



# Comprehensive Restructuring of the International Economic Accounts

Meeting of the BEA Advisory Committee

May 9, 2014

# Outline

- Comprehensive restructuring defined
- International guidelines
- Major changes and impacts
- Implementation strategy and outreach
- Review of the restructured accounts
- Future enhancements

# Comprehensive Restructuring Defined

- Most significant restructuring of international accounts presentations since 1976
  - U.S. International Transactions Accounts (ITAs)
  - U.S. International Investment Position (IIP)
- Regular annual revisions
  - Newly available and revised source data
  - Changes in estimation methodology (this year: travel services)
- Not equivalent to ‘Comprehensive Revisions’ of National Income and Product Accounts

# International Guidelines

- IMF's *Balance of Payments and International Investment Position Manual, 6<sup>th</sup> Edition* released in 2009
- Other guidelines updated recently
  - OECD's *Benchmark Definition of Foreign Direct Investment, 4<sup>th</sup> Edition*
  - *International Merchandise Trade Statistics: Concepts and Definitions*
  - *Manual on Statistics of International Trade in Services*
- Changes in definitions and classifications
- Consistent with SNA 2008

# Major Changes in Presentation

- More detail on ITAs and IIP including expanded gross recording of transactions
- More useful presentations of financial transactions, positions, and investment income by functional category, instrument, maturity, and sector
- New definitions/presentations of familiar items (e.g., travel services; DI statistics)
- Feature market valuation for DI positions
- No more balance of payments accounting signs!

# Major Impacts

- Greater and more complete information about global financial picture
- Implications for rates of return
- International comparability
- Presentation of financial account and IIP more consistent with the U.S. integrated macroeconomic accounts

# Implementation Strategy

- Align closely with new guidelines but consider needs of BEA customers
- Phased approach starting in 2009
- New presentation of statistics
  - Major account aggregates back to 1960
  - Next level account aggregates back to 1999
  - Shorter time series for some lower-level detail
- Review various account methodologies
- Concurrent update to public documentation

# Outreach to Data Users and Stakeholders

- Preview article in the *Survey of Current Business*:  
March 2014
- Meetings, blogs, webinars and other media:  
January-June 2014
- BEA Advisory Committee: May 2014
- Other government agencies: November 2013-May  
2014
- Other BEA program areas: National, Industry,  
Regional

# Impact on National, Industry, and Regional Accounts

- Revisions to ITA statistics will be reflected in the “flexible annual revision” of the NIPAs July 30
- New NIPA detailed tables will present new goods and services detail
- Revisions to National Accounts statistics will flow through to Industry and Regional statistics as usual
- No impact on Industry or Regional presentations or account definitions



# Current Account

(excluding investment income)

and

# Capital Account

# Trade in Goods

- New breakdown of aggregates
  - General merchandise
  - Merchanting (exports only)
  - Nonmonetary gold
- Expanded commodity detail for general merchandise
  - Geo (country/area) detail for major commodities
  - Increased detailed commodity categories from 59 to 77 for exports and from 56 to 69 for imports in ITA table on goods
- Seasonally adjusted countries and areas

# Trade in Services

- Broad categories increase from 7 to 9
  - Add maintenance and repairs; insurance services; financial services; and telecommunications, computer, and information services (w/geo detail quarterly)
  - Reassign passenger fares to transport services
- Sub-categories increase
  - Quarterly statistics (without geo detail): from 10 to 20
  - Annual statistics (with geo detail): from 33 to 42
- Consistency across monthly, quarterly, and annual statistics of trade in services is maintained
- Seasonally adjusted countries and areas

# Trade in Services (continued)

- Travel services redefined
  - Include health-related travel (medical services), education, and expenditures by short-term workers
  - Renamed “Travel (for all purposes including education)”
- Show business/personal split
- Revised estimates based on extensive review of estimation methodology and source data

**Comparison of the Current Presentation of Exports of Services with the New Presentation**

<b>Line</b>	<b>Current Structure of Table 3a</b>	<b>Line</b>	<b>New Structure of Table 3.1</b>
1	<b>Exports of private services</b>	1	<b>Exports of services</b>
2	Travel	2	Maintenance and repair services n.i.e.
3	Passenger fares	3	Transport
4	Other transportation	4	Sea transport
5	Freight	5	Freight
6	Port services	6	Port
7	Royalties and license fees	7	Air transport
	By type:	8	Passenger
8	Industrial processes	9	Freight
9	Other	10	Port
	By affiliation:	11	Other modes of transport
10	U.S. parents' receipts from their foreign affiliates	12	Travel (for all purposes including education)
11	U.S. affiliates' receipts from their foreign parent groups	13	Business
12	U.S. receipts from unaffiliated foreigners	14	Expenditures by border, seasonal, and other short-term workers
13	Other private services	15	Other business travel
	By type:	16	Personal
14	Education	17	Health related
15	Financial services	18	Education related
16	Insurance services	19	Other personal travel
17	Telecommunications	20	Insurance services
18	Business, professional, and technical services	21	Direct insurance
19	Other services	22	Reinsurance
	By affiliation:	23	Auxiliary insurance services
20	U.S. parents' receipts from their foreign affiliates	24	Financial services
21	U.S. affiliates' receipts from their foreign parent groups	25	Securities brokerage, underwriting, and related services
22	U.S. receipts from unaffiliated foreigners	26	Financial management, financial advisory, and custody services
		27	Credit card and other credit-related services
		28	Securities lending, electronic funds transfer, and other services
		29	Charges for the use of intellectual property n.i.e.
		30	Industrial processes
		31	Computer software
		32	Trademarks and franchise fees
		33	Audio-visual and related products
		34	Other intellectual property
		35	Telecommunications, computer, and information services
		36	Telecommunications services
		37	Computer services
		38	Information services
		39	Other business services
		40	Research and development services
		41	Professional and management consulting services
		42	Technical, trade-related, and other business services
		43	Government goods and services n.i.e.

# Seasonally Adjusted Countries and Areas

## Trade in Goods and Services

- Introduced in March 2014 BEA/Census trade release for Census basis goods series
- Balance of payments basis goods and services series will be added to trade release and ITAs in June
- Direct seasonal adjustment on 12 major trading partner countries and 2 areas
- Provide country contributions to overall changes
- Better for interpreting changes from preceding period and recent trends than unadjusted series

# Seasonally adjusted Countries and Areas

## Presented for Exports, Imports, Balance

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### Total

- France
- Germany
- Italy
- United Kingdom
- Canada
- Brazil
- Mexico
- China
- India
- Japan
- Korea, Republic of
- Saudi Arabia
- All other countries

### Memoranda:

- European Union
  - Members of OPEC
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# Secondary Income and Capital Account

- Gross measures replace net measures
- No change in composition of accounts
- Secondary income
  - Renamed from unilateral current transfers
  - Show government/private split
- Capital account
  - Capital transfer receipts and other credits
  - Capital transfer payments and other debits



# Financial Transactions, Investment Position, and Investment Income

# Financial Transactions/Positions/Income

- Consistent presentation by functional category (*direct investment, portfolio investment, financial derivatives, other investment, reserve assets*)
  - Captures diversity of situations, motivations, and behaviors at work in the financial world
  - Permits international comparability and integration of positions and flows
- Consistent presentation allows for improved measures of rates of return

# Functional Categories: Diverse Motivations

- **Direct Investment**—voting control and degree of managerial influence
- **Portfolio Investment**—capital and income gains and negotiability
- **Financial Derivatives**—trading in risk for hedging and for profit
- **Other Investment**—deposits, loans, trade credit, insurance reserves, payments system
- **Reserve Assets**—government policy tools

# Comparability and Integration

- Implementing BPM6 definitions links international accounts to the SNA and integrated macro accounts
- Direct investment on an asset/liability basis and IIP at market value are needed for integrated accounts
- Implementing BPM6 definitions facilitates international comparability and macroeconomic analysis

### Comparison of the Current Presentation of Financial Transactions for U.S. Assets With the New Presentation

Line	Current Structure in Table 1 (by sector of U.S. entity)	Line	New Structure in Table 1.2 (by functional category)
<b>40</b>	<b>U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-))</b>	<b>61</b>	<b>Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets/financial outflow (+))</b>
41	U.S. official reserve assets	62	Direct investment assets
42	Gold	63	Equity
43	Special drawing rights	64	Debt instruments
44	Reserve position in the International Monetary Fund	65	Portfolio investment assets
45	Foreign currencies	66	Equity and investment fund shares
46	U.S. government assets, other than official reserve assets	67	Debt securities
47	U.S. credits and other long-term assets	68	Short term
48	Repayments on U.S. credits and other long-term assets	69	Long term
49	U.S. foreign currency holdings and U.S. short-term assets	70	Other investment assets
50	U.S. private assets	71	Currency and deposits
51	Direct investment	72	Loans
52	Foreign securities	73	Insurance technical reserves
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	74	Trade credit and advances
54	U.S. claims reported by U.S. banks and securities brokers	75	Reserve assets
		76	Monetary gold
		77	Special drawing rights
		78	Reserve position in the International Monetary Fund
		79	Other reserve assets
		80	Currency and deposits
		81	Securities
		82	Financial derivatives
		83	Other claims

### Comparison of the Current Presentation of Financial Transactions for U.S. Liabilities With the New Presentation

Line	Current Structure in Table 1 (by sector of foreign counterparty)	Line	New Structure in Table 1.2 (by functional category)
<b>55</b>	<b>Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+))</b>	<b>84</b>	<b>Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities/financial inflow (+))</b>
56	Foreign official assets in the United States	85	Direct investment liabilities
57	U.S. government securities	86	Equity
58	U.S. Treasury securities	87	Debt instruments
59	Other	88	Portfolio investment liabilities
60	Other U.S. government liabilities	89	Equity and investment fund shares
61	U.S. liabilities reported by U.S. banks and securities brokers	90	Debt securities
62	Other foreign official assets	91	Short term
63	Other foreign assets in the United States	92	Long term
64	Direct investment	93	Other investment liabilities
65	U.S. Treasury securities	94	Currency and deposits
66	U.S. securities other than U.S. Treasury securities	95	Loans
67	U.S. currency	96	Insurance technical reserves
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	97	Trade credit and advances
69	U.S. liabilities reported by U.S. banks and securities brokers	98	Special drawing rights allocations

# Consistent Presentation of Financial Transactions, Positions, Income

## Financial Transactions

[billions of dollars]	2009	2010	2011
<b>Net U.S. acquisition of financial assets</b>			
<b>excluding financial derivatives</b>	<b>108.7</b>	<b>1,004.6</b>	<b>507.2</b>
Direct investment assets	278.6	393.0	442.9
Portfolio investment assets	375.1	174.9	83.0
Other investment assets	-597.3	434.9	-34.5
Reserve assets	52.3	1.8	15.9

## Positions

[billions of dollars]	Yearend Positions		
	2009	2010	2011
<b>Assets excluding financial derivatives</b>	<b>15,881.9</b>	<b>17,784.0</b>	<b>16,944.7</b>
Direct investment at market value	4,889.5	5,444.7	5,198.6
Portfolio investment	6,058.6	6,865.2	6,375.6
Other investment	4,530.1	4,985.4	4,834.5
Reserve assets	403.8	488.7	536.0

## Income

[billions of dollars]	2009	2010	2011
<b>Investment income receipts</b>	<b>603.7</b>	<b>677.8</b>	<b>745.5</b>
Direct investment income receipts	365.4	451.2	486.9
Portfolio investment income receipts	184.4	190.3	219.6
Other investment income receipts	53.2	35.6	38.1
Reserve asset income receipts	0.8	0.7	0.8

# Asset/Liability Basis

- Direct investment on an asset/liability basis
  - DI statistics organized according to whether the investment relates to an asset or a liability, like a balance sheet
  - Facilitates comparability between the international accounts with domestic financial flow and balance sheet statistics
  - Table 6.1 shows the conversion for users; industry and country statistics remain on a directional basis

# Asset/Liability Basis

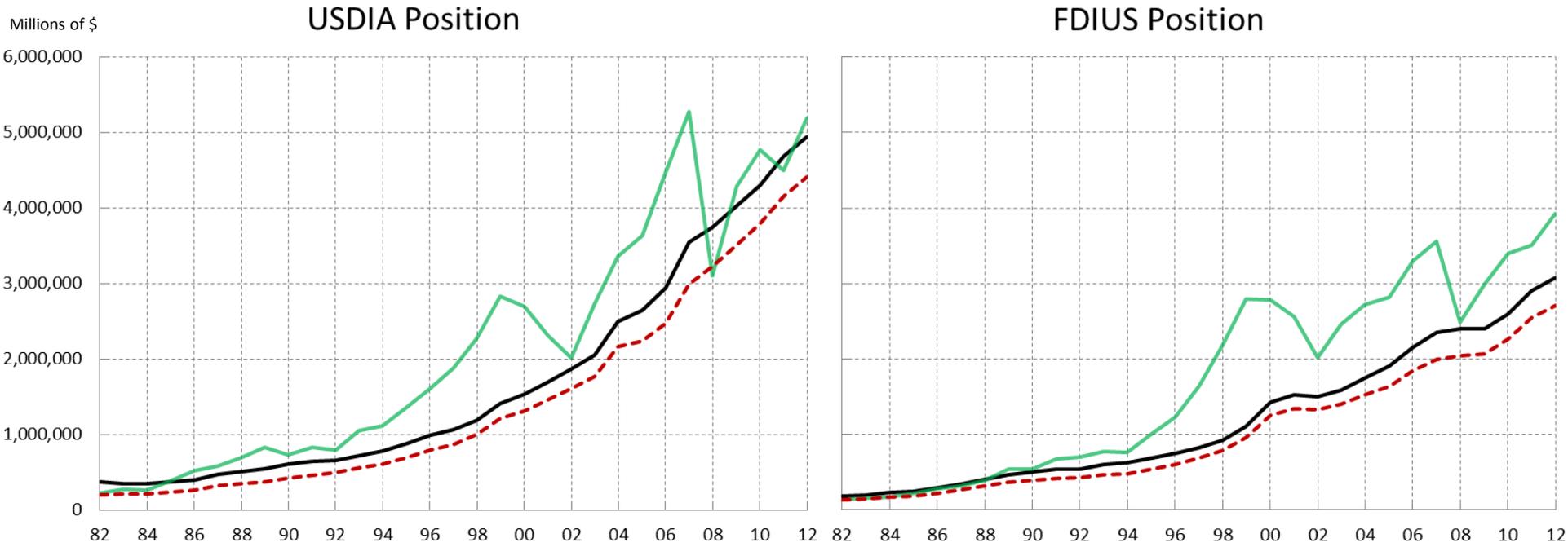
## Direct Investment Transactions and Positions on the Directional Basis and Asset/Liability Basis (2011)

[billions of dollars]	Directional Basis	Asset/Liability Basis	Difference
<b>Current Account</b>			
Net direct investment income	321.7	321.7	0.0
Direct investment income receipts	480.2	486.9	6.7
Direct investment income payments	158.6	165.2	6.7
<b>Financial Account</b>			
Net financial flows for direct investment	185.3	185.3	0.0
Direct investment assets	419.3	442.9	23.5
Direct investment liabilities	234.0	257.5	23.5
<b>International Investment Position</b>			
Net direct investment position	990.6	990.6	0.0
Direct investment assets at market value	4,500.0	5,198.6	698.6
Direct investment liabilities at market value	3,509.4	4,208.0	698.6

# Sector Detail: Portfolio Investment Liabilities

<b>Liabilities by sector of U.S. issuer</b>	
46	<b>Net U.S. incurrence of portfolio investment liabilities</b>
47	<b>Deposit-taking institutions except central bank</b>
48	Equity and investment fund shares
49	Debt securities
50	Short term
51	Long term
52	<b>Other financial institutions</b>
53	Equity and investment fund shares
54	Debt securities
55	Federally sponsored agency securities
56	Short term
57	Long term
58	Other securities
59	Short term
60	Long term
61	<b>Nonfinancial institutions except general government</b>
62	Equity and investment fund shares
63	Debt securities
64	Short term
65	Long term
66	<b>General government</b>
67	Debt securities
68	U.S. Treasury securities
69	Short term
70	Long term
71	State and local government long-term securities

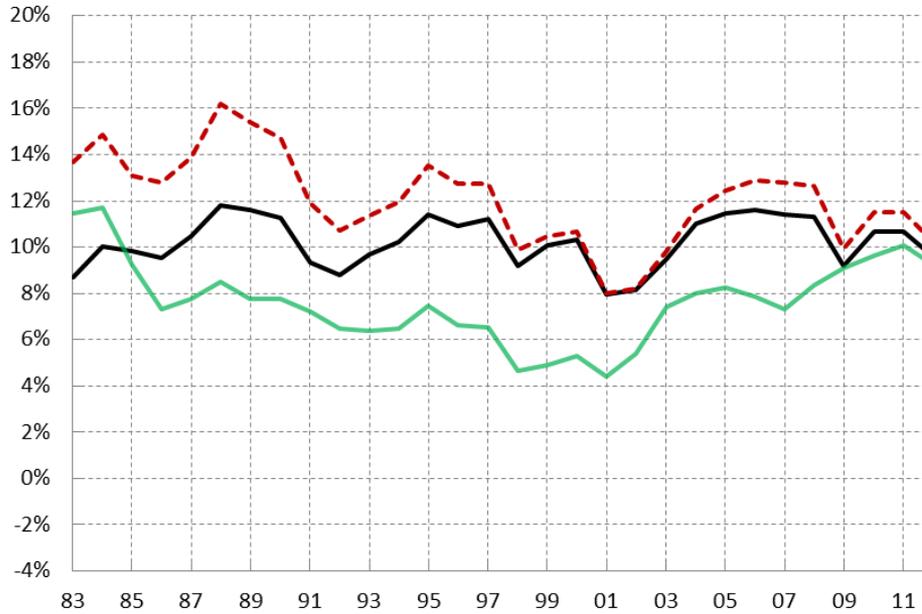
# Comparison of DI Positions on Different Bases



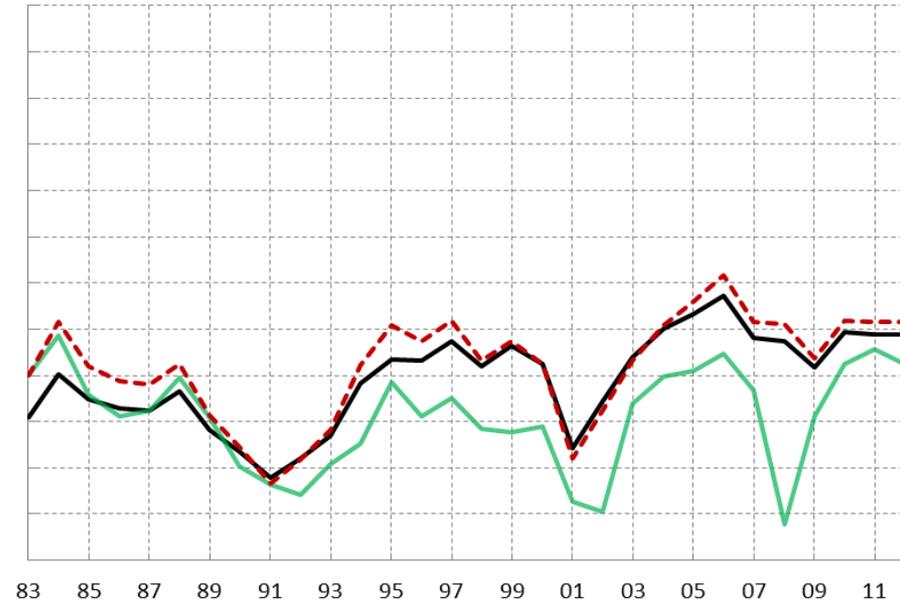
Current cost
  Market Value
  Historic Cost

# Comparison of DI Rates of Return

USDIA Income Yield (BEA Rate of Return)



FDIUS Income Yield (BEA Rate of Return)



— Current cost    — Market Value    - - - Historic Cost

# Future Enhancements

- New country detail
  - Expand for ITAs
  - Introduce for IIP
- New statistics
  - Implicitly charged financial services
  - Manufacturing services (goods for processing)
- Refine classification of intellectual property transactions (e.g., to R&D services, audiovisual and related services, capital account)
- DI by ultimate host country



# Thank you!