

# Reconciliation of the U.S.-Canadian Current Account, 1992-93

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THE RECONCILIATION of the U.S.-Canadian current account for 1992 and 1993 resulted in a smaller U.S. surplus, or Canadian deficit, for 1992 and a shift to a small U.S. deficit, or Canadian surplus, for 1993. Before reconciliation, the U.S. current-account surplus with Canada is \$3.3 billion for 1992 and \$1.4 billion for 1993; the corresponding Canadian estimates are \$1.9 billion for 1992 and \$1.7 billion for 1993. After reconciliation, the U.S. surplus for 1992 is reduced to \$1.0 billion, and the U.S. surplus for 1993 changes to a small deficit (chart 1, table 1).

This article presents details of the reconciliation of the U.S.-Canadian current account for 1992 and 1993 by Statistics Canada and the Bureau of Economic Analysis (BEA).<sup>1</sup> The reconciliation

is undertaken because of the extensive economic links between Canada and the United States and the need to explain differences in the Canadian and U.S. published estimates of bilateral current-account transactions. In principle, the bilateral current account of one country should mirror the bilateral current account of the other country.

The reconciliation process has improved the accuracy of the published estimates of transactions between Canada and the United States and has increased the efficiency of producing the estimates. The improvements have been accomplished through the exchange of data between the two countries and the development of improved estimating techniques. The exchange of data covers over 80 percent of the value of Canadian and U.S. current-account transactions. This year, a change in the definition of direct investment income in the Canadian published estimates eliminated one of the remaining ma-

1. The reconciliation of the current account has been undertaken each year since 1970. Summary results of the reconciliations were published in the United States in the following issues of the SURVEY OF CURRENT BUSINESS: June 1975, September 1976 and 1977, December 1979, June 1981, December 1981 through 1991, November 1992, and October 1993. In Canada, the results were published in the following issues of *Canada's Balance of International Payments* (catalogue 67-001), a publication of Statistics Canada: Fourth Quarter

1973, Second Quarter 1976 and 1977, Third Quarter 1978 and 1979, First Quarter 1981, and Third Quarter 1981 through 1993.

Table 1.—Major U.S.-Canadian Balances

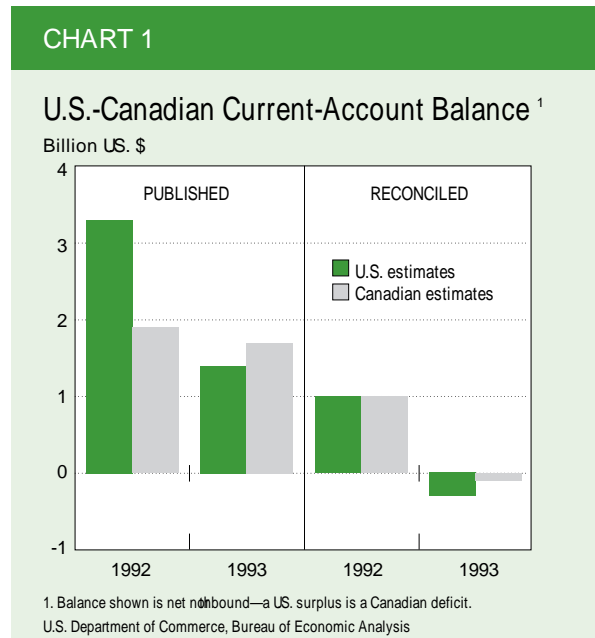
[Billions of U.S. dollars]

	Published estimates		Reconciled estimates <sup>1</sup>	
	United States	Canada	United States	Canada
<b>1992</b>				
Merchandise trade .....	-9.5	12.1	-13.0	13.0
Services .....	8.9	-9.1	7.7	-8.0
Investment income .....	4.2	-5.9	6.5	-6.2
Goods, services, and income .....	3.6	-2.9	1.2	-1.2
Unilateral transfers, net .....	-3	1.0	-2	.2
Current account .....	3.3	-1.9	1.0	-1.0
<b>1993</b>				
Merchandise trade .....	-12.1	15.2	-16.3	16.3
Services .....	7.7	-8.5	6.7	-7.1
Investment income .....	6.1	-9.4	9.4	-9.3
Goods, services, and income .....	1.7	-2.7	-1	-1
Unilateral transfers, net .....	-3	1.0	-2	.2
Current account .....	1.4	-1.7	-3	.1

1. Some differences remain in the reconciled estimates because some service and income estimates could not be fully reconciled.

NOTE.—A U.S. surplus (+) is a Canadian deficit (-), and a Canadian surplus (+) is a U.S. deficit (-).

Details may not add to totals because of rounding.



major definitional differences between the U.S. and Canadian published estimates.

After reconciliation, revisions are incorporated into the Canadian and U.S. published estimates as far as possible. A complete exchange of data or substitution of reconciled estimates for published estimates is not feasible, because of definitional and methodological differences and because estimates of transactions with third countries would be affected in some cases. In addition, protecting the confidentiality of source data bars the exchange of data for some transactions.

The rest of this article consists of two parts. The first part briefly discusses the reconciled balances for 1992-93. The second part summarizes the methodology for reconciliation and discusses

the major reconciliation adjustments to the U.S. and Canadian current accounts.

### Reconciled Balances for 1992-93

For 1992, the reconciled U.S.-Canadian current-account balance is a U.S. surplus, or Canadian deficit, of \$1.0 billion; the U.S. published estimate is a surplus of \$3.3 billion, and the Canadian published estimate is a deficit of \$1.9 billion. For 1993, the balance is not fully reconciled. The provisional U.S. estimate of the reconciled balance is a U.S. deficit, or Canadian surplus, of \$0.3 billion; the provisional Canadian estimate is a U.S. deficit, or Canadian surplus, of \$0.1 billion. By comparison, the U.S. published estimate for

Table 2.—Summary of Reconciliation Adjustments, Northbound

[Millions of U.S. dollars]

	Definitional		Methodological				Statistical		Total		
	United States	Canada	Reclassification		Gross or net		United States	Canada	United States	Canada	
			United States	Canada	United States	Canada					
<b>1992</b>											
Merchandise trade .....		-15	-4,080				265		-3,815	-15	
Services .....		-507	4,080				-1,206	151	2,652	-956	
Transfers under U.S. military agency sales contracts .....								104		104	
Travel .....							-66		-66		
Passenger fares .....							-97		-97		
Transportation .....			4,273	418			-1,787	15	2,486	433	
Inland freight .....			4,273				-1,847		2,426		
Other .....				418			60	15	60	433	
Other services .....		-507	-193	-418	-222	-600	744	32	329	-1,493	
Affiliated .....		-301	-17				295	-511	278	-812	
Unaffiliated .....		-206	-176	-426	-222	-600	405	533	7	-699	
Government .....				8			44	10	44	18	
Investment income .....		-597				-158	628	2,325	747	2,167	778
Direct .....		-292		133			-60	-586	1,041	-586	822
Other .....		-305		-133		-158	688	2,911	-294	2,753	-44
Unilateral transfers .....		-103				338		85		423	-103
<b>Total adjustments</b> .....		<b>-1,222</b>				<b>-42</b>	<b>28</b>	<b>1,469</b>	<b>898</b>	<b>1,427</b>	<b>-296</b>
<b>1993</b>											
Merchandise trade .....		-409	-4,398				291		-4,107	-409	
Services .....		-549	4,398				-1,364	-131	2,769	-1,313	
Transfers under U.S. military agency sales contracts .....								144		144	
Travel .....							-78		-78		
Passenger fares .....							-174		-174		
Transportation .....			4,585	451			-1,902	-140	2,683	311	
Inland freight .....			4,585				-1,989		2,596		
Other .....				451			87	-140	87	311	
Other services .....		-549	-187	-451	-266	-633	790	-135	337	-1,768	
Affiliated .....		-320	-20				331	-503	311	-823	
Unaffiliated .....		-229	-167	-460	-266	-633	416	347	-17	-975	
Government .....				9			43	21	43	30	
Investment income .....		-410				-145	425	3,054	22	2,909	36
Direct .....		-78		161			-65	-123	321	-123	339
Other .....		-332		-161		-145	490	3,177	-299	3,032	-303
Unilateral transfers .....		-114				328		88		416	-114
<b>Total adjustments</b> .....		<b>-1,482</b>				<b>-83</b>	<b>-208</b>	<b>2,069</b>	<b>-109</b>	<b>1,986</b>	<b>-1,798</b>

1993 is a \$1.4 billion surplus, and the Canadian published estimate is a \$1.7 billion deficit. The difference between the provisional reconciled estimates reflects the preliminary nature of the 1993 data, as well as difficulties in reconciling some service and direct investment estimates related to insurance transactions. In the past, those differences have been offsetting; in 1993, they are not.

Adjustments to the U.S. southbound estimates are larger than those to the northbound estimates for both years (tables 2 and 3).<sup>2</sup> The increases in U.S. payments primarily reflect definitional

adjustments to merchandise trade, such as the addition of Canadian reexports to U.S. merchandise imports, and statistical adjustments to transportation (inland freight) and "other services" for undercoverage. The largest adjustments to U.S. estimates of receipts, such as the reclassification of inland freight and statistical adjustments to transportation and investment income, are partly offsetting. For 1992, the reconciliation adjustments resulted in a reduction of \$2.3 billion in the U.S. published surplus; for 1993, they resulted in a shift from a \$1.4 billion surplus to a small deficit (tables 4 and 5).

The only large overall adjustments to the Canadian estimates were to the 1993 northbound estimates. The reconciled balances mainly reflect

**Table 3.—Summary of Reconciliation Adjustments, Southbound**

[Millions of U.S. dollars]

	Definitional		Methodological				Statistical		Total	
	Canada	United States	Reclassification		Gross or net		Canada	United States	Canada	United States
			Canada	United States	Canada	United States				
<b>1992</b>										
Merchandise trade .....	1,738	1,996	-948	-2,309	.....	.....	41	.....	831	-313
Services .....	-414	.....	948	2,309	-600	-222	346	1,757	279	3,844
Direct defense expenditures .....	.....	.....	68	-94	.....	.....	-22	.....	46	-94
Travel .....	.....	.....	.....	.....	.....	.....	.....	-14	.....	-14
Passenger fares .....	.....	.....	.....	.....	.....	.....	.....	-1	.....	-1
Transportation .....	-54	.....	1,308	2,403	.....	.....	407	1,204	1,661	3,607
Inland freight .....	.....	.....	948	2,403	.....	.....	347	1,256	1,295	3,659
Other .....	-54	.....	360	.....	.....	.....	60	-52	366	-52
Other services .....	-360	.....	-428	.....	-600	-222	-39	568	-1,427	346
Affiliated .....	-18	.....	.....	.....	.....	.....	-424	.....	-442	.....
Unaffiliated .....	-342	.....	-428	.....	-600	-222	374	496	-996	274
Government .....	.....	.....	.....	.....	.....	.....	11	72	11	72
Investment income .....	-305	.....	.....	.....	628	-158	190	37	513	-121
Direct .....	-211	.....	.....	.....	-60	.....	-354	144	-626	144
Other .....	-94	.....	.....	.....	688	-158	544	-107	1,138	-265
Unilateral transfers .....	-988	.....	.....	.....	.....	338	75	.....	-913	338
<b>Total adjustments .....</b>	<b>31</b>	<b>1,996</b>	.....	.....	<b>28</b>	<b>-42</b>	<b>652</b>	<b>1,794</b>	<b>711</b>	<b>3,748</b>
<b>1993</b>										
Merchandise trade .....	1,577	2,305	-956	-2,190	.....	.....	67	.....	688	115
Services .....	-461	.....	956	2,190	-633	-266	227	1,688	89	3,610
Direct defense expenditures .....	.....	.....	103	-76	.....	.....	-92	.....	11	-76
Travel .....	.....	.....	.....	.....	.....	.....	.....	-7	.....	-7
Passenger fares .....	.....	.....	.....	.....	.....	.....	.....	-7	.....	-7
Transportation .....	-57	.....	1,311	2,266	.....	.....	115	1,162	1,369	3,428
Inland freight .....	.....	.....	956	2,266	.....	.....	-23	1,168	933	3,434
Other .....	-57	.....	355	.....	.....	.....	138	-6	436	-6
Other services .....	-404	.....	-458	.....	-633	-266	204	540	-1,291	274
Affiliated .....	-18	.....	.....	.....	.....	.....	-225	.....	-243	.....
Unaffiliated .....	-386	.....	-458	.....	-633	-266	416	469	-1,061	203
Government .....	.....	.....	.....	.....	.....	.....	13	71	13	71
Investment income .....	-264	.....	.....	.....	425	-145	-84	-196	77	-341
Direct .....	-143	.....	.....	.....	-65	.....	-811	204	-1,019	204
Other .....	-121	.....	.....	.....	490	-145	727	-400	1,096	-545
Unilateral transfers .....	-964	.....	.....	.....	.....	328	75	.....	-889	328
<b>Total adjustments .....</b>	<b>-112</b>	<b>2,305</b>	.....	.....	<b>-208</b>	<b>-83</b>	<b>285</b>	<b>1,492</b>	<b>-35</b>	<b>3,714</b>

2. In this article, the term "northbound" refers to U.S. receipts, or Canadian payments; "southbound" refers to Canadian receipts, or U.S. payments. All values are expressed in U.S. dollars.

a reduction in the Canadian published deficits. For 1992, the reconciliation adjustments resulted in a reduction of \$0.9 billion in the Canadian published deficit; for 1993, they resulted in a shift from a \$1.7 billion deficit to a small surplus.

### Reconciliation Adjustments

Reconciliation adjustments to each country's published estimates are classified in three major categories—definitional, methodological, and statistical—which reflect the differences that occur in the published estimates.<sup>3</sup>

3. A detailed article on the methodology used to reconcile the U.S.-Canadian current account was published by BEA in the November 1992 issue of the SURVEY and by Statistics Canada in *Reconciliation of the Canada-United States Current Account, 1990-91*. Statistics Canada also published a shortened version in the December 1992 *Canadian Economic Observer* and in Canada's *Balance of International Payments, Third Quarter 1992*.

*Definitional and methodological adjustments* are required because of differences in the definitions and methodologies used to compile the international accounts in Canada and the United States. These differences primarily reflect each country's requirements to integrate the external accounts with the domestic accounts and differences in compilation conventions due to institutional factors. To achieve reconciliation, a common definition is selected, and methodologies are adjusted to a common basis. The choice of one definition or methodology over another does not necessarily indicate agreement on the correct definition or the most appropriate methodology. Often, the choice is based on practical considerations, such as the availability of data.

*Statistical adjustments* reflect differences in data sources and estimation techniques. There are

Table 4.—U.S.-Canadian Current-Account Reconciliation, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates	
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada
<b>1992</b>								
Northbound goods, services, and income .....	117,411	118,202	-788	118,417	118,008	409	1,004	-193
Merchandise trade .....	91,365	87,565	3,800	87,550	87,550	.....	-3,815	-15
Services .....	17,258	20,721	-3,462	19,911	19,765	146	2,652	-956
Transfers under U.S. military agency sales contracts .....	104	( <sup>1</sup> )	104	104	104	.....	.....	104
Travel .....	8,182	8,116	66	8,116	8,116	.....	-66	.....
Passenger fares .....	1,099	1,002	97	1,002	1,002	.....	-97	.....
Inland freight .....	( <sup>2</sup> )	2,426	-2,426	2,426	2,426	.....	2,426	.....
Other transportation .....	1,042	637	405	1,102	1,070	32	60	433
Royalties and license fees .....	1,265	1,207	58	( <sup>3</sup> )	( <sup>3</sup> )	.....	-1,265	-1,207
Other services .....	5,567	7,333	-1,766	7,161	7,047	114	1,594	-286
Investment income .....	8,789	9,915	-1,126	10,956	10,693	263	2,167	778
Direct investment .....	2,653	976	1,677	2,067	1,798	269	-586	822
Other private assets/liabilities .....	6,119	8,939	-2,820	8,889	8,895	-6	2,770	-44
U.S. Government assets .....	17	( <sup>4</sup> )	17	( <sup>4</sup> )	( <sup>4</sup> )	.....	-17	.....
Unilateral transfers, net .....	.....	.....	.....	.....	.....	.....	.....	.....
Unilateral transfers, gross .....	.....	526	-526	423	423	.....	423	-103
<b>Current account, northbound .....</b>	<b>117,411</b>	<b>118,729</b>	<b>-1,314</b>	<b>118,840</b>	<b>118,431</b>	<b>409</b>	<b>1,427</b>	<b>-296</b>
<b>1993</b>								
Northbound goods, services, and income .....	128,079	131,139	-3,060	129,648	129,454	195	1,571	-1,684
Merchandise trade .....	101,194	97,496	3,698	97,087	97,087	.....	-4,107	-409
Services .....	16,573	20,632	-4,059	19,342	19,321	21	2,769	-1,313
Transfers under U.S. military agency sales contracts .....	144	( <sup>1</sup> )	144	144	144	.....	.....	144
Travel .....	7,458	7,380	78	7,380	7,380	.....	-78	.....
Passenger fares .....	1,191	1,017	174	1,017	1,017	.....	-174	.....
Inland freight .....	( <sup>2</sup> )	2,596	-2,596	2,596	2,596	.....	2,596	.....
Other transportation .....	999	757	242	1,086	1,069	17	87	311
Royalties and license fees .....	1,254	1,266	-12	( <sup>3</sup> )	( <sup>3</sup> )	.....	-1,254	-1,266
Other services .....	5,527	7,616	-2,089	7,118	7,115	4	1,592	-501
Investment income .....	10,312	13,010	-2,699	13,220	13,046	174	2,909	36
Direct investment .....	4,005	3,372	633	3,882	3,711	171	-123	339
Other private assets/liabilities .....	6,293	9,638	-3,345	9,338	9,335	3	3,045	-303
U.S. Government assets .....	13	( <sup>4</sup> )	13	( <sup>4</sup> )	( <sup>4</sup> )	.....	-13	.....
Unilateral transfers, net .....	.....	.....	.....	.....	.....	.....	.....	.....
Unilateral transfers, gross .....	.....	530	-530	416	416	.....	416	-114
<b>Current account, northbound .....</b>	<b>128,079</b>	<b>131,668</b>	<b>-3,590</b>	<b>130,064</b>	<b>129,870</b>	<b>195</b>	<b>1,986</b>	<b>-1,798</b>

1. In the Canadian published accounts, transactions of U.S. military agencies are not shown separately.

2. In the U.S. published accounts, inland freight is included in the merchandise trade account.

3. Royalties and license fees are included in other services for reconciliation.

4. Income on U.S. Government assets is included in income on other private assets in the Canadian published accounts. The same treatment is used for reconciliation.

four types of statistical adjustments. First, some adjustments are based on an evaluation of the quality and coverage of the source data. When one country's data are believed to be of better quality, the better data are used to develop the reconciliation adjustments. Second, some adjustments are based on detailed information that is available from one country but not the other. Third, adjustments are made to reflect revisions in source data that become available after publication of the estimates. Fourth, some adjustments are essentially pragmatic, particularly when it is not possible to clearly establish the merits of one country's data relative to the other country's data. In such cases, reconciled values are developed that are believed to be within a reasonable range of measurement error.

The following sections present a discussion of the major reconciliation adjustments made to the current account. Although numerous adjustments are made, only those that involve important definitional, methodological, or statistical differences are discussed. Definitional and statistical adjustments affect the current-account balance because they affect the value of transactions. Methodological adjustments, such as the reclassification or the grossing or netting of transactions, are necessary to achieve common treatment, but because they are offsetting, they do not affect the current-account balance.

### Merchandise trade

Most of the differences between Canadian and U.S. published estimates of merchandise trade stem from different treatment of the source data

**Table 5.—U.S.-Canadian Current-Account Reconciliation, Southbound**

(Millions of U.S. dollars)

	Published estimates			Reconciled estimates			Adjustments to published estimates	
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States
<b>1992</b>								
Southbound goods, services, and income .....	115,272	113,777	1,496	116,892	117,185	-293	1,622	3,410
Merchandise trade .....	99,725	100,868	-1,143	100,555	100,555	.....	831	-313
Services .....	11,530	8,363	3,169	11,809	12,206	-397	279	3,844
Direct defense expenditures .....	( <sup>1</sup> )	140	-140	46	46	.....	46	-94
Travel .....	3,540	3,554	-14	3,540	3,540	.....	.....	-14
Passenger fares .....	226	227	-1	226	226	.....	.....	-1
Inland freight .....	2,364	( <sup>2</sup> )	2,364	3,659	3,659	.....	1,295	3,659
Other transportation .....	323	733	-410	689	681	8	366	-52
Royalties and license fees .....	104	84	20	( <sup>3</sup> )	( <sup>3</sup> )	.....	-104	-84
Other services .....	4,973	3,624	1,349	3,649	4,054	-405	-1,323	430
Investment income .....	4,016	4,546	-530	4,529	4,425	104	513	-121
Direct investment .....	1,377	659	718	752	803	-52	-626	144
Other private assets/liabilities .....	1,774	2,835	-1,061	2,818	2,663	156	1,045	-172
U.S. Government liabilities .....	865	1,052	-187	959	959	.....	94	-93
Unilateral transfers, net .....	.....	286	-286	.....	.....	.....	.....	-286
Unilateral transfers, gross .....	1,537	.....	1,537	624	624	.....	-913	624
<b>Current account, southbound .....</b>	<b>116,809</b>	<b>114,063</b>	<b>2,747</b>	<b>117,516</b>	<b>117,809</b>	<b>-293</b>	<b>711</b>	<b>3,748</b>
<b>1993</b>								
Southbound goods, services, and income .....	128,468	126,376	2,092	129,321	129,762	-441	853	3,386
Merchandise trade .....	112,737	113,310	-573	113,425	113,425	.....	688	115
Services .....	12,104	8,869	3,235	12,192	12,481	-289	89	3,610
Direct defense expenditures .....	( <sup>1</sup> )	87	-87	11	11	.....	11	-76
Travel .....	3,685	3,692	-7	3,685	3,685	.....	.....	-7
Passenger fares .....	253	260	-7	253	253	.....	.....	-7
Inland freight .....	2,502	( <sup>2</sup> )	2,502	3,434	3,434	.....	933	3,434
Other transportation .....	326	764	-438	762	758	4	436	-6
Royalties and license fees .....	106	96	10	( <sup>3</sup> )	( <sup>3</sup> )	.....	-106	-96
Other services .....	5,232	3,970	1,262	4,047	4,340	-293	-1,185	370
Investment income .....	3,627	4,197	-570	3,704	3,856	-152	77	-341
Direct investment .....	926	-35	961	-93	169	-262	-1,019	204
Other private assets/liabilities .....	2,032	2,721	-689	2,707	2,597	110	675	-124
U.S. Government liabilities .....	669	1,511	-842	1,090	1,090	.....	421	-421
Unilateral transfers, net .....	.....	312	-312	.....	.....	.....	.....	-312
Unilateral transfers, gross .....	1,529	.....	1,529	640	640	.....	-889	640
<b>Current account, southbound .....</b>	<b>129,997</b>	<b>126,688</b>	<b>3,309</b>	<b>129,961</b>	<b>130,402</b>	<b>-441</b>	<b>-35</b>	<b>3,714</b>

1. In the Canadian published accounts, transactions of U.S. military agencies are not shown separately.

2. In the U.S. published accounts, inland freight is included in the merchandise trade account.

3. Royalties and license fees are included in other services for reconciliation.

(tables 6 and 7).<sup>4</sup> Among the definitional adjustments, U.S. imports are redefined to include Canadian reexports in order to align them with Canadian estimates of exports to the United States. U.S. published estimates, which are on a country-of-origin basis, attribute Canadian reexports to third countries rather than to

4. The source data are the same for both countries, except for those used by Statistics Canada to compile petroleum and natural gas exports. The data, except as noted, are compiled from U.S. and Canadian customs documents filed by U.S. and Canadian importers. U.S. merchandise imports are compiled from U.S. customs documents, and U.S. exports (Canadian imports) are compiled from data provided from Canadian customs documents. Similarly, Canadian merchandise imports are compiled from Canadian import documents, and Canadian exports (U.S. imports) are compiled from data provided from U.S. customs documents.

**Table 6.—Merchandise Trade, Northbound**

[Millions of U.S. dollars]

	U.S. receipts	Canadian payments	Type of adjustment
<b>1992</b>			
<b>Balance of payments basis, published.</b>	<b>91,365</b>	<b>87,565</b>	
Reconciliation adjustments:			
Inland freight .....	-4,273	.....	Reclassification
Repair of equipment .....	193	.....	Reclassification
Other balance of payments adjustments.	7	-15	Definitional
Statistical adjustments .....	258	.....	Statistical
<b>Reconciled .....</b>	<b>87,550</b>	<b>87,550</b>	
<b>1993</b>			
<b>Balance of payments basis, published.</b>	<b>101,194</b>	<b>97,496</b>	
Reconciliation adjustments:			
Inland freight .....	-4,585	.....	Reclassification
Repair of equipment .....	187	.....	Reclassification
Other balance of payments adjustments.	7	-409	Definitional
Statistical adjustments .....	284	.....	Statistical
<b>Reconciled .....</b>	<b>97,087</b>	<b>97,087</b>	

**Table 7.—Merchandise Trade, Southbound**

[Millions of U.S. dollars]

	Canadian receipts	U.S. payments	Type of adjustment
<b>1992</b>			
<b>Balance of payments basis, published.</b>	<b>99,725</b>	<b>100,868</b>	
Reconciliation adjustments:			
Canadian reexports .....	.....	1,925	Definitional
Inland freight .....	-876	-2,403	Reclassification
Other balance of payments adjustments.	1,665	165	Definitional
Statistical adjustments .....	41	.....	Statistical
<b>Reconciled .....</b>	<b>100,555</b>	<b>100,555</b>	
<b>1993</b>			
<b>Balance of payments basis, published.</b>	<b>112,737</b>	<b>113,310</b>	
Reconciliation adjustments:			
Canadian reexports .....	.....	2,209	Definitional
Inland freight .....	-956	-2,266	Reclassification
Other balance of payments adjustments.	1,577	172	Definitional
Statistical adjustments .....	68	.....	Statistical
<b>Reconciled .....</b>	<b>113,425</b>	<b>113,425</b>	

Canada; the Canadian published estimates are on a country-of-shipment basis and thus do not require a similar adjustment. Definitional adjustments are made to the Canadian published estimates to eliminate timing differences (including progress payments on certain military equipment imported from the United States) and valuation differences.

Among the methodological adjustments, inland freight charges (freight charges on overland shipments of exports and imports from the plant to the border) are reclassified from merchandise trade to the transportation accounts. This adjustment is made in order to value merchandise trade in the U.S. accounts at the plant, rather than at the border as in the U.S. published estimates. In the Canadian published estimates, merchandise trade, with the exception of natural gas exports, is valued at the plant, and inland freight charges, except for those on natural gas exports, are included in transportation; for reconciliation, inland freight charges on Canadian exports of natural gas are reclassified to transportation in the Canadian accounts.

Other methodological adjustments include the reclassification of equipment repairs from services to merchandise trade in the U.S. accounts. In the U.S. published accounts, all equipment repairs are classified in services, though some are initially reported in the merchandise trade source data.

### Services

*Travel and passenger fares.*—The Canadian and U.S. published estimates of travel and passenger fares are based mostly on the same source data and on common definitions. Thus, the rec-

The reconciliations were carried out under the direction of Lucie Laliberté, director of Statistics Canada's Balance of Payments Division, and Anthony DiLullo, assistant chief of BEA's Balance of Payments Division. At Statistics Canada, Hugh Henderson, Emmanuel Manolikakis, Jean-François Carbonneau, Robert Theberge, Robert Poisson, and Denise Demers participated in the reconciliation of the Canadian accounts. Ghysline Forget and Marguerite Desnoyers were responsible for the production and coordination of reconciliation tables. At BEA, Russell Scholl, assisted by Jane Newstedt, was responsible for reconciling the U.S. portfolio income accounts; Mark New, for the accounts related to U.S. direct investment in Canada; Gregory M. Fouch, for the accounts related to Canadian direct investment in the United States; Kwok Lee, for merchandise trade; and Howard Murad, for services.

**Table 8.—Transportation, Northbound**

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
<b>1992</b>									
<b>Total</b> .....	<b>1,042</b>	<b>3,063</b>	<b>-2,022</b>	<b>3,528</b>	<b>3,496</b>	<b>32</b>	<b>2,486</b>	<b>433</b>	
Freight .....	440	586	-146	578	580	-2	138	-6	
Ocean .....	30	181	-151	149	149	.....	119	-32	Statistical
Air .....	39	13	26	39	39	.....	.....	26	Statistical
Other .....	371	392	-21	390	392	-2	19	.....	Statistical
Port services .....	502	31	471	336	302	34	-166	271	
Vessel operators .....	130	25	105	65	25	40	-65	.....	Statistical
Airline operators .....	261	.....	261	261	267	-6	.....	267	Reclassification
Other .....	111	6	105	10	10	.....	-101	4	Reclassification and statistical
Other .....	100	21	79	188	188	.....	88	167	Reclassification and statistical
Inland freight .....	.....	2,426	-2,426	2,426	2,426	.....	2,426	.....	Reclassification and statistical
<b>1993</b>									
<b>Total</b> .....	<b>999</b>	<b>3,353</b>	<b>-2,355</b>	<b>3,682</b>	<b>3,665</b>	<b>16</b>	<b>2,683</b>	<b>311</b>	
Freight .....	413	687	-274	568	568	.....	155	-119	
Ocean .....	11	294	-283	147	147	.....	136	-147	Statistical
Air .....	43	11	32	43	43	.....	.....	32	Statistical
Other .....	359	382	-23	378	378	.....	19	-4	Statistical
Port services .....	486	43	443	307	291	16	-179	248	
Vessel operators .....	110	27	83	55	39	16	-55	12	Statistical
Airline operators .....	242	.....	242	242	242	.....	.....	242	Reclassification and statistical
Other .....	134	16	118	10	10	.....	-124	-6	Reclassification and statistical
Other .....	100	28	72	210	210	.....	110	182	Reclassification and statistical
Inland freight .....	.....	2,596	-2,596	2,596	2,596	.....	2,596	.....	Reclassification and statistical

**Table 9.—Transportation, Southbound**

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
<b>1992</b>									
<b>Total</b> .....	<b>2,687</b>	<b>733</b>	<b>1,954</b>	<b>4,348</b>	<b>4,340</b>	<b>8</b>	<b>1,661</b>	<b>3,607</b>	
Freight .....	214	216	-2	223	223	.....	9	7	
Ocean .....	85	95	-10	85	85	.....	.....	-10	Statistical
Air .....	32	41	-9	41	41	.....	9	.....	Statistical
Other .....	97	80	17	97	97	.....	.....	17	Statistical
Port services .....	13	393	-380	348	340	8	335	-53	
Vessel operators .....	6	71	-65	36	36	.....	30	-35	Statistical
Airline operators .....	.....	247	-247	250	247	.....	250	.....	Reclassification
Other .....	7	75	-68	62	57	5	55	-18	Reclassification and statistical
Other .....	96	124	-28	119	119	.....	23	-5	Definitional, reclassification, and statistical
Inland freight .....	2,364	.....	2,364	3,659	3,659	.....	1,295	3,659	Reclassification and statistical
<b>1993</b>									
<b>Total</b> .....	<b>2,828</b>	<b>764</b>	<b>2,064</b>	<b>4,196</b>	<b>4,192</b>	<b>4</b>	<b>1,369</b>	<b>3,429</b>	
Freight .....	206	216	-10	286	286	.....	80	70	
Ocean .....	90	78	12	140	140	.....	50	62	Statistical
Air .....	30	46	-16	46	46	.....	16	.....	Statistical
Other .....	86	92	-6	100	100	.....	14	8	Statistical
Port services .....	9	414	-405	343	339	4	334	-75	
Vessel operators .....	4	89	-85	45	45	.....	41	-44	Statistical
Airline operators .....	.....	248	-248	230	230	.....	230	-18	Reclassification and statistical
Other .....	5	77	-72	68	64	4	63	-13	Reclassification and statistical
Other .....	112	134	-22	134	134	.....	22	.....	Definitional, reclassification, and statistical
Inland freight .....	2,501	.....	2,501	3,434	3,434	.....	933	3,434	Reclassification and statistical

conciliation adjustments are statistical. The U.S. estimates are adjusted to exclude some transactions for cruise travel that may duplicate similar transactions in the Canadian source data and to account for differences in the timing of publication of revised estimates by Statistics Canada and BEA.

**Transportation.**—The adjustments to transportation are largely methodological (reclassification) and statistical (tables 8 and 9). The methodological adjustments include the previously mentioned reclassification of inland freight charges from merchandise trade to transportation. In

addition, expenditures for port services by air and rail carriers are reclassified from business services to transportation in the Canadian published accounts to align them with the U.S. treatment. Statistical adjustments are made to reduce the U.S. northbound estimates of inland freight to the Canadian level because the Canadian published estimates are believed to be more accurate. Adjustments are made to the U.S. southbound estimates of inland freight to add Canadian estimates of inland freight on U.S. natural gas and newsprint imports, which are not fully covered in the U.S. source data.

Table 10.—Other Services, Northbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
<b>1992</b>									
<b>Total</b> .....	<b>6,832</b>	<b>8,540</b>	<b>-1,708</b>	<b>7,161</b>	<b>7,047</b>	<b>114</b>	<b>329</b>	<b>-1,493</b>	
<b>Private:</b>									
Affiliated .....	3,499	4,605	-1,106	3,777	3,793	-16	278	-812	Definitional and statistical
Royalties and license fees .....	1,100	1,005	95	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	
Other services .....	2,399	3,600	-1,201	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	
Unaffiliated .....	2,885	3,457	-572	2,892	2,759	134	7	-699	
Royalties, license fees, and selected services .....	360	369	-9	348	348		-12	-21	Statistical
Insurance .....	471	640	-169	471	340	131		-300	Gross to net and statistical
Financial services .....	376	413	-37	396	393	3	20	-20	Statistical
Education .....	321	250	71	321	321			71	Statistical
Communications .....	222		222				-222		Gross to net
Business services .....	767	546	221	721	721		-46	175	Reclassification and statistical
Sports and entertainment .....	205	496	-291	472	472		267	-24	Statistical
Commuters' wages .....	57	57		57	57				
Trade union transactions .....	106	106		106	106				
Other .....		580	-580					-580	
Commissions .....		154	-154					-154	Definitional
Airline port services .....		267	-267					-267	Reclassification
Railway port services .....		142	-142					-142	Reclassification
Aircraft leasing .....		17	-17					-17	Reclassification
<b>Government:</b>									
United States .....	56	42	14	56	60	-4		18	Statistical
Canada .....	392	436	-44	436	436		44		Statistical
<b>1993</b>									
<b>Total</b> .....	<b>6,781</b>	<b>8,882</b>	<b>-2,101</b>	<b>7,118</b>	<b>7,115</b>	<b>4</b>	<b>337</b>	<b>-1,768</b>	
<b>Private:</b>									
Affiliated .....	3,606	4,830	-1,224	3,917	4,008	-91	311	-822	Definitional and statistical
Royalties and license fees .....	1,093	1,054	39	( <sup>1</sup> )	( <sup>1</sup> )		( <sup>1</sup> )	( <sup>1</sup> )	
Other services .....	2,513	3,776	-1,263	( <sup>1</sup> )	( <sup>1</sup> )		( <sup>1</sup> )	( <sup>1</sup> )	
Unaffiliated .....	2,743	3,605	-862	2,727	2,630	97	-16	-975	
Royalties, license fees, and selected services .....	331	388	-57	365	365		34	-23	Statistical
Insurance .....	193	672	-479	193	180	13		-492	Gross to net and statistical
Financial services .....	469	428	41	491	407	84	22	-21	Statistical
Education .....	368	246	122	368	368			122	Statistical
Communications .....	266		266				-266		Gross to net
Business services .....	787	572	215	671	671		-116	99	Reclassification and statistical
Sports and entertainment .....	169	506	-337	479	479		310	-27	Statistical
Commuters' wages .....	56	56		56	56				
Trade union transactions .....	104	104		104	104				
Other .....		633	-633					-633	
Commissions .....		174	-174					-174	Definitional
Airline port services .....		280	-280					-280	Reclassification
Railway port services .....		161	-161					-161	Reclassification
Aircraft leasing .....		18	-18					-18	Reclassification
<b>Government:</b>									
United States .....	77	49	28	77	79	-2		30	Statistical
Canada .....	355	398	-43	398	398		43		Statistical

1. Royalties and license fees are combined with other services for reconciliation.



A single definitional adjustment is made to the Canadian southbound estimates to delete estimates of freight charges on U.S. exports in transit in Canada. In the U.S. treatment, those charges are viewed as payable by the importer and thus as transactions between Canada and third countries.

*“Other services.”*—“Other services” include transactions in royalties and license fees and in a variety of other services between affiliated, or related, persons and between unaffiliated per-

sons; they also include government transactions (tables 10 and 11). Affiliated services are reconciled at a highly aggregated level because of the lack of detailed information by type of transaction in the U.S. source data. By contrast, the source data on unaffiliated transactions contain a large amount of detail by type of transaction, so a detailed reconciliation of unaffiliated transactions is undertaken.

Definitional adjustments are made to the Canadian estimates of affiliated and unaffiliated trans-

**Table 11.—Other Services, Southbound**

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
<b>1992</b>									
<b>Total</b> .....	<b>5,077</b>	<b>3,708</b>	<b>1,369</b>	<b>3,649</b>	<b>4,054</b>	<b>-405</b>	<b>-1,427</b>	<b>346</b>	
<b>Private:</b>									
Affiliated .....	2,015	1,500	515	1,573	1,500	73	-442		Definitional and statistical
Royalties and license fees .....	67	59	8	(1)	(1)		(1)	(1)	
Other services .....	1,948	1,441	507	(1)	(1)		(1)	(1)	
Unaffiliated .....	2,795	2,002	793	1,797	2,276	-479	-998	274	
Royalties, license fees, and selected services .....	207	138	69	203	203		-4	65	Statistical
Insurance .....	720	659	61	211	659	-448	-509		Gross to net and statistical
Financial services .....	203	239	-36	202	203	-1	-1	-36	Statistical
Education .....	39	24	15	39	39			15	Statistical
Communications .....	60	312	-252	60	90	-30		-222	Gross to net
Business services .....	269	323	-54	551	551		282	228	Reclassification and statistical
Sports and entertainment .....	257	33	224	257	257			224	Statistical
Commuters' wages .....	149	149		149	149				
Trade union transactions .....	125	125		125	125				
Other .....	766		766				-766		
Commissions .....	315		315				-315		Definitional
Airline port services .....	250		250				-250		Reclassification
Railway port services .....	79		79				-79		Reclassification
Aircraft leasing .....	31		31				-31		Reclassification
U.S. defense expenditures .....	68		68				-68		Reclassification
Refining fees .....	23		23				-23		Definitional
<b>Government:</b>									
Canada .....	72		72	72	72			72	Statistical
United States .....	195	206	-11	206	206		11		Statistical
<b>1993</b>									
<b>Total</b> .....	<b>5,338</b>	<b>4,066</b>	<b>1,272</b>	<b>4,047</b>	<b>4,340</b>	<b>-293</b>	<b>-1,291</b>	<b>274</b>	
<b>Private:</b>									
Affiliated .....	2,054	1,771	282	1,810	1,772	38	-243	1	Definitional and statistical
Royalties and license fees .....	68	68	-1	(1)	(1)		(1)	(1)	
Other services .....	1,986	1,703	283	(1)	(1)		(1)	(1)	
Unaffiliated .....	3,030	2,098	932	1,969	2,300	-331	-1,061	203	
Royalties, license fees, and selected services .....	212	141	71	208	208		-4	67	Statistical
Insurance .....	734	570	164	219	570	-352	-516		Gross to net and statistical
Financial services .....	301	375	-74	300	300			-74	Statistical
Education .....	38	28	10	38	38			10	Statistical
Communications .....	91	336	-245	91	70	21		-266	Gross to net
Business services .....	274	320	-46	573	573		299	253	Reclassification and statistical
Sports and entertainment .....	270	58	212	270	270			212	Statistical
Commuters' wages .....	147	147		147	147				
Trade union transactions .....	123	123		123	123				
Other .....	840		840				-840		
Commissions .....	349		349				-349		Definitional
Airline port services .....	246		246				-246		Reclassification
Railway port services .....	78		78				-78		Reclassification
Aircraft leasing .....	31		31				-31		Reclassification
U.S. defense expenditures .....	103		103				-103		Reclassification
Refining fees .....	33		33				-33		Definitional
<b>Government:</b>									
Canada .....	71		71	71	71			71	Statistical
United States .....	184	197	-13	197	197		13		Statistical

1. Royalties and license fees are combined with other services for reconciliation.

actions to exclude nonresident taxes. In the U.S. accounts, nonresident taxes are included on a global basis, but they are not allocated by country. In addition, commissions on merchandise trade are removed from the Canadian estimates to align them with the U.S. treatment.

Methodological adjustments are made only to unaffiliated transactions. They include the reclassification of air and rail carriers' port services to transportation in the Canadian accounts. In the U.S. northbound accounts, equipment repairs are reclassified to merchandise trade, and medical services covered by Canadian Provincial health insurance programs are reclassified to Canadian government services. Other methodological adjustments include netting the U.S. estimates of northbound communications trans-

actions against southbound transactions. A detailed comparison of the Canadian and U.S. estimates of communication transactions cannot be undertaken because of the confidentiality of source data. The Canadian estimates of insurance transactions are adjusted to a net basis for comparability with the U.S. estimates; however, insurance transactions cannot be fully reconciled because of differences in accounting conventions and data collection methods for the insurance industry in Canada and the United States.

Statistical adjustments to the U.S. estimates include increases to account for undercoverage of both affiliated and unaffiliated transactions. Statistical adjustments to the Canadian estimates are made mostly to affiliated transactions, which are reduced to reflect removal of an estimate for

**Table 12.—Direct Investment Income, Northbound**

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
<b>1992</b>									
<b>Direct investment income</b> .....	<b>2,653</b>	<b>976</b>	<b>1,677</b>	<b>2,067</b>	<b>1,798</b>	<b>269</b>	<b>-586</b>	<b>822</b>	
Earnings of incorporated affiliates ..	1,496	358	1,138	929	929	.....	-567	571	
Dividends .....	2,018	2,383	-365	2,203	2,203	.....	185	-180	Definitional, reclassification, and statistical
Reinvested earnings .....	-522	-2,025	1,503	-1,274	-1,274	.....	-752	751	Statistical
Earnings of unincorporated affiliates ..	537	98	439	537	268	269	.....	170	Definitional, reclassification, and statistical
Net interest .....	620	520	100	601	601	.....	-19	81	Reclassification, net to gross, and statistical
<b>1993</b>									
<b>Direct investment income</b> .....	<b>4,005</b>	<b>3,372</b>	<b>633</b>	<b>3,882</b>	<b>3,711</b>	<b>171</b>	<b>-123</b>	<b>339</b>	
Earnings of incorporated affiliates ..	2,690	2,797	-107	2,658	2,658	.....	-32	-139	
Dividends .....	1,407	1,808	-401	1,523	1,523	.....	116	-285	Definitional, reclassification, and statistical
Reinvested earnings .....	1,283	989	294	1,135	1,135	.....	-148	146	Statistical
Earnings of unincorporated affiliates ..	567	96	471	567	396	171	.....	300	Definitional, reclassification, and statistical
Net interest .....	748	479	269	657	657	.....	-91	178	Definitional, reclassification, and statistical

**Table 13.—Direct Investment Income, Southbound**

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
<b>1992</b>									
<b>Direct investment income</b> .....	<b>1,377</b>	<b>659</b>	<b>718</b>	<b>752</b>	<b>803</b>	<b>-52</b>	<b>-626</b>	<b>144</b>	
Earnings of incorporated affiliates ..	408	289	119	280	280	.....	-128	-9	
Dividends .....	372	186	186	177	177	.....	-195	-9	Statistical
Reinvested earnings .....	36	103	-67	103	103	.....	67	.....	Statistical
Earnings of unincorporated affiliates ..	747	28	719	128	180	-52	-619	152	Definitional and statistical
Net interest .....	222	343	-121	343	343	.....	121	.....	Gross to net and statistical
<b>1993</b>									
<b>Direct investment income</b> .....	<b>926</b>	<b>-35</b>	<b>961</b>	<b>-93</b>	<b>169</b>	<b>-262</b>	<b>-1,019</b>	<b>204</b>	
Earnings of incorporated affiliates ..	19	-392	411	-364	-364	.....	-383	28	
Dividends .....	608	414	194	442	442	.....	-166	28	Statistical
Reinvested earnings .....	-589	-806	217	-806	-806	.....	-217	.....	Statistical
Earnings of unincorporated affiliates ..	755	222	533	136	398	-262	-619	176	Definitional and statistical
Net interest .....	152	135	17	135	135	.....	-17	.....	Gross to net and statistical

undercoverage and to eliminate possible duplication of tooling charges in merchandise trade and services.

Government transactions require only statistical adjustments, which reflect timing differences in the publication of revised estimates. Estimates of government transactions are exchanged between Statistics Canada and BEA.

**Investment income**

*Direct investment income.*—This year, the reconciliation of direct investment income includes the total income—distributed earnings, reinvested earnings, and interest—of incorporated and unincorporated affiliates. In earlier years, the reconciliation excluded reinvested earnings of incorporated affiliates because they were not included in the Canadian published estimates of direct investment income. The inclusion of reinvested earnings in the Canadian published estimates eliminates one of the major definitional differences in the Canadian and U.S. published estimates of investment income.

Statistical adjustments were the largest type of adjustment made to the direct investment income estimates (tables 12 and 13). U.S. estimates of northbound reinvested earnings of incorporated affiliates reflect higher earnings, or smaller losses, than the Canadian estimates. Until further research on the reasons for the differences can be undertaken, the estimates were reconciled

at an arbitrary value midway between the U.S. and Canadian published estimates. For southbound reinvested earnings, U.S. estimates are used for reconciliation. For distributed earnings (dividends), Canadian estimates are used to reconcile northbound and southbound estimates. Statistical adjustments to earnings of unincorporated affiliates, which are reconciled in aggregate, are made mainly to earnings in the banking, insurance, and real estate industries for both northbound and southbound estimates.

Definitional adjustments are made to the Canadian published estimates only. The Canadian estimates are adjusted to exclude nonresident taxes; in addition, the Canadian estimates of earnings of insurance affiliates are adjusted to an accrual basis from a cash basis.

Methodological adjustments are made to the Canadian estimates; these include the reclassification of certain dividends from portfolio income to direct investment income and the adjustment of interest receipts and payments to a net basis for comparability with the U.S. estimates.

*“Other investment (portfolio) income.”*—The reconciliation adjustments to “other investment income” are mostly statistical to account for differences in source data (tables 14 and 15). Definitional adjustments consist primarily of the removal of nonresident taxes from the Canadian estimates.

**Table 14.—Other Investment Income, Northbound**

[Millions of U.S. dollars]


	Published estimates			Reconciled estimates			Adjustments to published estimates		
	U.S. receipts	Canadian payments	Difference	U.S. receipts	Canadian payments	Remaining difference	United States	Canada	Type of adjustment
<b>1992</b>									
<b>Other investment income</b> .....	<b>6,136</b>	<b>8,939</b>	<b>-2,803</b>	<b>8,889</b>	<b>8,895</b>	<b>-6</b>	<b>2,753</b>	<b>-44</b>	
Securities .....	4,359	6,695	-2,336	6,464	6,464	.....	2,105	-231	Definitional, reclassification, and statistical
Dividends .....	421	484	-63	475	475	.....	54	-9	
Interest on bonds .....	3,938	6,211	-2,273	5,989	5,989	.....	2,051	-222	Definitional and statistical
U.S. claims/Canadian liabilities .....	1,777	2,244	-467	2,425	2,431	-6	648	187	Net to gross, gross to net, and statistical
U.S. bank claims .....	1,143	320	823	840	840	.....	-303	520	
Other private U.S. claims .....	617	1,924	-1,307	1,585	1,591	-6	968	-333	Net to gross and statistical
U.S. Government claims .....	17	.....	17	.....	.....	.....	-17	.....	
<b>1993</b>									
<b>Other investment income</b> .....	<b>6,306</b>	<b>9,638</b>	<b>-3,332</b>	<b>9,338</b>	<b>9,335</b>	<b>3</b>	<b>3,032</b>	<b>-303</b>	
Securities .....	4,863	7,754	-2,891	7,476	7,476	.....	2,613	-278	Definitional, reclassification, and statistical
Dividends .....	467	600	-133	577	577	.....	110	-23	
Interest on bonds .....	4,396	7,154	-2,758	6,899	6,899	.....	2,503	-255	Definitional and statistical
U.S. claims/Canadian liabilities .....	1,443	1,884	-441	1,862	1,859	3	419	-25	Net to gross, gross to net, and statistical
U.S. bank claims .....	980	339	641	643	643	.....	-337	304	
Other private U.S. claims .....	450	1,545	-1,095	1,219	1,216	3	769	-329	Net to gross and statistical
U.S. Government claims .....	13	.....	13	.....	.....	.....	-13	.....	

Methodological adjustments are made primarily to the estimates of income on bank claims and liabilities. With one exception, the Canadian estimates are converted from a net basis (receipts on claims less payments on liabilities) to a gross basis to align them with the U.S. treatment; the exception is income receipts and payments between affiliated U.S. and Canadian banks, which are reconciled on a net basis. On a gross basis, the Canadian estimates substantially exceed the U.S. estimates, but on a net basis, they are almost identical. The divergence in the estimates on a gross basis may be due to differences in reporting definitions for banks in Canada and in the United States.

Several statistical adjustments are made, primarily to income on securities. First, the U.S. estimates of northbound dividends are raised to the Canadian level, and the Canadian estimates of southbound dividends are raised to the U.S. level; these adjustments reflect the general assumption that a country's source data on payments of dividends are more comprehensive than its source data on receipts. Second, U.S. northbound estimates of income receipts on holdings of Canadian bonds are raised to the Canadian level; the Canadian estimates are based on an inventory of individual bonds held by nonresidents that is more detailed and more comprehensive than the U.S. inventory. Third, the Canadian and U.S. estimates of payments on U.S. Gov-

ernment liabilities are arbitrarily adjusted to a midpoint. The Canadian estimates are lower than the U.S. estimates because compilers of the Canadian accounts assume that some U.S. Government securities are purchased by Canadian parents on behalf of their U.S. insurance affiliates; thus, the income would accrue to U.S. residents. Based on indications in the U.S. source data, compilers of the U.S. accounts assume that those purchases and the income are entirely for the accounts of the Canadian parents.<sup>5</sup> Finally, some adjustments are made to the Canadian and U.S. estimates to reconcile miscellaneous commercial transactions.

### Unilateral transfers

In a definitional adjustment, the Canadian estimates of unilateral transfers are reduced by the removal of nonresident taxes. In a methodological adjustment, the U.S. estimates are converted to a gross basis from a net basis to align them with the Canadian treatment. Small statistical adjustments are made to the U.S. northbound estimates and to the Canadian southbound estimates to compensate for a lack of coverage in the source data. 

5. In 1993, the difference between the U.S. and Canadian estimates of payments on U.S. Government liabilities widened considerably. The U.S. estimate increased substantially, whereas the Canadian estimate decreased. The U.S. estimate reflects a much larger increase in Canadian purchases of U.S. Government securities than the Canadian estimate, and a much smaller decline in yields.

Table 15.—Other Investment Income, Southbound

[Millions of U.S. dollars]

	Published estimates			Reconciled estimates			Adjustments to published estimates		
	Canadian receipts	U.S. payments	Difference	Canadian receipts	U.S. payments	Remaining difference	Canada	United States	Type of adjustment
<b>1992</b>									
<b>Other investment income</b> .....	<b>2,639</b>	<b>3,887</b>	<b>-1,248</b>	<b>3,778</b>	<b>3,622</b>	<b>156</b>	<b>1,139</b>	<b>-265</b>	
Securities .....	1,604	2,116	-512	2,026	2,029	-3	422	-87	
Dividends .....	1,396	1,558	-162	1,558	1,558	.....	162	.....	Definitional and statistical
Interest on bonds .....	208	558	-350	468	471	-3	260	-87	Definitional and statistical
Canadian claims/U.S. liabilities .....	170	719	-549	793	634	159	623	-85	
Canadian bank claims .....	95	659	-564	588	432	156	493	-227	Net to gross, gross to net, and statistical
Other Canadian claims .....	75	60	15	205	202	3	130	142	Net to gross and statistical
U.S. Government liabilities .....	865	1,052	-187	959	959	.....	94	-93	Statistical
<b>1993</b>									
<b>Other investment income</b> .....	<b>2,701</b>	<b>4,232</b>	<b>-1,531</b>	<b>3,797</b>	<b>3,687</b>	<b>110</b>	<b>1,096</b>	<b>-545</b>	
Securities .....	1,755	2,131	-376	2,052	2,052	.....	297	-79	
Dividends .....	1,476	1,533	-57	1,533	1,533	.....	57	.....	Definitional and statistical
Interest on bonds .....	279	598	-319	519	519	.....	240	-79	Definitional and statistical
Canadian claims/U.S. liabilities .....	277	590	-313	655	546	110	378	-44	
Canadian bank claims .....	222	530	-308	490	381	110	268	-149	Net to gross, gross to net, and statistical
Other Canadian claims .....	55	60	-5	165	165	.....	110	105	Net to gross and statistical
U.S. Government liabilities .....	669	1,511	-842	1,090	1,090	.....	421	-421	Statistical