

# Comprehensive Restructuring of the International Economic Accounts

U.S. Bureau of Economic Analysis

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# Outline

- Comprehensive restructuring defined
- International guidelines
- Major changes and impacts
- Implementation strategy and outreach
- Restructured table templates
- 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

# 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

# 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
- For more information:

[www.bea.gov/international/modern.htm](http://www.bea.gov/international/modern.htm)



# Templates for the Restructured Tables

<http://www.bea.gov/iTable/iTableHTML.cfm?ReqID=62&step=1>



# 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

## Current Structure

1	Exports of private services
2	Travel
3	Passenger fares
4	Other transportation
5	Freight
6	Port services
7	Royalties and license fees
	By type:
8	Industrial processes
9	Other
	By affiliation:
10	U.S. parents' receipts from their foreign affiliates
11	U.S. affiliates' receipts from their foreign parent groups
12	U.S. receipts from unaffiliated foreigners
13	Other private services
	By type:
14	Education
15	Financial services
16	Insurance services
17	Telecommunications
18	Business, professional, and technical services
19	Other services
	By affiliation:
20	U.S. parents' receipts from their foreign affiliates
21	U.S. affiliates' receipts from their foreign parent groups
22	U.S. receipts from unaffiliated foreigners

## New Structure

1	Exports of services
2	Maintenance and repair services n.i.e.
3	Transport
4	Sea transport
5	Freight
6	Port
7	Air transport
8	Passenger
9	Freight
10	Port
11	Other modes of transport
12	Travel (for all purposes including education)
13	Business
14	Expenditures by border, seasonal, and other short-term workers
15	Other business travel
16	Personal
17	Health related
18	Education related
19	Other personal travel
20	Insurance services
21	Direct insurance
22	Reinsurance
23	Auxiliary insurance services
24	Financial services
25	Securities brokerage, underwriting, and related services
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	Telecommunication 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

## 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

# Financial Transactions: U.S. Assets

## Current Structure (by sector of U.S. entity)

<b>40</b>	<b>U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-))</b>
41	U.S. official reserve assets
42	Gold
43	Special drawing rights
44	Reserve position in the International Monetary Fund
45	Foreign currencies
46	U.S. government assets, other than official reserve assets
47	U.S. credits and other long-term assets
48	Repayments on U.S. credits and other long-term assets
49	U.S. foreign currency holdings and U.S. short-term assets
50	U.S. private assets
51	Direct investment
52	Foreign securities
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns
54	U.S. claims reported by U.S. banks and securities brokers

## New Structure (by functional category)

<b>61</b>	<b>Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets/financial outflow (+))</b>
62	Direct investment assets
63	Equity
64	Debt instruments
65	Portfolio investment assets
66	Equity and investment fund shares
67	Debt securities
68	Short term
69	Long term
70	Other investment assets
71	Currency and deposits
72	Loans
73	Insurance technical reserves
74	Trade credit and advances
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

# Financial Transactions: U.S. Liabilities

## Current Structure

(by sector of foreign counterparty)

<b>55</b>	<b>Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+))</b>
56	Foreign official assets in the United States
57	U.S. government securities
58	U.S. Treasury securities
59	Other
60	Other U.S. government liabilities
61	U.S. liabilities reported by U.S. banks and securities brokers
62	Other foreign official assets
63	Other foreign assets in the United States
64	Direct investment
65	U.S. Treasury securities
66	U.S. securities other than U.S. Treasury securities
67	U.S. currency
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns
69	U.S. liabilities reported by U.S. banks and securities brokers
<b>70</b>	<b>Financial derivatives, net</b>

## New Structure

(by functional category)

<b>84</b>	<b>Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities/financial inflow (+))</b>
85	Direct investment liabilities
86	Equity
87	Debt instruments
88	Portfolio investment liabilities
89	Equity and investment fund shares
90	Debt securities
91	Short term
92	Long term
93	Other investment liabilities
94	Currency and deposits
95	Loans
96	Insurance technical reserves
97	Trade credit and advances
98	Special drawing rights allocations
<b>99</b>	<b>Financial derivatives other than reserves, net transactions</b>

# 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

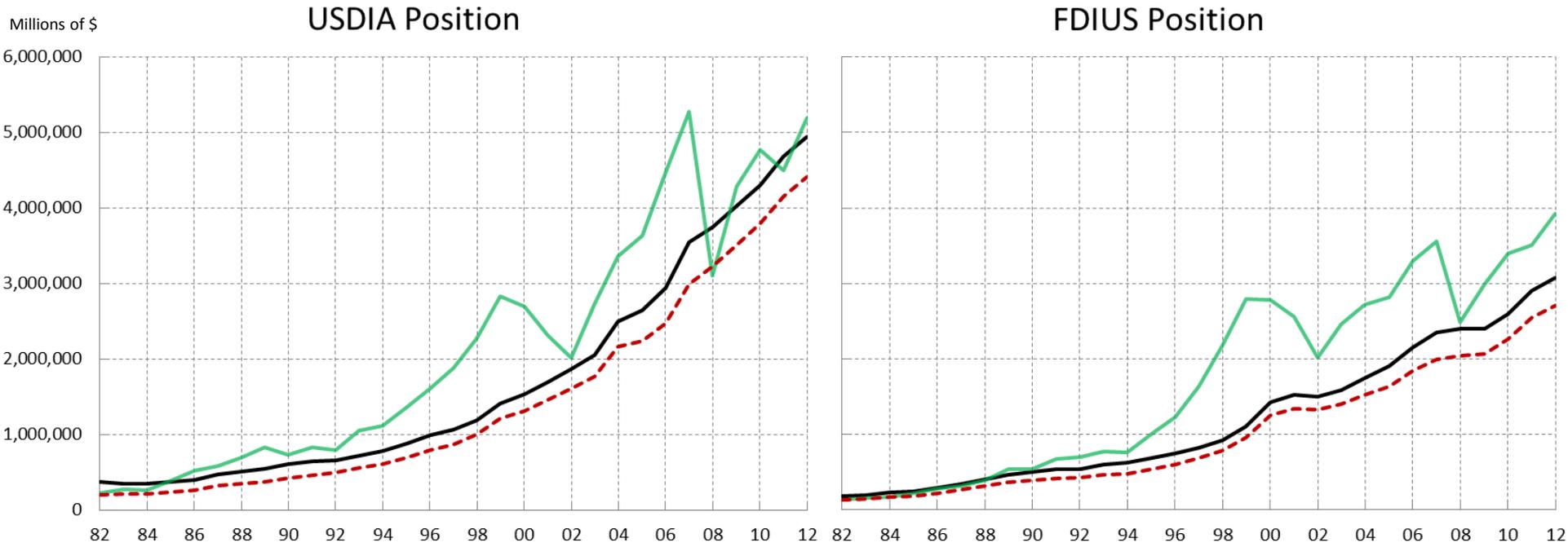
## Direct Investment Transactions and Positions on the Directional Basis and Asset/Liability Basis (2011)

[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

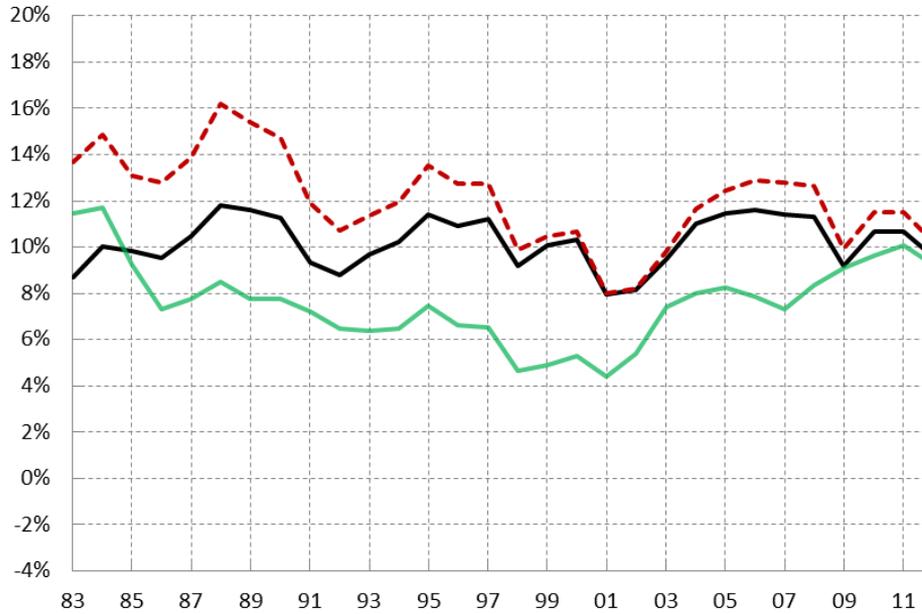
# Comparison of DI Positions on Different Bases



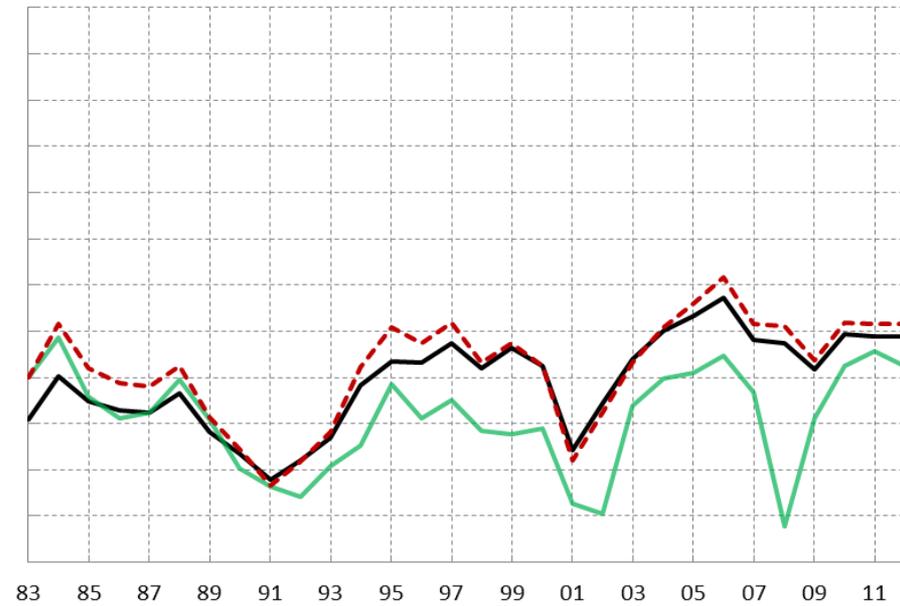
Current cost
  Market Value
  Historic Cost

# 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



# Questions?

# For More Information

[www.bea.gov/international/modern.htm](http://www.bea.gov/international/modern.htm)

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