

Annex 12

Links Between External Accounts and Other Main Sets of Macroeconomic Statistics

I. Introduction

References:

2025 SNA, Chapter **xx**, The Rest of the World Accounts (external transactions accounts).

IMF and others, *External Debt Statistics 2014: Guide for Compilers and Users*, Appendix IV, External Debt Statistics, International Investment Position (IIP) and National Accounts.

BPM6 Compilation Guide 2014, Appendix 6, Linkages with Other Macroeconomic Datasets.

GFSM 2014, Appendix 7: Linkages between GFS and Balance of Payments and the International Investment Position.

MFSMCG 2016, Appendix I, Section IV. Linkages between Monetary Statistics and External Sector Statistics.

A12.1 The external accounts are closely linked with other macroeconomic statistics. This annex provides an overview of the main statistical links between the external accounts and the national accounts (NA), government finance statistics (GFS), monetary and financial statistics (MFS), and external debt statistics (EDS). These sets of statistics build on harmonized macroeconomic statistical standards, and the differences mainly relate to presentational issues.

II. Accounting System

A12.2 The external accounts use an underlying accounting system consistent with other macroeconomic statistics. The concept of residence is consistently applied in external accounts and other macroeconomic datasets. The

institutional sectors, transactions, stocks or positions, and other changes in financial assets and liabilities are broadly aligned. Accrual basis of recording transactions and use of exchange values, or market prices, as the valuation principle are commonly applied. In the national accounts, the rest of the world accounts are presented from the point of view of the nonresident units, whereas the external accounts and EDS are shown from the point of view of resident units. The MFS and GFS cover both domestic and external transactions and positions of the financial sector and the general government and/or public sector, respectively. The cross-border transactions and positions in GFS and MFS can be separately identified and mapped to the external accounts.

III. Classification

A12.43 In general, the classification system in external accounts is broadly harmonized with other macroeconomic datasets. The coverage and terminology of major aggregates have been fully harmonized. However, there is a major presentational difference in that the external accounts use functional categories as the primary level of classification for investment income, the financial account, other flows, and the IIP, whereas the other macroeconomic datasets use other transaction and asset categories. Nonetheless, the transaction, financial instrument and institutional sector detail in the external accounts allows the data to be comparable across macroeconomic datasets. Differences in classification or presentation of external accounts with other macroeconomic datasets, where applicable, are discussed in the specific sections describing the linkages of each dataset with the external accounts.

IV. Links Between the External Accounts and Other Macroeconomic Statistics

A12.4 This section shows firstly an overview of the main linkages of the balance of payments (BOP) with the other main macroeconomic accounts – the national accounts, the fiscal accounts, and the monetary statistics. This is followed by detailed descriptions of the linkages of external accounts ([including the BOP](#)) with each of the main macroeconomic datasets, national accounts, GFS, MFS, and EDS.

A. Overview of Major Linkages of Balance of Payments with Other Macroeconomic Accounts

A12.5 Using a schematic diagram, Figure 12.1 depicts an overview of the broad linkages of the balance of payments with other macroeconomic statistics (national accounts, GFS, and MFS).

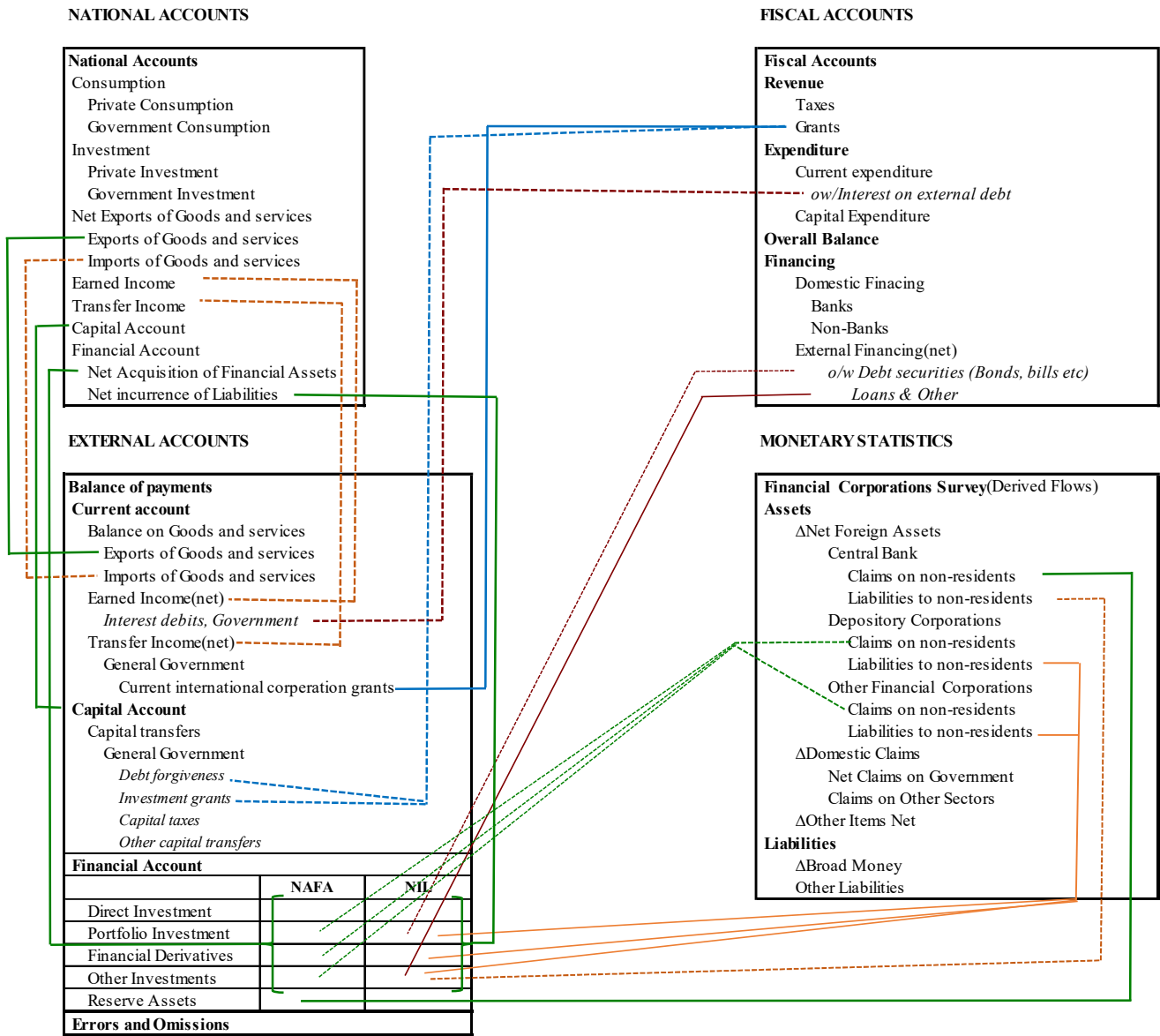
National ~~income and production~~ accounts

A12.6 The major components of the national accounts related to the balance of payments include balance of international trade in goods and services, earned income, transfer income, capital account, and the financial account. The rest of the world (ROW) sections for each of these accounts correspond to what is recorded in the balance of payments. In principle, exports and imports of goods and services in the national accounts should correspond to the exports and imports of goods and services recorded in the BOP. The detailed linkages of the national accounts with the external accounts are presented in section B.

Fiscal Accounts

A12.7 The major components in the fiscal accounts (Government Finance Statistics) which correspond to some of the major transactions in the balance of payments include *grants, interest expense on Government external debt* (recorded in the earned income account in the BOP), *external financing of Government and debt service* (recorded in the financial account). Grants include *current international cooperation* which are recorded in the transfer income account and *investment grants* which are recorded in capital accounts of the BOP. *Debt forgiveness* for government as recorded in the capital account of the BOP corresponds to the capital grants or capital transfers not elsewhere classified in the fiscal accounts. The detailed linkages of the fiscal accounts with the balance of payments and the international investment position are outlined in section C.

Figure A12.1: Overview of the Major Linkages of Balance of Payments with Other Macroeconomic Accounts



NAFA-Net Acquisition of Financial Assets
 NIL-Net Incurrence of Liabilities

Monetary Statistics

A12 Monetary statistics have multiple linkages with the balance of payments statistics. The major interconnections relate to cross border transactions for the *central bank, deposit-taking corporations, and other financial*

corporations. These range from transactions in *reserve assets* (associated with the change in official reserve assets of the central bank) to changes in foreign assets and liabilities of deposit-taking corporations and other financial corporations. The detailed linkages of monetary statistics with both the balance of payments and the international investment position, including the financial instruments, and challenges in direct mapping are provided in section D.

B. Linkages of External Accounts with the National Accounts

A12.9 External accounts are closely interrelated with the national accounts. Relevant transactions in the current and accumulation accounts of the national accounts correspond to those reported in the external accounts. The positions in the balance sheet of the national accounts for the rest of the world correspond to the positions in the IIP.

Linkages of the National Accounts flow accounts with the Balance of payments

A12.10 In the balance of payments, the current account comprises the goods and services account, the earned income account, and the transfer income account while the current account in national accounts comprises, in addition to the current accounts distinguished in BOP, the production, the generation of earned income, and the use of income accounts. Unlike the case in the national accounts, the capital account is not an accumulation account in the external accounts. Entries in the *rest of the world account* in the national accounts almost fully correspond to the relevant entries in the balance of payments (Table A12.1).

Current Accounts

A12.11 The national accounts current account components that correspond to the BOP include the exports and imports of goods and services recorded in the goods and services account; and remuneration of employees, taxes on production and imports, subsidies, interest, distributed income of corporations, and reinvested earnings recorded in the earned income account. Components of the transfer income of balance of payments reflected in the national accounts include current taxes on income, wealth, etc., social contributions less service charges, social benefits other than social benefits in kind, nonlife insurance premiums less service charges, nonlife insurance claims, current international cooperation, miscellaneous current transfers, and personal transfers.

A12.12 The product classification in the national accounts, the *Central Product Classification (CPC)*, differs from the balance of payments for transactor-based services (travel, construction, and government goods and services n.i.e.). Unlike the national accounts, these service items in the BOP include some goods items. However, supplementary data included in the Extended Balance of Payments Services (EBOPS) allow for greater alignment with product level data in the national accounts. Nonetheless, the total *imports of goods and services* and the total *exports of goods and services* in both the balance of payments and the national accounts are consistent.

Table A12.1: Linkages of Balance of Payments with National Accounts

National Accounts				Balance of Payments						
Current account	DE	ROW	GS	CR/REV	DR/EXP	Current account				
Exports of Goods and services		*	*	*		Balance on Goods and services				
Imports of Goods and services		*	*		*	Exports of Goods and services				
<i>Production Account</i>						Imports of Goods and services				
<i>Earned Income account</i>										
Generation of income						Earned Income				
Allocation of income										
Remuneration of employees		*		*	*	Remuneration of employees				
Taxes on production and imports		*		*	*	Taxes on production and imports				
Subsidies		*		*	*	Subsidies				
Property income										
Investment income		*		*	*	Investment Income				
Interest		*		*	*	DI	PI	FD	OI	RA
Distributed income of corporations		*		*	*	*	*		*	*
Reinvested earnings on direct investment		*		*	*	*	*			
<u>Other investment income</u>		*		*	*	-		-		
<u>Other investment income</u>		*		*	*		*			
									*	
Rent		*		*	*					
<i>Distribution of Transfer income account</i>						Transfer Income				
						Other current transfers				
Current taxes on income, wealth etc.		*		*	*	Current taxes on income, wealth etc.				
Net social contributions		*		*	*	Social contributions				
Social benefits other than social benefits in kind		*		*	*	Social benefits other than social benefits in kind				
Other current transfers				*	*					
Nonlife insurance premiums less service charges		*		*	*	Nonlife insurance premiums less service charges				
Nonlife insurance claims		*		*	*	Nonlife insurance claims and calls				
Current transfers within general government										
Current international cooperation		*		*	*	Current international cooperation				
Miscellaneous current transfers		*		*	*	Miscellaneous current transfers				
o/w personal transfers		*		*	*	Personal transfers				
<i>Disposable income</i>										
<i>Use of income account</i>										
<i>Disposable income</i>										
Household consumption expenditure										
General government consumption expenditure										
NPISH consumption expenditure										
Adjustment for the change in pension entitlements		*				<u>Adjustment for the change in pension entitlements</u>				
						*				
Accumulation accounts	Changes in A & L and Net Worth									
<i>Capital account</i>	DE	ROW	GS	CR/REV	DR/EXP	Capital account				
<i>Saving</i>		*								
Gross capital formation (excluding natural capital)										
<u>Consumption of fixed capital/Depreciation</u>										

Acquisitions <i>less</i> disposals of nonproduced non-financial assets (excluding natural capital)		*		*	*	Acquisitions <i>less</i> disposals of non produced non-financial assets							
Acquisitions <i>less</i> disposals of natural capital		*											
Capital transfers receivable		*		*		Capital transfers (receivable)							
Capital transfers payable		*		*	*	Capital transfers (payable)							
<i>Net lending (+)/net borrowing (-)</i>		<u>*</u>		<u>*</u>	<u>*</u>	<i>Net lending (+)/net borrowing (-)</i>							
Financial account						Financial account							
<i>Net lending (+)/net borrowing (-)</i>						<i>Net lending (+)/net borrowing (-)</i>	DI _L	PI	FD	OI	RA		
Monetary gold and SDRs		*		*	*	Monetary gold and SDRs				*	*		
Currency and deposits		*		*	*	Currency and deposits	*			*	*		
Debt securities		*		*	*	Debt securities	*	*				*	*
Loans		*		*	*	Loans	*			*	*		
Equity and investment fund shares		*		*	*	Equity and investment fund shares	*	*		*	*		
Insurance, pension and standardized guarantee schemes		*		*	*	Insurance, pension and standardized guarantee schemes	*			*			
Financial derivatives and employee stock options		*		*	*	Financial derivatives and employee stock options			*			*	
Other accounts payable/receivable		*		*	*	Other accounts payable/receivable	*			*		*	

CR/REV: Credit/Revenue, DR/EXP: Debit/Expenditure, DE: Domestic Economy, ROW: Rest of the World, GS: Good and Service account, DI-Direct investment, PI-Portfolio investment, FD- Financial derivatives, OI-Other investment, RA-Reserve assets, A&L – Assets and Liabilities.
* - Cells with corresponding entries in the BOP and national accounts.
/1 All the itemized debt instruments in DI are consolidated into “Debt instruments.”

A12.13 Interest is measured on exactly the same basis in both the balance of payments and the national accounts. However, the presentations differ. In order to ~~make the reconciliation reconcile between~~ investment income in the balance of payments and in the national accounts, subcomponents below the level of the functional categories of investment income need to be used. For example, the figures for interest expenditure to and from the rest of the world as shown in the national accounts are the sum of interest payments under each functional category heading, as reflected in the right-side headings in table A12.1.

The Capital Account

A12.14 The accumulation accounts in the national accounts comprise the capital account, the financial account and the other changes in financial assets and liabilities account. The elements of the capital account in the national accounts that correspond to the balance of payments transactions include acquisitions and disposals of non-produced non-financial assets (including natural resources) and capital transfers receivable from the rest of the world or payable to the rest of the world (Table A12.1).

The Financial Account

A12.15 In the national accounts, the financial account transactions (comprising the financial assets and liabilities) are classified by financial instrument and institutional sector. In the BOP, however, the financial account is

presented by functional categories as the primary level of classification and further disaggregated by instrument and institutional sector, which makes it possible to link them to the corresponding components in the national accounts (Table A12.1).

Linkages of the National Accounts Balance Sheet with the International Investment Position

A12.16 The balance sheet in the national accounts measures the positions of assets, both nonfinancial and financial, and liabilities for each institutional sector so as to derive the net worth of the economy. The part of the national balance sheet that represents the cross-border component (rest of the world sector) —that is, the positions of financial claims (financial assets) and liabilities where one party is nonresident — and gold bullion held as reserves correspond to the IIP. Table A12.2 gives a comparative overview of the linkages of the national accounts balance sheet with the IIP. For the financial assets and liabilities in the balance sheet of the national accounts, Table A12.2 presents an additional breakdown of the financial instruments by functional category to align with the IIP.

Table A12.2: Linkages of National Accounts Balance Sheet with the International Investment Position

Balance Sheets	NA						International Investment Position							
	DE		ROW		G&S									
	A	L	A	L	A	L	A	L						
Non-financial Assets														
Financial Assets and Liabilities			*	*			*	*	Financial Assets and Liabilities	DI	PI	FD	OI	RA
Monetary gold and SDRs			*	-			*	*	Monetary gold and SDRs				*	*
Currency and deposits			*	*			*	*	Currency and deposits	*			*	*
Debt securities			*	*			*	*	Debt securities	*	*			*
Loans			*	*			*	*	Loans	*			*	*
Equity and investment fund shares			*	*			*	*	Equity and investment fund shares	*	*		*	*
Insurance, pension and standardized guarantee schemes			*	*			*	*	Insurance, pension and standardized guarantee schemes	*			*	
Financial derivatives and employee stock options			*	*			*	*	Financial derivatives and employee stock options			*		*
Other accounts payable/receivable			*	*			*	*	Other accounts payable/receivable	*			*	
Total Assets and Liabilities									Total Assets and Liabilities					

DE – Domestic Economy, ROW = Rest of the World, G&S = Goods and Services Account.

C. Linkages of External Accounts with Government Finance Statistics

A12.17 There are broad linkages of Government Finance Statistics with balance of payments and IIP as are depicted in Figure A12.2. The GFS framework comprises (1) *the statement of operations*, which records the re-

sults of all transactions during an accounting period; (2) *the statement of other economic flows*, which summarizes changes in assets, liabilities, and net worth that have not been generated by transactions; and (3) *the balance sheet*, which shows positions of financial and nonfinancial assets, positions of liabilities, and net worth. The GFS can be compiled for the general government and/or public sector (that consists of all general government units and public corporations within an economic territory).

Figure A12.2: Relationship Between Government Finance Statistics and External Accounts

Flows				Positions		
Transactions + Other flows				Transactions + Other flows		
Government Finance Statistics				External Accounts		
Statement of Operations				Balance of payments		
Transactions Affecting Net Worth				Current Account		
Revenue				Goods		
Taxes				Services		
Social contributions	*			<i>O/w</i> Government goods and services, nie		
Grants				Earned income		
<i>O/W</i> from foreign governments & International Organisations				Remuneration of Employees		
Current	*			Investment Income (DI, PI, OI)		
Capital	*			Income on equity and investment fund shares (DI, PI, OI)		
<i>O/W</i> Debt Forgiveness	*			Investment income attributable to policyholders in insurance, pensions and standardized Guarantee schemes (OI)		
Other revenue				Interest (DI, PI, OI)		
<i>O/W</i> Debt Forgiveness				Other Earned Income		
Expense				Taxes on production and on imports		
Remuneration of employees	*			Subsidies		
Use of goods and services	*			Rent		
Depreciation				Transfer income		
Interest				General government		
<i>O/W</i> to non-residents				<i>Current taxes on income, wealth, et</i>		
Subsidies				Social contributions		
Grants				Social benefits		
<i>O/W</i> To foreign governments & International Organisations				Current international cooperation		
Current	*			Miscellaneous current transfers of general government		
Capital	*			Financial corporations, nonfinancial corporations, households, and NPISH		
<i>O/W</i> Debt Forgiveness	*					
Social benefits	*					
Other expense						
<i>O/W</i> Debt Forgiveness						
<i>NOB/GOB Net/gross operating balancee (1-2)/1</i>						
Transactions in nonfinancial assets:				Capital account		
Net/gross investment in nonfinancial assets/2				Gross Acquisition/Disposal of nonproduced nonfinancial assets		
Fixed assets				Capital transfers		
Inventories				General government		
Valuables				Debt forgiveness		
Nonproduced assets	*			Investment grants		
Expenditure				Capital taxes		
<i>NLB Net Lending (+)/borrowing (-)</i>				Other capital transfers		
				Financial corporations, nonfi nancial corporations, households, and NPISHs		
				IIP		
Transactions in financial assets & Liabilities				Financial Account		
				Direct Investment		
Net acquisition of financial assets				Portfolio Investment		
Domestic/3				Other Investments		
External/3	*	*	*	Financial derivatives		
Net incurrence of liabilities				Reserve Assets		
Domestic/3						
External/3	*	*	*			
				Statistical Discrepancy		

NAFA- Net Acquisition of Financial Assets, NIL-Net Incurrence of Liabilities, FAL - Foreign assets and Liabilities.

1 The net operating balance equals revenue minus expense. The gross operating balance equals revenue minus expense other than *consumptions of fixed capital/depreciation*.

2 The net investment in nonfinancial assets equals acquisitions minus disposals minus *consumption of fixed capital/depreciation*. The gross investment in nonfinancial assets equals acquisitions minus disposals.

3 Classified by instrument and/or sector of the counterparty.

The Statement of Operations

A12.18 The Statement of Operations is a summary of transactions of the general government and/or public sector in a given accounting period and has three main categories: (1) transactions affecting net worth (revenue and expense); (2) transactions in nonfinancial assets (net acquisition of nonfinancial assets); and (3) transactions in financial assets and liabilities (the net acquisition of financial assets and the net incurrence of liabilities). The statement of operations has similarities with transactions presented in the current, capital, and financial accounts of the balance of payments (Figure 2).

Transactions affecting Net Worth

Revenue

A12.19 Revenue is classified in four broad categories in the GFS: (1) *taxes*; (2) *social contributions*; (3) *grants*; and (4) *other revenue*.

A12.19-1 In the GFS, *taxes* are classified in six major categories: ~~(i) taxes on income, profits, and capital gains; (ii) taxes on payroll and workforce; (iii) taxes on property; (iv) taxes on goods and services; (v) taxes on international trade and transactions; and (vi) other taxes.~~ Only *taxes* levied on nonresidents should be included in the balance of payments. Specifically, (i) *taxes on income, profits, and capital gains* and (ii) *taxes on payroll and workforce* are included in the transfer income account and the earned income account, respectively, of the balance of payments. *Estate, inheritance, and gift taxes* and *capital levies* included in (iii) *taxes on property* correspond to capital taxes which are recorded in the capital account of the balance of payments. The other categories of taxes in the GFS are allocated between the earned and transfer income accounts according to whether they are payable by producers or final consumers. However, in the context of balance of payments, import duties or taxes on exports included in (v) *taxes on international trade and transactions* are typically ~~recorded as are~~ levied on residents even if a nonresident exporter or importer agrees to pay these taxes and therefore are excluded from the BOP.

A12.20 *Social contributions* receivable from nonresidents by the general government sector are included in the transfer income account in the balance of payments.

A12.21 *Grants (current or capital)* are defined as transfers receivable by general government from other resident or nonresident government units or international organizations that do not meet the definition of a tax, subsidy, or social contributions in the GFS. *Current grants* receivable from foreign general governments and international organizations are often the most important linkage between the GFS and the balance of payments. They are recorded in the transfer income account of the balance of payments under current international cooperation. *Capital grants* in cash or in kind to finance all or part of the cost of acquiring fixed assets receivable by government from foreign general governments and international organizations correspond to investment grants that are recorded in the capital account of the balance of payments under capital transfers.

A12.22 *Debt forgiveness* receivable by general government units from nonresidents is ~~recorded~~^{reflected} in the GFS as revenue either in *capital grants* receivable from foreign governments or international organizations, or in *capital transfers not elsewhere classified* under *other revenue*, ~~when received from other nonresident entities~~. A corresponding reduction in the appropriate external debt instrument is recorded. In the balance of payments, *debt forgiveness* is recorded as a capital transfer in the capital account from the creditor economy to the debtor economy, offset by a reduction in the liability of the debtor (reduction in the asset of the creditor) under the appropriate debt instrument in the financial account.

Other revenue

A12.23 *Other revenue* in the GFS consists of (i) property income; (ii) sales of goods and services; (iii) fines, penalties, forfeits; (iv) transfers not elsewhere classified; and (v) premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes.

A12.24 *Property income* consist of investment income and rent, of which the portion receivable from nonresidents ~~are~~^{is} recorded in the earned income account of the balance of payments. The GFS does not present a

functional classification of investment income as in the external accounts but classifies the income into interest, dividends, withdrawals from income of quasi-corporations, property income from investment income disbursements (i.e., property income attributed to insurance policyholders and holders of investment fund shares), and reinvested earnings on foreign direct investment.

A12.25 In the GFS, *sales of goods and services* are classified in four broad categories: *sales by market establishments*, *administrative fees charged for services*, *incidental sales by nonmarket establishments*, and *imputed sales of goods and services* (that is, remuneration of employees in kind). Although these sales are not classified by product in the GFS, these sales to nonresidents are reflected in the relevant categories of the goods and services accounts of the balance of payments.

A12.25-1 *Fines and penalties* imposed on nonresidents and *premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes* receivable from nonresidents are reported in the transfer income account of the balance of payments. Current or capital transfers *not elsewhere classified* are reflected in the transfer income account and the capital account of the balance of payments, respectively.

Expense

A12.26 Expense in the GFS is classified in eight broad categories: (i) *remuneration of employees*, (ii) *use of goods and services*, (iii) *consumption of fixed capital*, (iv) *interest*, (v) *subsidies*, (vi) *grants*, (vii) *social benefits*, and (viii) *other expense*. ~~*Consumption of fixed capital*~~*Depreciation* is not applicable to the balance of payments.

A12.26-1 *Remuneration of employees, interest, and subsidies* payable to nonresidents are recorded in the earned income account while *social benefits* are recorded in the transfer income account of the balance of payments.

A12.26-2 *Use of goods and services* in the GFS consists of the value of goods and services used for the production of market and nonmarket goods and services. Acquisitions of these goods and services from nonresidents

are reflected in the goods and services accounts of the balance of payments, ~~although time of recording may differ if goods are acquired in advance of their use.~~

A12.26-3 Government expenses in the form of *current grants* to nonresidents are recorded in the transfer income account while *capital grants including debt forgiveness¹, assumption and other debt reorganization* are recorded in the capital account in the balance of payments.

A12.26-4 *Other expense* comprises *property expense other than interest; transfers not elsewhere classified; and premium, fees, and claims related to nonlife insurance and standardized guarantee scheme*. *Property expense other than interest, including rent, and premium, fees, and claims related to nonlife insurance and standardized guarantee schemes* payable to nonresidents are recorded in the earned income account of the balance of payments. Government transactions with nonresidents related to current and capital *transfers not elsewhere classified* are recorded in the transfer income account and the capital account of the balance of payments, respectively.

Transactions in Nonfinancial Assets

A12.27 In addition to transactions in nonproduced nonfinancial assets recorded in the capital account in the balance of payments, *transactions in nonfinancial assets* in the GFS include transactions in produced nonfinancial assets. *Gross acquisitions and disposals of nonproduced assets* are shown in the GFS and these transactions with non-residents are recorded in the capital account of the balance of payments.

Transactions in Financial Assets and Liabilities

¹ In GFS if the counterpart is a foreign government or international organization, then they are recorded under capital grant expense. However, if the counterpart is a nonresident corporation, then it is recorded under other expense.

A12.28 The transactions in external financial assets and liabilities for the government and/or public sector correspond to the transactions recorded in the financial account of the balance of payments. In the GFS, net acquisition of financial assets and net incurrence of liabilities are classified by instrument and residence of the counterparty (domestic or external). However, unlike the external accounts, the GFS does not present these transactions by functional category. External financing of the fiscal deficit by government is reflected in the increase in financial liabilities, while an increase in government holdings of external assets ~~are~~is reflected on the rise in financial assets.

The Statement of Other Economic Flows

A12.29 Other economic flows are changes in the volume or value of assets or liabilities that do not result from transactions. In the GFS, they are classified into holding gains and losses and other changes in the volume of assets for each asset/liability category. Other economic flows in the external financial assets and liabilities are reflected in the *accumulation accounts* of the integrated IIP under *other changes in financial assets and liabilities accounts* that consists of *revaluations* (due to exchange rate changes or other price changes), and *other changes in volume* (due, for example, to cancellations and write-offs of debt and reclassifications).

The Balance Sheet

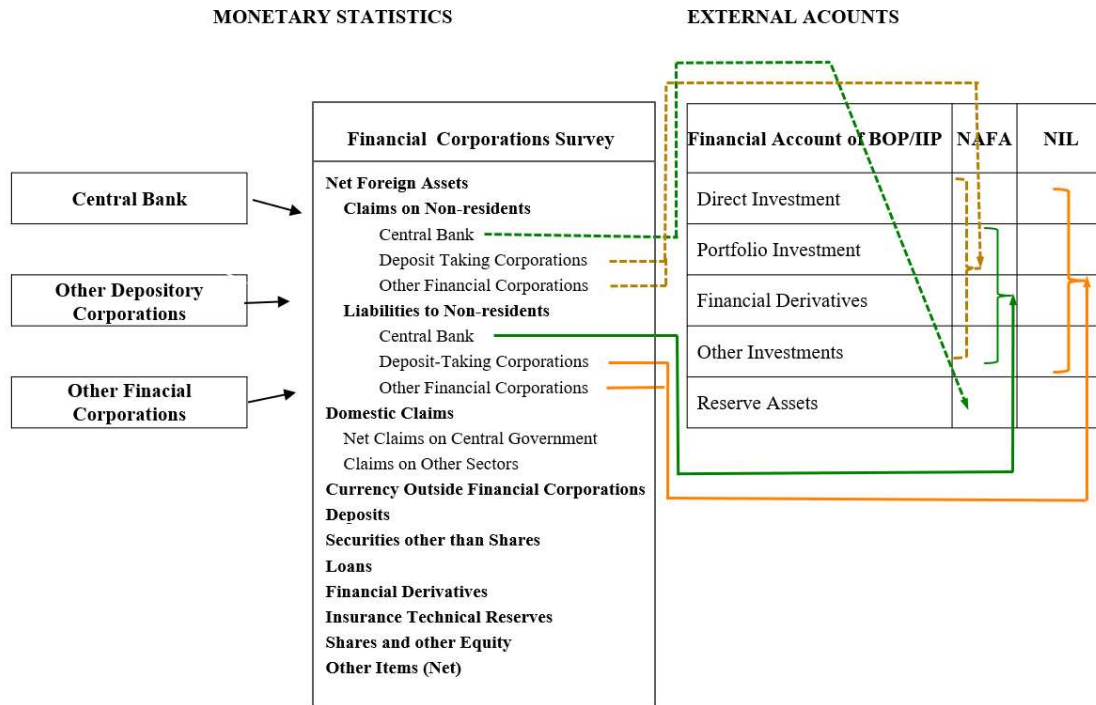
A12.30 The Bb balance sheet in the GFS covers financial assets and liabilities as well as nonfinancial assets. Financial assets and liabilities in the GFS are classified by instrument and residence of the counterparty. In the IIP, financial assets and liabilities are classified by functional category, instrument, institutional sector, and maturity.

D. Linkages of the External Accounts with Monetary Statistics

A12.31 Monetary Statistics are broadly consistent with the external accounts. Monetary statistics focus on the compilation and reporting of balance sheet data (end-of-period positions) for the central bank, other depository

corporations and other financial corporations (Figure A12.3). This, however, depends on the level of coverage of monetary statistics may differ from for the specific one economy to another compiling economy.

Figure A12.3: Linkages of the External Accounts with Monetary Statistics



A12.32 The definition and delineation of resident and nonresident entities, time of recording of transactions and other flows, financial asset and liability valuation, and data aggregation and consolidation are broadly consistent between MFS and external accounts. However, there are some differences in sectoring of the institutional units and in the classification of the various categories of financial assets and liabilities.

A12.33 In the monetary statistics methodology, all financial corporations that issue liabilities included in broad money are designated as depository corporations. These include the *central bank* subsector, the *other depository corporations* (ODC) subsector, which includes, deposit-taking corporations and *money market fund shares* (MMFs). In the external accounts, MMFs are not grouped with deposit-taking corporations but are consolidated with other financial corporations. However, MMFs are separately identified as supplementary information in the BOP. Therefore, separate identification of data on MMFs is required to match the recording in the balance of payments and IIP. Further, the institutional coverage of ODC subsector in monetary statistics may differ, as

some institutions considered deposit-taking institutions in the balance of payments and IIP may not be included in ODCs in MFS, if they do not issue liabilities included in broad money. For instance, offshore banks that do not accept deposits from resident money holding sectors, are classified as other financial corporations in monetary statistics, while holding sectors, are classified as other financial corporations in monetary statistics, while in the external accounts they are considered deposit-taking institutions.

A12.34 The major categories for financial assets and liabilities in monetary statistics follow the external accounts financial instruments classification. The differences in the classification of financial assets in the monetary statistics and the external accounts are as follows:

A12.35 *Classification by maturity* —In the external accounts, most of debt instruments are divided into separate categories for short-term instruments (original maturity of one year or less) and long-term instruments (original maturity of more than one year). The standard components in monetary statistics do not include loans and debt securities classified by maturity, but such short-term instruments (original maturity of one year or less) are separately identified in memorandum items with currency and counterparty breakdown, allowing users to derive long-term loans and debt securities.

A12.36 *Classification by currency of denomination* - The monetary and financial statistics manual requires a breakdown of all instruments, financial assets and liabilities, except equity liabilities, into domestic currency and foreign currency. However, in external accounts, only selected tables comprising stocks of external financial assets and liabilities are compiled by currency of denomination.

A12.37 *Valuation* - The valuation principles and other accounting rules in the monetary statistics are broadly consistent with external accounts. However, a major exception for monetary statistics is the valuation of equity on the liability side of the sectoral balance sheets of financial corporations. For the monetary statistics, liabilities in the form of equity are measured at book value. In the [BPM external accounts](#), equity securities (for both assets and liabilities) should be valued at the market or fair value. Liabilities to nonresidents in the form of equity are

not separately identified in monetary statistics on-balance sheet. However, a memorandum item is recommended with the market or fair value of equity by counterparty sector.

A12.38 Functional categories- In general, monetary statistics do not use functional categories used in external accounts to classify financial assets and liabilities. This can pose compilation challenges where monetary statistics are used to estimate balance of payments/IIP data. Refer to BPM6 Compilation guide Annexes 6.3 and 6.4 for a reconciliation of the IIP and the ODC and Central Bank items, respectively.

E. Linkages of International Investment Position with External Debt Statistics

A12.39 The IIP and external debt statistics are closely related despite differences regarding the presentation of the data. Provided that debt securities are valued at market value, the gross external debt position, as presented in the EDS Guide, equals the debt liabilities in the IIP statement. The gross external debt position equals total IIP liabilities excluding all equity (equity and investment fund shares, and other equity) and financial derivatives and employee stock options.

A12.40 Table A12.5 gives a summary of the IIP that facilitates the identification of debt liabilities covered, and the corresponding items in the gross external debt position. The columns show the breakdown of the IIP by institutional sector, and the assets and liabilities by functional category are shown in the rows, with debt instruments separately identified in the liabilities section of the table (shaded area in the table do not constitute external debt liabilities). The last column identifies the debt item as shown in the gross external debt position.

Table A12.5: International Investment Position and External Debt Statistics

		Central Bank	Deposit taking Corporations	General Government	Other Financial Corporations	Non-financial corporations	Other Sectors (Households and NPISHs)	End-of Period IIP	EDS Corresponding item
A	Assets								
	By Functional Category								
	Direct Investment								
	Portfolio Investment								
	Financial Derivatives								
	Other Investments								
	Reserve Assets								
	Total Assets								
B	Liabilities								
	By Functional Category and Instrument								
	Direct Investment								
	Equity and investment fund shares								
	Debt instruments/1								DI: Intercompany lending
	Portfolio Investment								
	Equity and investment fund shares								
	Debt instruments/1								Debt securities
	Financial Derivatives and employee stock options								
	Other Investments								

	Other equity							
	Debt instruments							
	SDRs		NA		NA	NA	NA	SDR (allocation)
	Currency and Deposits							Currency and deposits
	Loans							Loans
	Insurance, pension, standardized guarantee schemes							Other liabilities
	Other accounts receivable/payable							
	Trade credit and advances							Trade credit and advances
	Other accounts receivable/payable – other							Other liabilities
	Total Liabilities							
	Of Which: Total debt instruments							Gross external debt position.
A-B	Net IIP							

1/Debt instruments classified as direct investment are not broken down by type of instrument in the IIP standard components. However, debt securities are separately identified as a supplementary item.

Note: Shaded areas are NOT external debt liabilities, the rest constitute external debt liabilities. NA = Not applicable

A12.41 In the IIP, positions of financial assets and liabilities should, in general, be valued at market value.

Whereas the basic valuation method for debt securities is the market value, the nominal value is encouraged as a supplementary item. The EDS Guide recommends that debt instruments be valued at the reference date at nominal value, and for debt securities, at market value as well. The primary valuation for positions of non-negotiable instruments (which include loans, deposits, and other accounts receivable/payable) is nominal value in both datasets—IIP and external debt statistics. Therefore, data consistency between debt instruments (liabilities) recorded in the IIP and in the gross external debt position can be ensured. ~~For information on the alignment of EDS with Public Sector Debt Statistics, refer to the *Public Sector Debt Statistics Guide* for compilers and users.—~~