, official entertainment expenses, and rental and operation of cars.)	
6. Capital expenditure in Gondwanaland	
(a) Purchase of land	
(b) Purchase of buildings and expenditure on construction and improvements to buildings	
(c) Other (please specify) .....	
7. Other (please specify) .....	

**Part C. Capital Receipts in Gondwanaland During the Quarter**  
(Report in thousands of Gondwanaland dollars)

8. (a) Sales of land	
(b) Sales of buildings	
(c) Other (please specify) .....	

**Part D: Grants and Other Assistance Provided to Gondwanaland During the Quarter**  
(Report in thousands of Gondwanaland dollars)

9. Official cash grants	
(a) Recurrent expenditure	
(b) Project financing	
(c) Other (specify) .....	
10. Other official grants	
(a) Goods	
(b) Technical assistance	
(c) Education scholarships	
(d) Other services	
(d) Other (please specify) .....	
11. Military assistance (please specify) .....	
12. (To be completed by embassies only) Estimated value of grants and aid provided to Gondwanaland by private institutions (such as foreign development assistance agencies, humanitarian organizations, and churches) in your country	

**Part E. Official Loans to Residents of Gondwanaland**  
(Report in thousands of currency units)

Name of Borrower	Currency of Loan	Position at Beginning of Quarter	Drawings During the Quarter	Repayments During the Quarter	Other Changes in Position	Position at End of the Quarter	Interest
A	B	C	D	E	F	G	H
<b>Loans</b>							
<b>Arrears</b>							

Please note: Repayments and interest due during the quarter and not paid should be shown under **Loans** as *repayments* and *interest* and under **Arrears** as *drawings*.

Please supply details of any amounts reported in column F. ....  
.....

**Part E. Revisions to Previously Reported Data**

Please provide details of any significant revisions to data previously reported incorrectly.

.....  
.....

**Part F. Final Questions**

Please verify that the form has been correctly completed; mark the following boxes and strike out inappropriate phrases.

- The name and address shown on the page one is correct./I have corrected the name and address on page one.
- Details about the contact person have been entered on page one.
- Parts A through D of the form have been completed.
- In part D, amounts in column G = amounts in columns C + D - E + F./Amounts due but not paid for loan repayments and interest have been reported as per instruction./Amounts in column F have been explained.
- There are no significant revisions to data for previous periods/Details of significant revisions to data for previous periods have been included in part E.
- I have made a copy of this form for my records.

Name of person completing this form: .....

Signature: .....



**Balance of Payments Survey  
Form 15—Travel**

Balance of Payments Division  
Ministry of Statistics

Please read this first.

**Collection authority** The *Statistics Act of Gondwanaland* authorizes the collection of information via this form by the Gondwanaland Ministry of Statistics.

**Confidentiality** The *Statistics Act of Gondwanaland* also guarantees the confidentiality of the information provided via this form.

**Purpose of collection** This form collects information, which will be used in compiling Gondwanaland's balance of payments statistics, on the expenditure of nonresident travelers in Gondwanaland.

**Instructions** Please respond to all the questions on form 15. When you have completed the form, please place it in the blue bin that is labeled *Gondwanaland Ministry of Statistics—Traveler Survey* and located in the departure hall. A staff member from the ministry will be standing beside this bin to answer any questions you may have.

**Estimates** If you do not know the exact amounts requested for the form, please provide your best estimates.

**Thank you** Your cooperation is greatly appreciated. Accurate balance of payments statistics depend upon it. We trust you had a pleasant stay in Gondwanaland.

Djebangari Robertson  
Gondwanaland Statistician

You have the option of reporting either in respect of yourself or in respect of a group of travelers.

Travelers who are accompanied by children (persons under the age of 18) should include the travel expenditure associated with these children.

1. Are you completing this return in respect of yourself only or in respect of a group of travelers?

Self only—please go to question 3.

Group—please go to question 2.

2. a. How many people are in your group?


b. How many of these persons are under 18 years of age?

--

3. In which country do you normally reside?

4. What was the purpose of your visit to Gondwanaland?

Business

Personal

5. a. How many nights did you stay in Gondwanaland?


b. How many of these nights did you spend in lodgings that were paid for?

6. Please record, in Gondwanaland dollars, your travel expenditure in Gondwanaland. Include amounts paid on your behalf by other nonresidents, such as your employer.

Type of Expenditure	Amount (in Gondwanaland dollars)
(a) Prepaid expenditures (Include any amounts spent, prior to your arrival, on your trip to Gondwanaland.)	
(b) Accommodation	
(c) Food and beverages	
(d) Entertainment	
(e) Souvenirs and other goods that you are taking out of Gondwanaland	
(f) Transportation <i>within</i> Gondwanaland	
(g) Gifts for persons residing in Gondwanaland	
(g) Other expenditure, excluding international transportation, in Gondwanaland (please specify) .....	
Total expenditure in Gondwanaland	

7. Does any of the amount reported in question 6(a) relate to international transportation?

Yes                       No

8. Please record any earnings and other amounts you *received* from Gondwanaland residents while traveling in Gondwanaland.

Source of Receipts	Amount (in Gondwanaland dollars)
(a) Earnings from employment by Gondwanaland enterprises	
(b) Interest on bank accounts with Gondwanaland banks	
(c) Gifts from Gondwanaland residents	
(d) Other (please specify) .....	
Total amounts received while in Gondwanaland	

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## **Appendix III. Model Balance of Payments Publication Tables**

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**Table P1 Balance of Payments Summary**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Current account</i>										
Exports f.o.b.										
Imports f.o.b.										
Goods balance										
Services credit										
Services debit										
Services balance										
Income credit										
Income debit										
Income balance										
Transfers credit										
Transfers debit										
Transfers balance										
Current account balance										
<i>Capital account</i>										
Credits										
Debits										
Capital account balance										
<i>Financial account</i>										
Direct investment										
Abroad										
In reporting country										
Portfolio investment										
Assets										
Liabilities										
Other investment										
Assets										
Liabilities										
Reserves										
Financial account balance										
Net errors and omissions										
Memorandum items:										
Reserves at end of period										
Change in reserves during period										
Of which: non-transactions										
Transactions in liabilities constituting foreign authorities' reserves										
Exceptional financing transactions										
Exchange rates—unit of account to										
U.S. dollar:										
Period average										
Period end										

**Table P2 Balance of Payments Goods Account**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Exports f.o.b.</i>										
General merchandise										
Goods for processing										
Repairs on goods										
Goods procured in ports by carriers										
Nonmonetary gold										
Total exports f.o.b.										
Of which:										
Food and live animals										
Beverages and tobacco										
Crude materials, inedible (except fuels)										
Mineral fuels, lubricants, and related materials										
Animal and vegetable oils, fats, and waxes										
Chemicals and related products										
Manufactured goods classified chiefly by material										
Machinery and transport equipment										
Miscellaneous manufactured articles										
Commodities n.e.s.										
<i>Imports f.o.b.</i>										
General merchandise										
Goods for processing										
Repairs on goods										
Goods procured in ports by carriers										
Nonmonetary gold										
Total imports f.o.b.										
Of which:										
Food and live animals										
Beverages and tobacco										
Crude materials, inedible (except fuels)										
Mineral fuels, lubricants, and related materials										
Animal and vegetable oils, fats, and waxes										
Chemicals and related products										
Manufactured goods classified chiefly by material										
Machinery and transport equipment										
Miscellaneous manufactured articles										
Commodities n.e.s.										
Memorandum items:										
Exports as recorded in ITS										
BOP adjustments										
Imports as recorded in ITS										
BOP adjustments										

**Table P3 Balance of Payments Services Account**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Services credits</i>										
Transportation										
Travel										
Communications										
Construction										
Insurance										
Financial										
Computer and information										
Royalties and license fees										
Other business										
Personal, cultural, and recreational										
Government, n.i.e.										
<i>Services debits</i>										
Transportation										
Travel										
Communications										
Construction										
Insurance										
Financial										
Computer and information										
Royalties and license fees										
Other business										
Personal, cultural, and recreational										
Government, n.i.e.										

**Table P4 Balance of Payments Income Account**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Income credits</i>										
Compensation of employees										
Investment income										
Direct investment										
Income on equity										
Dividends and distributed profits										
Reinvested earnings										
Income on debt										
Portfolio investment										
Income on equity										
Income on debt										
Other investment										
<i>Income debits</i>										
Compensation of employees										
Investment income										
Direct investment										
Income on equity										
Dividends and distributed profits										
Reinvested earnings										
Income on debt										
Portfolio investment										
Income on equity										
Income on debt										
Other investment										

**Table P5 Balance of Payments Current Transfers Account**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Current transfer credits</i>										
General government										
Other sectors										
Workers' remittances										
Other										
<i>Current transfer debits</i>										
General government										
Other sectors										
Workers' remittances										
Other										

**Table P6 Balance of Payments Capital Account**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Capital transfer credits</i>										
General government										
Debt forgiveness										
Other										
Other sectors										
Migrants' transfers										
Debt forgiveness										
Other										
<i>Capital transfer debits</i>										
General government										
Debt forgiveness										
Other										
Other sectors										
Migrants' transfers										
Debt forgiveness										
Other										
<i>Acquisition and disposal of non-produced, nonfinancial assets</i>										
Credits										
Debits										
Balance										

**Table P7 Balance of Payments Financial Account**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Foreign financial assets*</i>										
Of which:										
Equity instruments										
Debt instruments										
Direct investment abroad*										
Equity										
Reinvested earnings										
Other direct investment										
Portfolio investment										
Equity securities										
Debt securities										
Bonds and notes										
Money market instruments										
Financial derivatives										
Other investment										
Trade credits										
Loans										
Currency and deposits										
Other assets										
Reserve assets										
Monetary gold										
Special drawing rights										
Reserve position in the Fund										
Foreign exchange										
Other claims										
<i>Foreign liabilities*</i>										
Of which:										
Equity instruments										
Debt instruments										
Direct investment in country*										
Equity										
Reinvested earnings										
Other direct investment										
Portfolio investment										
Equity securities										
Debt securities										
Bonds and notes										
Money market instruments										
Financial derivatives										
Other investment										
Trade credits										
Use of Fund credit and loans from the Fund										
Other loans										
Currency and deposits										
Other liabilities										

\*As shown in this table, direct investment abroad is a proxy for direct investment assets, and direct investment in the host country is a proxy for direct investment liabilities; alternative presentations are possible. Therefore, external assets and liabilities are not presented on a strict asset and liability basis.

**Table P8 Balance of Payments International Investment Position**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Foreign financial assets*</i>										
Of which:										
Equity instruments										
Debt instruments										
Direct investment abroad*										
Equity										
Reinvested earnings										
Other direct investment										
Portfolio investment										
Equity securities										
Debt securities										
Bonds and notes										
Money market instruments										
Financial derivatives										
Other investment										
Trade credits										
Loans										
Currency and deposits										
Other assets										
Reserve assets										
Monetary gold										
Special drawing rights										
Reserve position in the Fund										
Foreign exchange										
Other claims										
<i>Foreign liabilities*</i>										
Of which:										
Equity instruments										
Debt instruments										
Direct investment in country*										
Equity										
Reinvested earnings										
Other direct investment										
Portfolio investment										
Equity securities										
Debt securities										
Bonds and notes										
Money market instruments										
Financial derivatives										
Other investment										
Trade credits										
Use of Fund credit and loans from the Fund										
Other loans										
Currency and deposits										
Other liabilities										
<i>Net international investment position</i>										
Of which:										
Equity instruments										
Debt instruments										

\*As shown in this table, direct investment abroad is a proxy for direct investment assets, and direct investment in the host country is a proxy for direct investment liabilities; alternative presentations are possible. Therefore, external assets and liabilities are not presented on a strict asset and liability basis.

**Table P9 External Debt**  
(currency in millions)

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
<i>Levels at end of period</i>										
Debt claims										
Monetary authorities										
General government										
Banks										
Other sectors										
Debt liabilities										
Monetary authorities										
General government										
Banks										
Other sectors										
Net external debt										
Monetary authorities										
General government										
Banks										
Other sectors										
<i>Transactions during period</i>										
Debt claims										
Monetary authorities										
General government										
Banks										
Other sectors										
Debt liabilities										
Monetary authorities										
General government										
Banks										
Other sectors										
Net external debt										
Monetary authorities										
General government										
Banks										
Other sectors										

**Table P10 Balance of Payments Ratios**

Series Title	Time Period									
	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10
Exports f.o.b./current account credits										
Imports f.o.b./current account debits										
Goods and services credits/gross domestic product										
Goods and services debits/gross national expenditure*										
Investment income credits/current account credits										
Investment income debits/current account debits										
Current account balance/gross domestic product										
Reserves at end of period/imports of goods and services										
Gross external debt/gross domestic product										
Gross external debt/exports of goods and services										
Net external debt/gross domestic product										
Net external debt/exports of goods and services										
Net international investment position/gross domestic product										
Debt service/exports of goods and services**										

\*Gross national expenditure is defined as *gross domestic product plus imports of goods and services less exports of goods and services*.

\*\*For a discussion of the nature of debt service, see chapter 21, paragraphs 1185-1186.

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## **Index**

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***Numbers refer to paragraphs; ranges (e.g. 175-185) are inclusive. References followed by the letter n indicate that information is contained in a footnote to the paragraph reference. References followed by the letter t indicate that information is contained in a table discussed in the paragraph reference.***

- Accuracy of estimates, 1109-1123
- Administrative by-product data, 365-375. See also Foreign investment approvals
- Advertising, 213, 215
- Agents for international transport operators, 211, 223, 228, 229, 231, 502, 517, 520-522
- Aid, 100, 105, 113. See also Development assistance; Grants  
 administrative expenses (costs), 355-356, 390, 576  
 food aid, 363, 648  
 educational assistance, 301, 464  
 in the form of goods, 467t  
 private aid, 635  
 project aid, 361  
 measured by partner countries, 385
- Airline surveys, 235-240
- Analysis and verification of results, 1067-1083
- Analytical commentary in publications, 1161-1163
- Approvals information. See Administrative by-product data
- Arrears, 114, 763  
 interest, 112, 618-619, 623, 800  
 principal, 800
- Associated enterprises, 685. See also Direct investment
- Balance of payments (BOP)  
 accrual basis, 17, 18, 102  
 cash basis, 17  
 classifications, 26  
 definition, 13  
 standard components, 429
- Balance of payments coding system, 422-429, 1062-1063
- Balance of payments ratios, 1074, 1184-1186
- Balance of payments statistical process, 1033-1131. See also Publication; Questionnaire design; Survey design
- Balance of payments worksheet, 406-408, 1035, 1054-1066
- Bank for International Settlements (BIS) as a data source, 369-399. See also International banking statistics
- Banks  
 external assets and liabilities, 396-401  
 in direct investment relationships, 693  
 surveys of, 199-208
- Bearer securities, 280, 293, 829
- Benchmark surveys, 891, 985
- Bilateral reconciliations, 377-378, 808
- Bonds and notes, 723-724, 726t. See also Portfolio investment; Securities
- Bonus issues, 736, 738
- BOP. See Balance of payments
- Branches, 686. See also Direct investment
- Brass plate companies, 233, 234, 706. See also Nonoperating enterprises
- Broad Economic Categories (BEC), 46, 461
- Capital account, 24, 26, 651-668. See also Capital transfers; Non-produced, nonfinancial assets
- Capital and financial account, 24. See also Capital account; Financial account
- Capital subscriptions to nonmonetary international institutions, 763, 787-788
- Capital transfers, 25, 26, 631, 651-665  
 classification of, 653  
 data sources, 655-658  
 estimation in the absence of data, 659-660  
 extrapolations, 661  
 projections, 662
- Change of ownership, 20, 45, 463, 466, 810-813, 819-820, 825, 829. See also Time of recording

- Charter of vessels
  - bare boat charter, 498
  - dry charters, 237
  - slot charter, 500
  - space charter, 500
  - time charter, 499
  - voyage charter, 237, 500
  - wet charter, 237
  - without crews. See Operational leasing
- Classification, 26
  - by partner country, 807-836
  - of capital transfers, 653
  - of current transfers, 632
  - of financial account and IIP, 670-681
  - of goods, 458t
  - of investment income, 591
  - of transportation services, 504t
  - of travel, 528
- Coding system, 422-429, 1062-1063
- Collection design. See Survey design
- Collection forms, 8, 11, 978-1032. See also Questionnaire design
  - exploratory form, 983-989
  - enterprise surveys on compensation payable to foreign workers, 1016
  - enterprise surveys on external assets and liabilities, 180-186, 1017-1024
  - enterprise surveys on goods, 133-146, 1003-1005
  - enterprise surveys on insurance, 161-165, 1014
  - enterprise surveys on other services, 166-168, 1013
  - enterprise surveys on travel, 152-160, 1010-1012
  - form standards, 896
  - international transactions reporting system forms, 118-120, 991-1001
  - securities surveys, 285-294, 1025-1029
  - surveys of embassies and international institutions, 381-383, 1029
  - tailored forms, 893-895
  - testing of, 972-973
  - transportation surveys, 212-217, 1006-1009
  - traveler surveys, 1031-1032
  - via computer medium, 966
- Collection registers. See Registers, collection registers
- Collections from persons and households, 31, 31t, 300-327, 637
- Commissions, 154, 503, 504t, 530
- Communication services, 538, 538t
- Compensation of employees, 174, 301, 302, 316, 338, 456t, 570n, 574, 577-590, 646, 1031
  - data sources, 580-588
  - estimation in the absence of data, 589
  - extrapolations, 590
  - projections, 590
- Computer and information services, 538, 538t
- Computer systems
  - development of, 1085-1097
  - in an international transactions reporting system, 879
  - in enterprise surveys, 901
- Confidentiality of source data, 841, 844, 1047
- Consignment trade, 466, 466t
- Constant price series, 1190-1191
- Construction activity, treatment of, 452-455, 712-717
- Construction services, 453, 538, 538t, 539, 547-550
- Conversion, 22, 562
  - in an international transactions reporting system, 83-86
  - in enterprise surveys, 198
  - in international trade statistics, 50
  - in official sources, 349, 351
  - with multiple exchange rates, 435-441
- Copyrights. See Non-produced, nonfinancial assets
- Cost recovery, 1193-1194
- Country codes, 816
- Coverage ratios, 899
- Credit and debit cards used by travelers, 157-158, 318, 529, 529t, 530
- Creditor Reporting System (CRS). See Organisation for Economic Cooperation and Development (OECD) debt data
- Currency and deposits, 763, 764, 765t
- Currency swaps, 752, 757. See also Financial derivatives

- Current account, 24, 25. See also Current transfers; Goods; Income; Services
- Current transfers, 24, 25, 631-650, 651-652  
 classification of, 632  
 data sources, 634-642  
 estimation in the absence of data, 638-642  
 extrapolations, 643  
 projections, 645
- Custodians, 250, 263. See also Financial intermediaries; Nominees
- DAC. See Development Assistance Committee
- Data extraction, 1042-1049
- Data models, 412  
 for compensation of employees, 589  
 for deriving stocks from transactions data, 740-743  
 for deriving transactions from stocks data, 732-739, 778-783  
 for foreign exchange services, 567  
 for government services n.i.e. credits, 572-574  
 for investment in land, 721-722  
 for investment income, 598-599  
 for migrants' transfers, 660  
 for technical assistance, 641  
 for transportation services, 513-514, 522-523  
 for travel, 529t, 536  
 for withholding taxes, 642  
 for workers' remittances, 639-640
- Data providers  
 dealing with non-response, 921-925  
 developing relationships with, 919-920  
 introduction to BOP reporting, 986  
 reactions to BOP questionnaires, 930-933
- Databases, 1039-1041
- Debt, 675, 806  
 cancellation of, 113  
 forgiveness, 653, 654t, 657, 661, 800  
 government (official), 331, 342-349  
 income on (see also interest), 593t  
 measurement using data from international institutions, 391-403  
 ratios. See Balance of payments ratios  
 rescheduling of, 113  
 to equity conversions, 113, 802-805
- Debtor/creditor principle, 811-812, 817, 829
- Debtor Reporting System (DRS). See World Bank debt data
- Deep discount and zero coupon bonds, 112, 621, 623, 760-762
- Defense transactions, 338-340, 544
- Derivatives. See Financial derivatives
- Deriving stocks from transactions data, 740-743
- Deriving transactions from stocks data, 732-739, 778-783
- Development assistance, 336. See also Aid; Grants  
 measurement by means of Development Assistance Committee data, 388-390  
 measurement by means of official sources—donor countries, 353-358, 636  
 measurement by means of official sources—recipient countries, 359-364, 636, 637
- Development Assistance Committee (DAC), 354-357, 388-390, 576
- Direct investment, 26, 101, 103, 105, 369, 373, 467t, 671, 682-722  
 and construction activity, 442-451, 712-717  
 and land, 718-722  
 and mobile equipment, 452-455  
 and nonoperating enterprises, 705-711  
 and reinvested earnings, 602-613  
 and transfer pricing, 487-491  
 classification by partner country, 833-836  
 concept, 682-683  
 data sources, 696-698  
 definition, 685-692  
 income on, 591, 593t, 595, 598, 600  
 motivation, 684  
 valuation, 699-704
- Direct placement of securities, 271-272
- Direction of investment, 674, 695
- Discounts (on securities), 620n, 760-762
- Dissemination media, 1153-1156
- Dividends, 369, 591, 599-600. See also Investment income

- Double entry accounting system, 16, 23
- Drilling rigs, 246
- Economy  
definition, 14
- EDI (electronic data interchange), 121-127
- Education services, 301, 302, 355, 358, 364, 375, 456t, 532-534, 633t
- Electricity, 39t, 463t
- Electronic reporting, 121-127
- Embassies, surveys of, 380-383, 545, 572, 576, 587, 637, 667, 1030
- Embassy transactions, 301, 338-340, 380-383, 385, 456t, 570-575, 577, 579, 587, 666-667, 1030
- Employee compensation. See Compensation of employees
- Enterprise group, 848-849
- Enterprise surveys, 31, 31t, 130-208  
census approach, 886, 891  
collection processes, 910-918  
collection register, 910-913  
collection strategies, 883-904  
compensation of employees, measurement of, 584, 1016  
conversion, 198  
coverage sources, 367, 370, 373, 374  
current transfers, measurement of, 635  
direct investment, measurement of, 696, 696t  
external assets and liabilities, measurement of, 176-198, 1017-1024  
form types, 893-895  
freight and insurance on imports, measurement of, 149-151  
goods, measurement of, 133-137, 140-148, 468-469, 1003-1005  
insurance, measurement of, 161-166, 561, 1014  
investment income, measurement of, 593-595, 621  
merchandise, measurement of, 138-139  
other investment, measurement of, 768  
other services, measurement of, 167-168, 543, 1013  
partial coverage approach, 886-888, 890, 891  
partner country classification, 829  
private aid, measurement of, 175  
sample surveys, 886, 888-891  
special bank data, 174, 656  
statistical units, 849  
surveys of banks and other financial institutions, 199-208  
transactions associated with foreign workers, measurement of, 169-173  
transportation services, measurement of. See Transportation surveys  
travel, measurement of, 152-160, 532, 1010-1012
- Equity, 675  
income on, 593t. See also Dividends; Remittances of profits; and Reinvested earnings
- Errors, 1067, 1084, 1112-1117. See also Analysis and verification of results; Quality  
in an international transactions reporting system, 880-881  
in data extraction, 1045  
in source data, 1046  
net errors and omissions, 23, 116, 795, 814, 1075, 1120-1122  
sample error, 889, 1115
- ES. See Enterprise surveys
- Establishment, 848
- Estimation, 409-414, 1050-1053  
using ratios, 410
- Exceptional financing, 800-805, 1176
- Exploratory surveys, 865-872, 983-989
- Export applications, 370,
- Exports of goods. See Goods
- External assets and liabilities, 591-592. See also Debt classifications, 187-189, 195-196  
measurement by means of enterprise surveys, 176-198, 1017-1024  
of banks, 396-401  
of government, 342-349  
of migrants, 456t  
of persons (households), 301, 302, 456t
- External debt. See Debt
- Extrapolations, 413

- of capital transfers, 661
  - of compensation of employees, 590
  - of current transfers, 643
  - of embassy and defense transactions, 340
  - of financial account and IIP, 793-795
  - of investment income, 600
  - of transportation services, 515, 526-527
  - of travel, 537
- Financial account, 24, 26, 592, 669-806. See also  
 Direct investment; External assets and liabilities; Other  
 investment; Portfolio investment  
 classification by partner country, 811-812  
 classifications, 670-681  
 measurement by means of an international  
 transactions reporting system, 114
- Financial derivatives, 276, 739, 744-759
- Financial flows, 29
- Financial instruments, 24
- Financial intermediaries, 177, 299, 593, 595, 625, 627  
 collections from. See Securities, surveys of  
 nominees, 250, 263, 265-268, 287-288, 294, 296  
 security brokers (dealers), 250, 271-275, 280,  
 287-288, 296
- Financial intermediation services indirectly measured  
 (FISIM), 625-630
- Financial investments. See External assets and liabilities
- Financial leasing, 39t, 112, 236, 463t, 498, 784-786
- Financial services, 154, 176, 197, 260, 346, 538, 538t,  
 539, 594, 595, 727, 753, 1020
- Financing gap, 796, 1026
- Fines, 633t
- Fish, 39t, 247-248, 463t
- Fishing vessels, 247-249
- Flags of convenience, 233, 494
- Forecasting. See Projections
- Foreign aid. See Aid
- Foreign-controlled enterprises, 691
- Foreign exchange applications, 368-369
- Foreign exchange record systems, 63. See also  
 International transaction reporting system
- Foreign exchange services, 562-568
- Foreign investment approvals, 367  
 direct investment, measurement of, 696, 696t
- Foreign workers, 639-640, 643  
 measurement of transactions by means of enterprise  
 surveys, 168-173, 1016
- Forgiveness of liabilities, 651. See also Debt, forgiveness
- Forms. See Collection forms; Questionnaire design
- Forward foreign exchange contracts, 752. See also  
 Financial derivatives
- Forward Rate agreements, 276n
- Freight, 212, 245, 500, 501, 504t  
 inland freight, 225, 243  
 on exports, 504t, 514, 515  
 on imports, 149-151, 224, 464, 504t, 505-507, 511,  
 512, 517-519
- Fuel and provisions, 39t, 213, 463t, 502
- Functional type of investment, 26
- Fund managers, 250, 263, 270, 277, 281. See also Financial  
 intermediaries
- Futures, financial, 276, 752, 754-756. See also Derivatives
- General government  
 ledger, 330, 335, 339  
 nature of, 330-332  
 measurement of transactions by means of official  
 sources, 330-349
- General trade system, 40-45
- Gold  
 monetary, 39t, 464t  
 nonmonetary, 39t, 463t

- Goods, 24, 25, 458-491  
 classification, 458t  
 classification adjustments, 464, 467  
 classification by partner country, 53, 810, 818-826  
 commodity classifications, 46, 470-471  
 coverage, 45, 370, 477  
 coverage adjustments, 465, 467  
 differences between requirements in balance of payments and international trade statistics, 45, 51, 61  
 estimation in the absence of data, 472-477  
 food aid, 363, 648  
 for processing, 39t, 106, 136, 463t, 467t, 484-486, 1004  
 for repair, 39t, 137, 463t, 1004  
 for temporary admission, 39t, 463t  
 government imports, 336, 341  
 imports of ships, 234  
 lost or destroyed, 39t, 463t  
 measurement by means of an international transactions reporting system, 104-109, 467  
 measurement by means of enterprise surveys, 133-137, 140-147, 468-469, 1003-1005  
 measurement by means of international trade statistics, 60-62, 460-466  
 on consignment, 466, 466t  
 point of valuation, 48, 49, 51, 209  
 projections, 478-483  
 quantity measurement, 52  
 satellites, 245  
 timing adjustments, 466, 467  
 transfer pricing, 487-491  
 United States/Canada reconciliation, 378  
 valuation, 51  
 valuation adjustments, 465, 467
- Government. See General government
- Government services n.i.e., 338, 538, 538t, 539, 542, 544, 569-576
- Government trade, 39t, 463t
- Grants, 358, 633t, 644, 654t, 662, 800
- Harmonized Commodity Description Coding System, 46
- Health services, 301, 302, 375, 456t
- Hedges, 198, 758. See also Financial derivatives
- Historical data, 1192
- Household expenditure surveys, 325
- Household income surveys, 326
- Households. See Persons and households
- IIP. See International investment position
- Immigrant application records, 371
- Imports of goods. See Goods
- Income, 24, 25, 577-630. See also Compensation of employees; Investment income  
 accrual basis for recording, 21, 112  
 classification by partner country, 810  
 measurement by means of an international transactions reporting system, 112  
 on investment in land, 721
- Insurance, 538, 538t, 539, 551-561, 633t, 763  
 measurement by means of enterprise surveys, 161-166, 635, 1014  
 on imports, 149-151, 464, 505-507
- Interest, 591, 594, 599-600, 625-630. See also Investment income  
 on securities issued at a discount or premium, 760-762  
 recording on an accrual basis, 614-624  
 subsidies, 355, 390
- Interest rate swaps, 276n
- International accounts, 3
- International banking statistics  
 Bank for International Settlements (BIS), 396-399  
 International Monetary Fund (IMF), 400-401  
 use in BOP compilation, 771-777
- International institutions  
 as a source of data, 380-383, 387-403,
- International investment position (IIP), 28-30, 592, 669-806. See also External assets and liabilities  
 classification by partner country, 810  
 classifications, 670-681
- International trade statistics (ITS), 31, 31t, 36-62  
 commodity classifications, 46  
 compilation, 54-59

- coverage, 39, 370
  - currency conversion, 50
  - differences with BOP requirements, 45, 51, 61
  - general trade system, 40-45
  - goods, measurement by means of international trade statistics, 460-466
  - international guidelines, 37-53
  - migrants' effects, 55, 60, 656
  - partner country classification, 53, 818-826
  - preliminary international trade statistics, 475-476
  - quality of, 58, 59
  - quantity measurement, 52
  - special trade system, 40-45
  - statistical boundary, 39
  - supplemented with enterprise surveys, 140-146
  - use in international accounts, 60-62
  - valuation, 47-49
- International transactions reporting system (ITRS), 31, 31t, 63-121
- aggregating results, 78-82
  - bundling of transactions, 91-93
  - capital account, measurement of, 667, 668
  - classification of transactions, 76-77, 120
  - closed ITRS, 64, 68, 118, 874
  - collection processes, 905-909
  - collection strategy, 873-882
  - compensation of employees, measurement of, 581-583
  - comprehensiveness, 64
  - currency conversion, 83-86
  - data items collected, 75
  - direct investment, measurement of, 696, 696t
  - financial account, measurement of, 114
  - goods, measurement of by means of an ITRS, 104-109, 467
  - government services n.i.e., measurement of, 570, 572, 574
  - income, measurement of, 112
  - insurance services, measurement of, 561
  - investment income, measurement of, 593-594, 623
  - model forms, 118-120, 991-1001
  - model ITRS, 117-120
  - model of a simple ITRS, 66-94
  - modifying the simple model, 95-96
  - noncash transactions, 97-103, 634
  - offshore banking units, 96
  - open ITRS, 64, 874
  - options, measurement of, 750
  - other investment, measurement of, 766-767
  - other services, measurement of, 111, 541-542
  - partial ITRS, 64, 874
  - partner country classifications, 827-828
  - preparation of a BOP statement, 104-116
  - quality of, 65, 880-881, 907
  - reconciliation of results, 81
  - scope, 63, 66-74
  - settlement transactions, 71, 79
  - statistical unit, 849
  - supplemented with enterprise surveys, 147
  - thresholds, 94, 877
  - time of recording, 87-90
  - transfers, measurement of, 113, 634, 656, 657
  - transportation services, measurement of, 110, 511, 516-518, 521, 522
  - travel, measurement of, 110, 530-531
  - valuation practices, 91
- International transportation surveys. See Transportation surveys
- Interpolation, 413
- Investment grants. See Grants
- Investment income, 591-630, 670, 674. See also Dividends; External assets and liabilities; Interest; Reinvested Earnings; Remitted profits
- classification of, 591
  - data sources, 593-597
  - estimation in the absence of data, 598-599
  - extrapolations, 600
  - projections, 601
- ITRS. See International transactions reporting system
- ITS. See International trade statistics
- Joint ventures, mobile equipment, 238, 451
- Land, 666, 668, 718-722. See also Real estate
- LCFAR. See Liabilities constituting foreign authorities' reserves
- Leases. See also Charter of vessels
- financial, 39t, 112, 236, 463t, 498, 784-786
  - operational, 39t, 210, 212, 213, 496, 498, 538t
- Legal authority, 841-844, 924
- Liabilities constituting foreign authorities' reserves (LCFAR), 297, 798-799

- License fees, 341, 538, 538t, 667
- Lists. See Registers
- Loading and unloading of mobile equipment. See Stevedoring
- Loans, 763, 764, 765t  
as part of development assistance, 358  
used to finance exports and imports, 98, 105, 467t
- Mail, 212, 226
- Margin payments, 753
- Market value, 20, 51, 207, 699-704, 726, 765, 804-805.  
See also Valuation
- Maturity, 679
- Medical services. See Health services
- Membership fees paid to international organizations, 633t
- Merchanting, 107, 138-139, 538t, 1004
- Migrants, treatment of, 456t, 663-665
- Migrants' effects, 105, 463t, 467t
- Migrants' transfers, 174, 301, 302, 371, 456t, 653, 654t, 656, 659-660, 661, 662, 663-665
- Migration statistics, 304-314, 536, 589, 640, 656  
alternatives to, 314  
classifications, 312-313  
international recommendations, 308-311
- Military goods, 39t, 463t
- Mobile equipment, 209, 442-451, 463t, 493-494, 501-502
- Money market instruments, 723-724, 726t. See also Portfolio investment; Securities
- Multilateral settlements, 814-815
- Multiple exchange rates, 435-441, 804
- National accounts, 2, 6, 318n, 430-433, 440-441, 625, 630, 649-650, 676, 678, 1190. See also *System of National Accounts 1993*
- Net errors and omissions, 23, 116, 795, 814, 1075, 1120, 1122
- Net worth, 700-702
- Nominees, 250, 263, 265-268, 287-288, 294, 296
- Noncash transactions  
measurement of in an international transactions reporting system, 97-103
- Nonoperating enterprises, 705-711
- Non-produced, nonfinancial assets, 26, 666-668
- Non-response, 888, 921-925
- Nostro accounts, 87, 87n
- Observation studies. See Questionnaire design, testing
- Official sources, 31, 31t, 328-375, 544, 570, 586, 596, 636, 655, 668, 769, 800
- Offshore banking units, 96, 205
- Operational leasing, 39t, 210, 212, 213, 496, 498, 538t
- Operators of mobile equipment, 210, 211, 442-443, 449, 451, 493-503, 511-527
- Options, 276, 744-751. See also Financial derivatives
- Organisation for Economic Cooperation and Development (OECD) debt data, 402-403
- Other business services, 538, 538t
- Other investment, 26, 673, 763-788  
classification of, 764  
data sources, 765-770  
deriving transactions from stocks, 778-783  
income on, 591, 593t, 622, 630
- Other services, 111, 167-168, 538-544. See also Communications services; Computer and information services; Construction services; Financial services; Government services n.i.e.; Insurance services; Other

- business services; Personal, cultural, and recreational services; Royalties
  - data sources, 540-545
  - extrapolations, 546
  - projections, 546
- Overall balance, 1174-1176
- Owners of mobile equipment, 210, 211, 493-498
- Package tours, 159, 318, 323
- Partial coverage collections, 886-888, 890-891
- Partner countries
  - as a source of data, 31, 31t, 377-386, 529t, 535, 545, 556, 576, 656, 769,
  - classification of balance of payments and international investment position statements by, 807-836
- Passenger fares. See Passenger services
- Passenger services, 212, 218, 226, 301, 302, 319, 323, 456t, 501, 504t, 508-510, 513, 515, 520, 526
  - on domestic routes. See Travel
- Patents. See Non-produced, nonfinancial assets
- Pensions, 301, 302, 341, 633t, 637
- Perceived value, 701n
- Periodicity of publications, 1141-1147
- Perpetual inventory method, 740
- Personal, cultural, and recreational services, 538, 538t
- Persons and households
  - collections from, 31, 31t, 300-327, 637
  - measurement of transactions, 302
  - types of transactions, 301, 456
  - with multiple residences, 457
- Population frame. See Registers, population registers for BOP collections
- Port charges. See Port services
- Port services, 341, 502, 504t, 514, 522-524. See also Stevedoring
- Portfolio investment, 26, 672, 723-762. See also Securities classifications, 724-725
  - data sources, 726-731
  - deriving stocks from transactions data, 740-743
  - deriving transactions from stocks data, 732-739
  - income on, 593t, 598, 620, 630
- Portfolio managers. See Fund managers
- Postal items, 39t, 55, 463t
- Preliminary data, 475-476, 1101, 1124-1125, 1151
- Premiums (on securities), 620n, 760-761
- Prepaid travel, 159, 529, 529t, 530
- Prepayments, 99
- Presentation of BOP Statistics. See Publication
- Projections, 6, 7, 415-421
  - of capital transfers, 662
  - of compensation of employees, 590
  - of current transfers, 644
  - of financial account and international investment position, 793-797
  - of goods, 148, 1005
  - of investment income, 601
  - of other services, 546
  - of transportation services, 515, 526-527
  - of travel, 537
- Publication, 1084, 1137-1194
  - consultation with users, 1139-1140
  - cost recovery, 1194
  - dissemination media, 1153-1156
  - frequency and timeliness, 1148-1152
  - historical data, 1192
  - of detailed and supplementary statistics, 1178-1186
  - periodicity, 1141-1147
  - presentation of key aggregates, 1166-1177
  - seasonally adjusted, trend, and constant price series, 1187-1191
  - security, 1193
  - supporting material, 1157-1165
- Quality. See also Accuracy of estimates; Analysis and verification of results; Errors; Timetables; Revisions of BOP statistics, 6
  - of international trade statistics, 58-59

- Quality control  
 in an international transactions reporting system, 881, 907-908  
 in enterprise surveys, 914-916  
 verifying reported data, 926-927
- Questionnaire design, 928-1032, see also collection forms  
 color, 963-964  
 form standards, 896  
 page one of forms, 934-939  
 questions and instructions, 940-949  
 steps in questionnaire design, 967-977  
 testing, 972-973  
 types of questions, 950-958
- Rail transport, 231
- Real estate, 367
- Real resources, 24
- Reconciliation  
 account, 30, 669  
 bilateral, 377-378, 808  
 in an international transactions reporting system, 81  
 of income with stocks, 194  
 of stocks and flows in enterprise surveys, 190-193
- Regional balance of payments and international investment position statistics. See Partner countries, classification of BOP and IIP statements by
- Registers  
 collection registers, 910-913  
 for enterprise surveys, 367, 373, 374  
 population registers for BOP collections, 850-872, 961, 985, 987, 990  
 security registers, 263-265, 269  
 shipping registers, 221, 229, 230
- Reinvested earnings, 103, 112, 369, 602-613. See also Investment income
- Remittances of profits, 369, 373, 447. See also Dividends; Investment income
- Repairs to goods. See Goods, for repair
- Reporters. See Data providers
- Rescheduling, 800
- Reserve assets, 26, 673, 789-792  
 measurement in an international transactions reporting system, 115  
 measurement in official sources, 350-352
- Resources, 1106-1108
- Respondents. See Data providers
- Rest of the world account. See National accounts
- Revisions, 960, 1124-1136
- Road transport, 243
- Royalties, 538, 538t, 667
- Sample error, 889, 1115
- Sample surveys, 320, 886, 888-891, 985
- Sampling, 294, 411
- Satellites, 245
- Seasonally adjusted series, 1187-1189
- Secondary market transactions, 273-275
- Sector, 26, 188, 677-678
- Securities. See also Portfolio investment  
 bearer, 280, 293, 829  
 classification, 254  
 description of, 251  
 direct placements, 271-272  
 interest accrual, 615, 620-621  
 issued by government, 348  
 issues and redemptions, 271-272  
 problems in surveys, 295-299  
 reference numbers, 262, 289-292, 298, 1026, 1027  
 registers, 263-265, 269  
 secondary market transactions, 273-275  
 surveys of, 130, 250-299, 728-731, 1025-1029  
 treatment in international trade statistics, 39t  
 treatment of discounts and premiums, 760-762
- Security brokers (dealers), 250, 271-275, 280, 287-288, 296
- Services, 24, 25, 492-576. See also Other services; Transportation services; Travel

- classification by partner country, 810
- measurement in enterprise surveys, 167-168
- use of an international transactions reporting system in compilation, 111
- Shareholder funds, 702
- Shell companies. See Brass plate companies
- Shipping registers, 221, 229, 230
- Shipping surveys, 220-234
- Smuggling, 477
- SNA*. See *System of National Accounts 1993*
- Space transport, 245
- Special purpose entities. See Brass plate companies; Nonoperating enterprises
- Special trade system, 40-45
- Standard International Trade Classification (SITC), 46, 471
- Statistical legislation. See Legal authority
- Statistical process. See BOP statistical process
- Statistical unit, 847-849
  - classification of in an enterprise surveys, 187-189
  - in airline surveys, 235-238
  - in shipping surveys, 220-221
- Stevedoring, 227, 504t. See also Port services
- Stock exchange value. See Perceived value
- Students. See Education services
- Subsidiaries, 685. See also Direct investment
- Supply and utilization analysis, 474, 478, 483
- Survey design, 837-927
- Survey of national BOP compilers, 9, 11
- Surveys of travelers. See Travelers, surveys of
- System of National Accounts 1993*. See also National accounts
  - and insurance, 551
  - and financial intermediation services indirectly measured, 625
  - relationship with the *Balance of Payments Manual*, 2, 430-433
  - treatment of land, 718
  - treatment of multiple exchange rates, 440
- Tailored forms, 893-895
- Tax data, 372-374, 636
- Technical assistance, 355, 362, 633t, 641, 643, 645-647
- Time of recording, 20. See also Change of ownership
  - in government ledgers, 339
  - in an international transactions reporting system, 87-90
  - in international trade statistics, 40-45, 466
  - of interest, 614-624
- Timetables, 1098-1105
- Trade credit, 764, 765t
  - measurement by means of an international transactions reporting system, 99, 114, 467t, 767
  - on exports, 393
  - on government imports, 336
- Training, 1108
- Transactions
  - definition, 15
- Transactor principle, 811-812, 827
- Transfer pricing, 47, 465, 465t, 467t, 487-491
- Transfers, 15, 19. See also Capital transfers; Current transfers
  - classification by partner country, 810
  - measurement in an international transactions reporting system, 113
- Transit trade, 39t, 463t
- Transport crews, 456t
- Transportation services, 492-527. See also Transportation surveys
  - and brass plate enterprises, 709n
  - classification of, 504t

- measurement by means of an international transactions reporting system, 110
  - provided by government, 341
  - related to food aid, 648
- Transportation surveys (ES), 130, 209-249, 511, 516-518, 521-522
  - airline, 235-240
  - inland waterway, 244
  - rail, 242
  - road, 243
  - shipping, 220-234
- Travel, 301, 302, 456t, 502, 528-537, 581. See also Travelers, surveys of
  - and government employees, 341
  - and medical patients, 456t
  - and migrants, 456t
  - and students, 456t
  - and technical assistance personnel, 646
  - classification of, 528
  - data sources, 529-535
  - domestic routes, 212, 501
  - extrapolations, 537
  - goods acquired by travelers, 55n
  - measurement by means of an international transactions reporting system, 110
  - measurement by means of enterprise surveys, 152-160, 1010-1011
  - measurement by means of household expenditure surveys, 325
  - measurement by means of surveys of travelers, 315-324
  - projections, 537
  - United States/Canada reconciliation, 378
- Travelers, surveys of, 315-324, 533-534, 585
  - memory recall, 322
  - methodology, 317-319
  - model questionnaire, 1031-1032
  - monitoring of, 324
  - treatment of children, 321
  - treatment of group travel, 321
- Travelers' checks, 155-156, 318, 529, 529t, 530
- Trend series, 1189
- Unit of account, 22, 434-435
- Users of BOP statistics, 4, 408, 840, 1067, 1079-1080, 1083, 1098-1099, 1123, 1135-1136, 1139-1140, 1144, 1146
- Valuation, 20, 465, 467. See also Market value; Transfer pricing
  - historical cost versus market value, 207, 703
  - in an international transactions reporting system, 91
  - in international trade statistics, 47-49
  - in official sources, 349
  - of debt-to-equity swaps, 802-805
  - of direct investment, 699-704
  - of other investment, 765
  - of portfolio investment, 726
- Verification of results, 1067-1083
- Volume series. See Constant price series
- Vostro accounts, 87, 87n
- Wages and salaries. See Compensation of employees
- Water, 39t, 463t
- Withholding taxes, 176, 178, 197, 341, 346, 372, 594, 595, 633t, 634, 642, 643, 1020, 1026
- Workers' remittances, 170-172, 174, 301, 302, 325, 326, 456t, 632, 633t, 635, 639, 643, 646,
- Worksheet, 406-408, 1035, 1054-1066
- World Bank debt data, 392-395
- Yield analysis, 194, 598-600, 624, 630
- Zero coupon bonds. See Deep discount and zero coupon bonds