



Balance of Payments Division
IMF Statistics Department

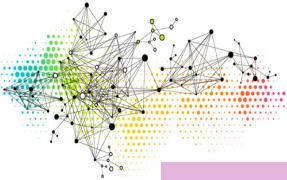


Statistical Framework of External Sector Statistics (L1)

Course on External Sector Statistics

Nay Pyi Taw, Myanmar

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Outline

- Scope of International Accounts
- Definition of the International Investment Position (IIP)
- Definition of the Balance of Payments
- Categories of Transactions
- Imputation of Transactions



Scope of International Accounts

- The international accounts for an economy summarize the economic relationships between residents of that economy and the rest of the world. They comprise:
 - The **International Investment Position (IIP)**, the stock of financial assets and liabilities compiled as of a specific date;
 - The **Balance of Payments**, a statement that systematically summarizes economic transactions for a specific time period; and
 - The **other changes in financial assets and liabilities account** covering other flows, such as valuation changes that reconcile the balance of payments and IIP for a specific period.



Definition of the International Investment Position (IIP)

- The IIP is a statistical statement that shows at a point in time the value of financial assets of residents of an economy that are claims on nonresidents or are gold bullion held as reserve assets; and the liabilities of an economy to nonresidents.
- The difference between the assets and liabilities is the net position in the IIP and represents either net claims on or net liabilities to the rest of the world.
- The consolidated balance sheet for the nation includes the stock of nonfinancial assets in addition to the IIP.

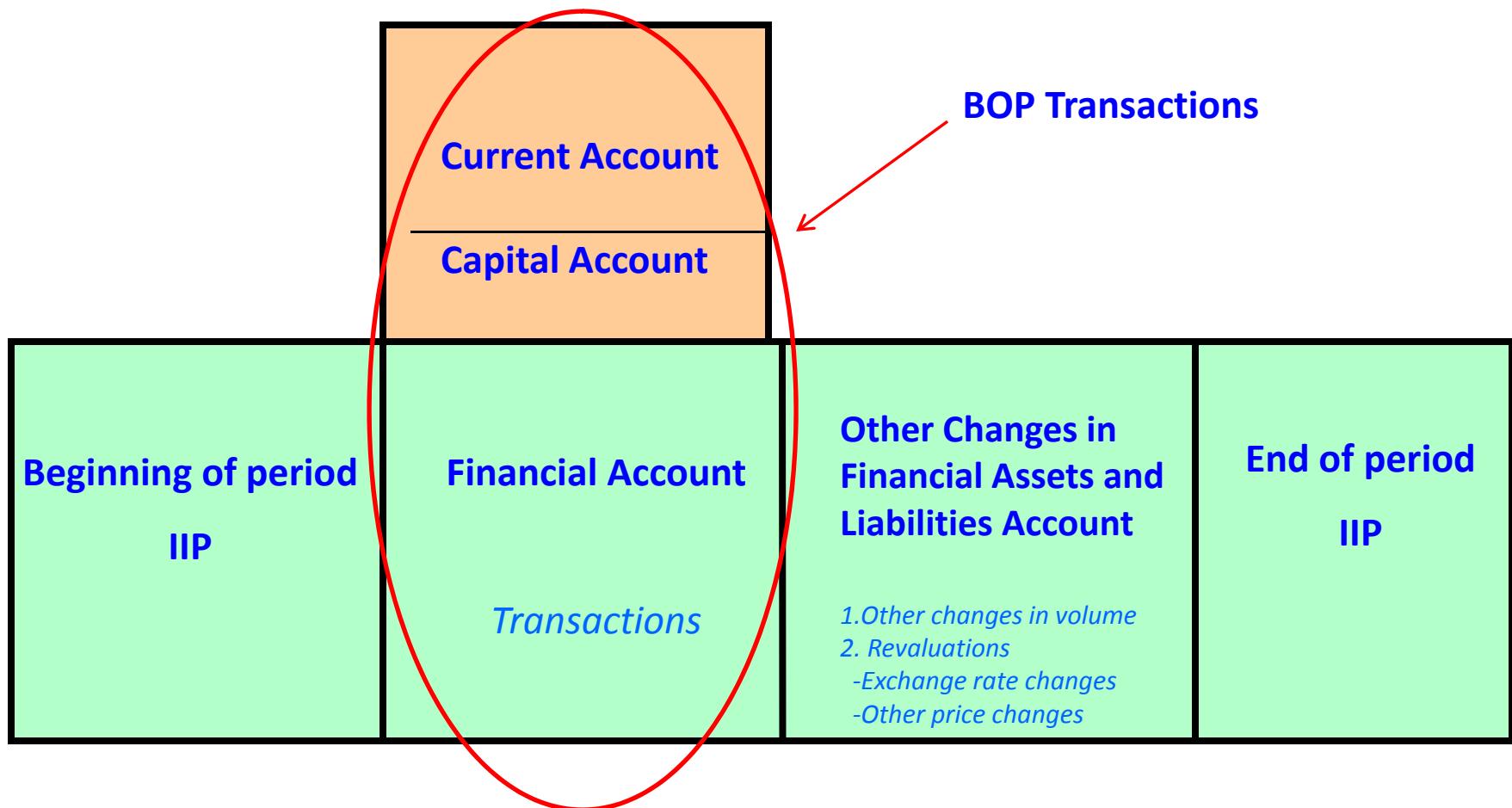


Integrated IIP Statement

- The IIP relates to a point in time.
- The integrated IIP statement relates to different points in time, and it has an opening value (as at the beginning of the period) and a closing value (as at the end of the period).
- The integrated IIP statement reconciles:
 - opening and closing values of the IIP through the financial account (flows arising from transactions), and
 - the other changes in financial assets and liabilities account (other volume changes and revaluation).



Integrated IIP Statement



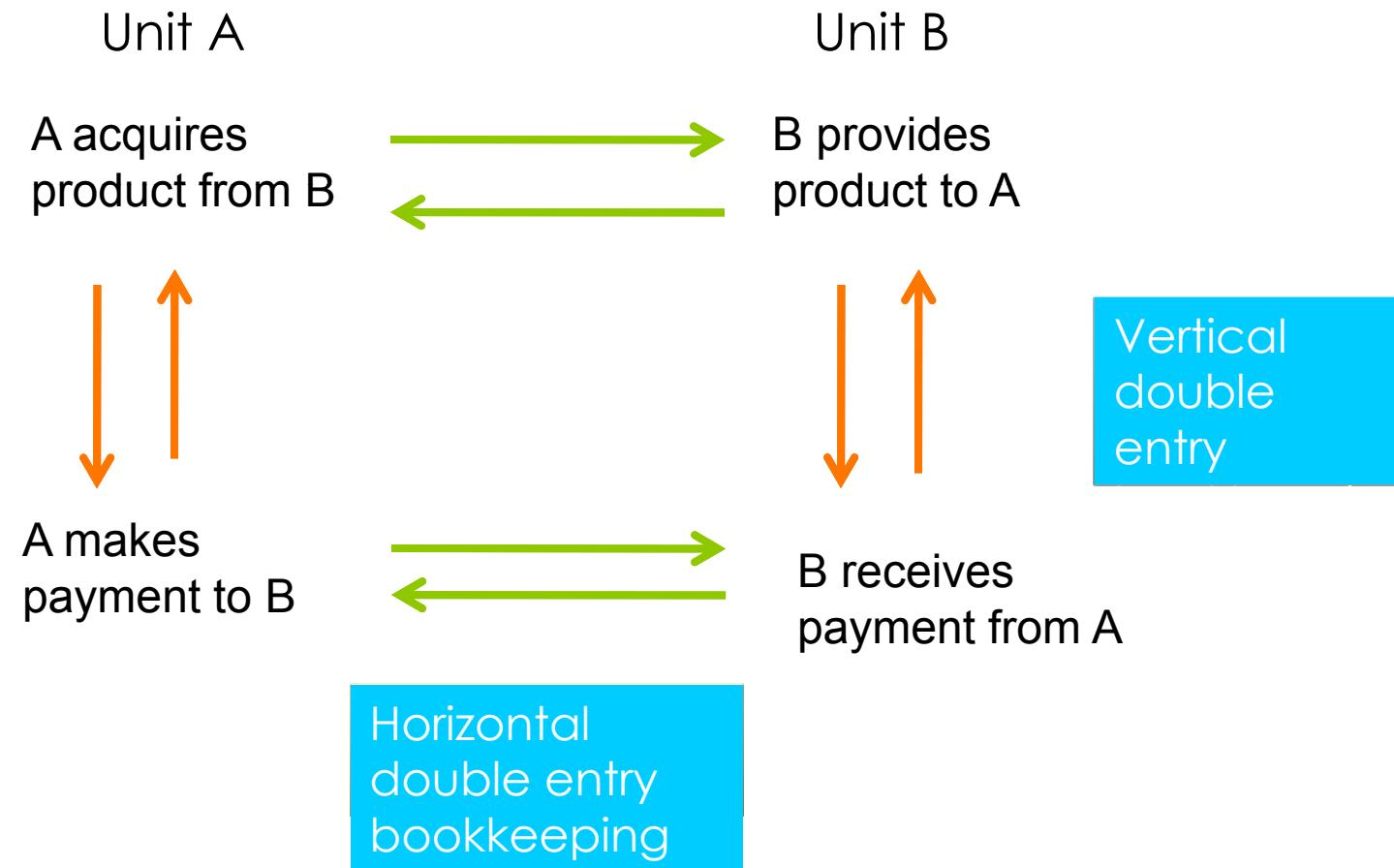


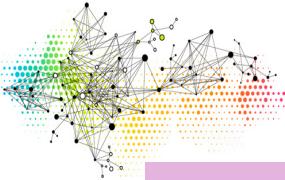
Definition of the Balance of Payments

- The balance of payments is a statistical statement
 - that summarizes transactions in goods, services, primary and secondary income and financial items between residents and nonresidents
 - is recorded as consisting of two entries of equal and opposite sign, the sum of the entries being conceptually zero (accounts as a whole are in balance).



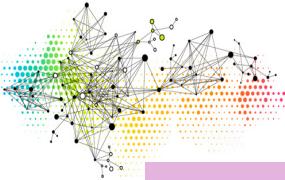
Double Entry System - Quadruple accounting





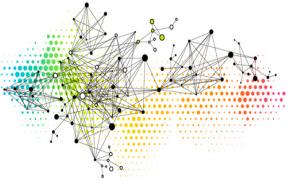
Elaboration of the Definition of the Balance of Payments (1/3)

- The balance of payments registers transactions between an economy's residents and residents of the rest of the world.
- Transactions reflect the creation, transformation, exchange, transfer, or extinction of economic value.
- By the nature of international accounts, internal (i.e., intra-unit) transactions are not recorded. However, following the residency criteria, transactions between a branch and its parent enterprise are shown as interactions between institutional units, with a branch recognized as a separate institutional unit (i.e. a quasi corporation).



Elaboration of the Definition of the Balance of Payments (2/3)

- When a notional enterprise is created for holding land and associated buildings by nonresident owners, transactions between the nonresident owners and the notional enterprise are considered interactions between institutional units.
- Transactions between two resident institutional units in a transferable external asset are domestic transactions and therefore excluded from the coverage of the BOP.



Elaboration of the Definition of the Balance of Payments (3/3)

- The sectoral change in the holdings of external assets resulting from domestic transactions are nonetheless shown in the IIP. The changes in positions are attributable to other changes in volume of assets (OCVA).
- Many international transactions recorded in the *BOP* do not involve payments of money.



Accounting Principles

- The basic accounting convention for an economy's BOP statement is that every recorded transaction is represented by two entries with exactly equal values.
- In conformity with business and national accounting, in the balance of payments, the term:
 - **Credit** is used to denote a reduction in assets or an increase in liabilities, and
 - **Debit** is used to denote a reduction in liabilities or an increase in assets.
 - **Credit** and **Debit** is used in the current and capital accounts.
 - **Net acquisitions of financial assets** and **Net incurrence of liabilities** is used for financial flows in the financial account.



Categories of Transactions (1/2)

- **Exchanges:** Provision and acquisition of economic value is two-sided.
 - Exchanges of goods and services for financial items.
 - Payments for, or receipt of, primary income on, the factors of production.
 - Barter (exchange of goods and services for other goods and services).
 - Exchanges of financial items for other financial items.



Categories of Transactions (2/2)

- **Secondary income and capital transfers:** Transactions involving secondary income and capital transfers differ from exchanges in that one transactor provides an economic value to another transactor but does not receive an equivalent value in return.
- The lack of economic value on the one side must be balanced by an entry referred to in the balance of payments and national accounts as secondary income or capital transfers.



Imputation of Transactions

- Imputation of transactions refers to constructing entries in the accounts when no separate transactions are identified by the parties involved. As a general rule transactions are to be imputed only in specific cases:
 - Retained earnings of direct investment enterprises are attributed to direct investors as if the retained earnings had been distributed in proportion to direct investors' ownership of the equity and then reinvested by them in the direct investment enterprise.
 - Retained earnings of investment funds are treated as if they were distributed to shareholders who are then deemed to reinvest in the investment fund.