The rest of the world accounts and links to international accounts

Regional Workshop on National Accounts and the development of Economic Statistics Infrastructure within the SDGs Framework

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Amman, Jordan

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Outline of presentation

- Rest of the world accounts in the SNA
- International accounts in BPM6
- Linkages between the accounts
- How can the international accounts be used for compiling national accounts
- Challenges
- Solutions
- References
- Questions
Rest of the world accounts in the SNA

- Cover transactions between resident and non-resident institutional units and the related stocks of assets and liabilities where relevant
- Are drawn up from the perspective of the rest of the world
Rest of the world accounts in the SNA

Composition

- Current accounts
  - Goods and services account
  - Allocation of primary income account
  - Secondary distribution of income account
  - Use of income account (adjustment item for net change in pension liabilities)

- Two balancing items
  - External balance on goods and services
  - Current external balance
Rest of the world accounts in the SNA

Composition

- Accumulation accounts
  - Capital account (mainly capital transfers)
  - Financial account account
  - Balance sheet
  - Other changes in volume of assets account
  - Revaluation account
International accounts in BPM6

- Look at stocks and flows from the point of view of the domestic economy
- Entries are mirror image of SNA entries for the rest of the world
International accounts in BPM6

Composition

- Balance of payments
  - Summarizes transactions between residents and non-residents during a specific time period

- International investment position (IIP)
  - Shows at a point in time value of
    - Financial assets of residents
    - Gold bullion held as reserve assets
    - Liabilities of residents to non-residents

- Other changes in financial assets and liabilities
  - Shows other flows due to economic events other than transactions
Linkages between the accounts

- Both use the same macroeconomic framework
- There is complete concordance between the accounts in terms of
  - Delineation of resident units
  - Valuation
  - Time of recording
  - Conversion procedures
  - Coverage of goods, services, income, capital transfers, and foreign financial assets and liabilities
Comparison of rest of the world and international accounts

Overview of balance of payments

<table>
<thead>
<tr>
<th>Current accounts</th>
<th>Credits</th>
<th>Debits</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods and services account</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods</td>
<td>462</td>
<td>392</td>
<td>70</td>
</tr>
<tr>
<td>Services</td>
<td>78</td>
<td>107</td>
<td>0</td>
</tr>
<tr>
<td>Goods and services</td>
<td>540</td>
<td>499</td>
<td>41</td>
</tr>
<tr>
<td><strong>Primary income account</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>6</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Interest</td>
<td>13</td>
<td>21</td>
<td>0</td>
</tr>
<tr>
<td>Distributed income of corporations</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Reinvested earnings</td>
<td>14</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Primary income account</td>
<td>50</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td><strong>Secondary income account</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current taxes on income, wealth, etc.</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Net non-life insurance premiums</td>
<td>2</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Non-life insurance claims</td>
<td>12</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Current international transfers</td>
<td>1</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Miscellaneous current transfers</td>
<td>1</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Secondary income</td>
<td>17</td>
<td>55</td>
<td>-38</td>
</tr>
<tr>
<td>Current account balance</td>
<td></td>
<td></td>
<td>13</td>
</tr>
</tbody>
</table>
## Overview of balance of payments

<table>
<thead>
<tr>
<th>Capital account</th>
<th>Credits</th>
<th>Debits</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition or disposals of non-produced assets</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital transfers</td>
<td>1</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><strong>Capital account balance</strong></td>
<td></td>
<td></td>
<td><strong>-3</strong></td>
</tr>
<tr>
<td>Net lending (+) or net borrowing (-)</td>
<td></td>
<td></td>
<td><strong>10</strong></td>
</tr>
</tbody>
</table>

**Financial account (by functional category)**

<table>
<thead>
<tr>
<th></th>
<th>Credits</th>
<th>Debits</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct investment</td>
<td>8</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Portfolio investment</td>
<td>18</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Financial derivatives (other than reserves) and ESOs</td>
<td>3</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Other investment</td>
<td>20</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Reserve assets</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total changes in assets or liabilities</strong></td>
<td><strong>57</strong></td>
<td><strong>47</strong></td>
<td></td>
</tr>
<tr>
<td>Net lending (+) or net borrowing (-)</td>
<td></td>
<td></td>
<td><strong>10</strong></td>
</tr>
<tr>
<td>Net errors and omissions</td>
<td></td>
<td></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>
Comparison of rest of the world and international accounts

**Goods and services account**

- Comprises imports and exports of goods and services
- Gives emphasis to distinction between goods and services to reflect
  - Policy interests
  - Data issues
    - Main data source for goods is international merchandise trade statistics (IMTS)
    - Main data source for services is payment records or surveys
- IMTS data has to be adjusted to obtain trade in goods on BOP basis
## Comparison of rest of the world and international accounts

### Goods and services account

<table>
<thead>
<tr>
<th>Reconciliation between IMTS and total goods on a balance of payment basis</th>
<th>Merchandise trade statistics as provided in data source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjustments, as relevant:</td>
<td></td>
</tr>
<tr>
<td>Goods sent for or returned after processing without a change of ownership</td>
<td></td>
</tr>
<tr>
<td>Goods acquired from other economies for processing abroad</td>
<td></td>
</tr>
<tr>
<td>Goods sold abroad after processing in other economies</td>
<td></td>
</tr>
<tr>
<td>Customized recordings on physical media</td>
<td></td>
</tr>
<tr>
<td>Noncustomized recordings on physical media with periodic license fee</td>
<td></td>
</tr>
<tr>
<td>Returned goods</td>
<td></td>
</tr>
<tr>
<td>Migrants' effects</td>
<td></td>
</tr>
<tr>
<td>Goods entering or leaving the economic territory of a country illegally</td>
<td></td>
</tr>
<tr>
<td>Goods lost or destroyed after change of ownership but before entering the importing country</td>
<td></td>
</tr>
<tr>
<td>Goods lost or destroyed before change of ownership</td>
<td></td>
</tr>
<tr>
<td>Goods imported for construction projects by nonresident enterprises</td>
<td></td>
</tr>
<tr>
<td>Goods transferred from or to a buffer stock organization</td>
<td></td>
</tr>
<tr>
<td>Goods which cross borders as a result of transactions between related parties</td>
<td></td>
</tr>
<tr>
<td>Non-monetary gold transactions between residents and non-residents without physical movement</td>
<td></td>
</tr>
<tr>
<td>Net exports of goods under merchanting</td>
<td></td>
</tr>
<tr>
<td>Difference in time of recording i.e. for high value capital goods</td>
<td></td>
</tr>
<tr>
<td>Different valuation for imports (CIF/FOB adjustment)</td>
<td></td>
</tr>
</tbody>
</table>

= **Total goods on a balance of payment basis**
Goods and services account

- Services are broken down into:
  - Manufacturing services on physical inputs owned by others
  - Maintenance and repair services n.i.e.
  - Transport
  - Travel
  - Construction
  - Insurance and pension services
  - Financial services
  - Charges for the use of intellectual property n.i.e.
  - Telecommunications, computer and information services
  - Other business services
  - Personal, cultural and recreational services
  - Government goods and services n.i.e.
Goods and services account

- Travel, construction and government goods and services n.i.e. are transactor-based items
- The others are product-based items which are built from more detailed classes of CPC Ver. 2
Comparison of rest of the world and international accounts

Primary income account
- Interest transactions are measured on same basis in SNA and BPM6
  - FISIM is separated and treated as import or export of financial services

Secondary income account
- Comprise current transfers
- Important ones in international accounts include
  - Current international cooperation
  - Remittances
Comparison of rest of the world and international accounts

Capital account
- Elements are more restricted than those in the SNA
- No entries for capital formation of fixed assets

Financial accounts and IIP
- Primary classification is based on functional categories which provide more information about the motivation and relationship between the parties
- Functional classification is based on grouping of financial instruments in the 2008 SNA
How can the international accounts be used for compiling national accounts

- The SNA and BPM6 are harmonized
- In principle, it is possible to make use of data from the international accounts to compile the rest of the world accounts and other items in the national accounts and vice versa
- Examples:
  - Data from exports and imports of goods and services in BOP can be used to for compiling exports and imports of goods and services in expenditure-based GDP
  - Travel data from BOP can be used to compile estimates of residents expenditure abroad and non-residents expenditure in domestic market in expenditure-based GDP
Challenges

- In many countries, national accounts and international accounts are compiled by different agencies or different units within the same agency.
- This could result in differences in the rest of the world accounts and international accounts.
- Reasons include:
  - Different data sources including surveys
  - Different interpretation of the standards
  - Different revision policies
  - Lack of institutional coordination
- What is the outcome?
  - Interpretation of data becomes quite difficult
  - Diverging conclusions would call into question the reliability of these statistics
Solutions

- Adopt an integrated approach to the compilation of the statistics
  - Involve all compiling agencies in integrating the international accounts and rest of the world accounts data
  - Combine data collection to reduce respondent burden and ensure consistent source data
  - Adopt a harmonized revision policy
References

- Chapter 26 of the 2008 SNA
- Appendix 7 of BPM6
Questions

- Which agency or agencies are responsible for compiling BOP and national accounts data in your country?
- If different agencies are responsible for compiling these estimates, do they interact with each other to ensure that both sets of statistics are integrated and consistent?
Thank you