



# **The rest of the world accounts and links to international accounts**

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Economic Statistics Infrastructure within the SDGs Framework

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**Benson Sim**  
**United Nations Statistics Division**



# Outline of presentation

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- 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

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- 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



## 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



## 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

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- 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



## 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

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- 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





## Overview of balance of payments

	Credits	Debits	Balance
<b>Current accounts</b>			
<b>Goods and services account</b>			
Goods	462	392	
Services	78	107	
Goods and services	540	499	41
<b>Primary income account</b>			
Compensation of employees	6	2	
Interest	13	21	
Distributed income of corporations	17	17	
Reinvested earnings	14	0	
Primary income account	50	40	10
Goods, services and primary income	590	539	51
<b>Secondary income account</b>			
Current taxes on income, wealth, etc.	1	0	
Net non-life insurance premiums	2	11	
Non-life insurance claims	12	3	
Current international transfers	1	31	
Miscellaneous current transfers	1	10	
Secondary income	17	55	-38
Current account balance			13

Corresponds to allocation of primary income account in SNA

Corresponds to Secondary distribution of income account in SNA



# Comparison of rest of the world and international accounts

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## Overview of balance of payments

	Credits	Debits	Balance
<b>Capital account</b>			
Acquisition or disposals of non-produced assets	0	0	
Capital transfers	1	4	
Capital account balance			-3
Net lending (+) or net borrowing (-)			10
<b>Financial account (by functional category)</b>			
Direct investment	8	11	
Portfolio investment	18	14	
Financial derivatives (other than reserves) and ESOs	3	0	
Other investment	20	22	
Reserve assets	8		
Total changes in assets or liabilities	57	47	
Net lending (+) or net borrowing (-)			10
Net errors and omissions			0



## 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



## Goods and services account

### Reconciliation between IMTS and total goods on a balance of payment basis

#### Merchandise trade statistics as provided in data source

Adjustments, as relevant:

Goods sent for or returned after processing without a change of ownership

Goods acquired from other economies for processing abroad

Goods sold abroad after processing in other economies

Customized recordings on physical media

Noncustomized recordings on physical media with periodic license fee

Returned goods

Migrants' effects

Goods entering or leaving the economic territory of a country illegally

Goods lost or destroyed after change of ownership but before entering the importing country

Goods lost or destroyed before change of ownership

Goods imported for construction projects by nonresident enterprises

Goods transferred from or to a buffer stock organization

Goods which cross borders as a result of transactions between related parties

Non-monetary gold transactions between residents and non-residents without physical movement

Net exports of goods under merchanting

Difference in time of recording i.e. for high value capital goods

Different valuation for imports (CIF/FOB adjustment)

**= 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



## 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



## 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

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- 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



- 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

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



# Questions

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- 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**