BEA BRIEFING

Modernizing and Enhancing BEA's International Economic Accounts

Recent Progress and Future Directions

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THE RECENT global economic crisis has highlighted the critical importance of economic statistics that clearly depict, in a timely manner, major developments in both the real and the financial sectors of economies around the world. In some respects, the responses of policymakers to the unfolding crisis were hampered by a lack of detailed, timely, and internationally comparable information about financial asset and liability flows and their impact on production, employment, and income. The Bureau of Economic Analysis (BEA) is addressing this lack of information on several fronts. For example, it recently proposed some new measures to supplement the national income and product accounts (NIPAs), also known as the GDP accounts. These new measures would give economists additional tools to analyze the distribution of income across households, sectors, and regions as well as the sustainability of trends in saving, investment, and asset prices and other variables important to the analysis of business cycles and economic growth.[1] In addition, BEA continues to work with the Federal Reserve Board (FRB) to integrate data from BEA's accounts, including the international accounts, with data from the FRB's flow of funds accounts.

The release of recently updated international statistical standards provides another opportunity for BEA to consider changes that will bring its international economic accounts into closer alignment with those of other nations and that will increase the overall quality and usefulness of the accounts for BEA's customers. BEA produces the U.S. international transactions accounts (ITAs) and the U.S international investment position (IIP) accounts along with related statistics on direct investment and the operations of multinational companies. In compiling these statistics, BEA aims to align their structure, content, and presentation with the guidelines issued by international organizations. Last year, the International Monetary Fund (IMF) released the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6).[2] This update, the first since 1993, was coordinated with an update in 2008 of the *System of National Accounts* (2008 SNA) in order to maximize the overall consistency between these two key sets of international

1. See J. Steven Landefeld, Brent R. Moulton, Joel D. Platt, and Shaunda M. Villones, "GDP and Beyond: Measuring Economic Progress and Sustainability," Survey of Current Business 90 (April 2010): 12–25.

2. *Balance of Payments and International Investment Position Manual,* 6th ed. (Washington, DC: International Monetary Fund, 2009).

IMF Recommendations

The International Monetary Fund (IMF) recently announced that it plans to start presenting balance of payments statistics based on the sixth edition of its *Balance of Payments and International Investment Position Manual* (BPM6) in its own publications in the summer of 2012 with data for year 2011.[1] Submissions to the IMF prepared on a BPM6 basis before that date will be converted to a BPM5 (the previous version) basis by the IMF for publication purposes. Afterwards, submissions remaining on a BPM5 basis will be converted by the IMF to the BPM6 basis. During the next several years, the IMF plans to provide guidance and technical assistance to countries that need help converting to BPM6, including guidance related to developing historical time series and statistical overlap periods. A survey conducted by the IMF in 2009 about BPM6 implementation plans found that while many countries are moving forward with plans to implement the new standards, most countries do not expect to achieve full implementation for several years, in some cases even later than the IMF's 2012 target date. For example, the European Union has decided that its members will be required to convert their presentations for reference year 2013 to a BPM6 basis in 2014.

1. International Monetary Fund, "Strategy for Implementing the Sixth Edition of the *Balance of Payments and International Investment Position Manual*" (paper presented at the 22nd Meeting of the IMF Committee on Balance of Payments Statistics in Shanghai, November 2–4, 2009). See www.imf.org/external/pubs/ft/bop/2009/09-08.pdf.

guidelines for economic accounts.[3] In addition, the Organisation for Economic Co-operation and Development (OECD) recently updated its *Benchmark Definition of Foreign Direct Investment* (BD4), and updated manuals related to statistics of merchandise trade and services trade are also nearing completion.[4] Periodic updates to international guidelines serve several purposes, including making countries' economic accounts more informative, improving the validity of cross-country economic comparisons, and promoting statistical integration efforts within countries.

This article provides an overview of BEA's initial plans for introducing the new international standards and other improvements, reports on the progress that has taken place so far, previews the changes that will be made in the June 2010 annual revisions of the ITAs and the IIP accounts, and briefly describes other improvements that are being considered for implementation in later years, including changes in presentation.

The article also discusses the known statistical impact of the changes proposed at this time. Some of the changes to specific line items in the ITAs are offsetting. For example, because of a reclassification of some items from services to goods, goods exports would be $30.4 billion higher in 2008, and services exports would be $30.4 billion lower. Total goods and services exports are thus unchanged. Not all of the changes, however, are offsetting. For example, a new treatment of certain capital-account transactions results in a $2.6 billion increase in the capital-account surplus and a corresponding reduction in the statistical discrepancy (or net errors and omissions).

For some of the proposed changes to the accounts, the statistical impact cannot yet be quantified.

3. European Commission, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and World Bank, *System of National Accounts 2008* (New York: United Nations, 2009).

4. *Benchmark Definition of Foreign Direct Investment*, 4th ed. (Paris: OECD, 2008). In February 2010, the United Nations Statistical Commission approved updated versions of the *Manual on Statistics of International Trade in Services* and the *Manual of International Merchandise Trade Statistics*. Final versions of these updated manuals will be available in the near future.

Additional Improvements to BEA Cross-Border Trade Statistics

In addition to developing plans to better align its statistics with internationally recognized standards, the Bureau of Economic Analysis (BEA) has recently implemented several other improvements to the international accounts, notably to trade in services statistics.

Many of these improvements were undertaken in response to recommendations made by studies issued by the National Academy of Public Administration, the Services Offshoring Working Group at the Massachusetts Institute of Technology's Industrial Performance Center, and the Government Accountability Office.

Recent improvements include the following:

Sample frames. BEA has moved to ensure that all companies that are legally required to report on BEA's surveys are identified and notified. In particular, BEA has used information from the Census Bureau's Company Organization Survey to expand its mailing lists. As a result, more than 450 firms were recently added to the mailing list for BEA's quarterly survey of trade in selected services. BEA has also proposed sharing data with the Census Bureau to identify more firms to be included on mailing lists.

Survey design. As it has done for the last two decades, BEA continues to improve its surveys. Quarterly surveys, for example, in 2004 replaced annual surveys of selected services, insurance, and financial services, improving the accuracy of the quarterly statistics. More recently, BEA redesigned its surveys of trade in services to collect transactions between both affiliated and unaffiliated parties on the same forms and at the same level of detail. The result was a significant improvement in the data for affiliated transactions. Capturing the same information for both affiliated and unaffiliated transactions allows for a more complete picture of cross-border trade in services. In addition, the redesigned surveys included a new open-ended "other services" category, which captured transactions that were previously unreported.

Insurance data. BEA has introduced a new benchmark survey of insurance transactions by U.S. insurance companies with foreign persons. This quinquennial survey is designed to capture information from firms that fall below the quarterly reporting thresholds.

Travel data. BEA has instituted a survey that collects data on travel expenditures made using credit, debit, and charge cards and that will provide improved data on spending by travelers abroad and in the United States. BEA will use the data from this survey to improve its statistics on cross-border travel.

Industry accounts. The 2010 comprehensive revision of the industry accounts, to be released in June, will incorporate new information collected from the improved surveys of selected services transactions described above. These improvements will allow the industry accounts to record affiliated imports of services at the same level of detail as unaffiliated imports of services. The result will be a more accurate picture of imported services across the economy, which will enhance the ability of users to measure outsourcing in the U.S. economy.

Overview of major changes

Changes to the international economic accounts that affect definitions, classifications, methodology, and presentation are typically made by BEA as part of the June annual revision, primarily to allow the changes to be made for as many time periods as possible in order to ensure time series consistency. Nearly all of the new international standards and other improvements being considered fall into one of those categories, and as a result, current and future annual revisions are the most appropriate time for making these changes.

BEA's implementation strategy places a priority on first making changes that do not require extensive research or resources and that do not require changes in presentation. More extensive and more complex changes will be introduced in later annual revisions. Two significant changes have already been introduced. Last year, BEA introduced a new treatment of disaster-related insurance settlements in both the ITAs and the NIPAs that recognizes distinctions between current and capital transfers. In December, BEA introduced a new treatment in the ITAs of allocations of special drawing rights by the IMF.

For the 2010 annual revision, BEA plans to introduce several additional changes, which are described in more detail in a later section.

Some changes aim to improve the classifications of goods and services:

- Record a portion of exports under the U.S. Foreign Military Sales program as goods rather than as services
- Record a portion of direct defense expenditures as goods imports rather than recording all such expenditures as services imports
- Record certain goods procured in ports by carriers as goods rather than recording all such expenditures as transportation services

Some changes aim to improve the treatment of capital and financial flows:

- Exclude migrants' personal effects from the capital account
- Reclassify permanent debt between affiliated domestic and foreign banks from direct investment to other investment

The first three changes reflect efforts by BEA (1) to comply more fully with the definitions of general merchandise trade and trade in services set forth in the international standards and (2) to separate goods from services to the extent possible in order to improve the overall comparability of trade statistics with statistics for domestic production and consumption.[5] The last two changes reflect efforts to adopt new treatments of certain transactions recommended by the new international standards.

The remainder of this article is presented in three sections:

- The first section discusses issues associated with implementing new international standards, including an overview of the new standards and their relationship to the 2008 SNA, and BEA's initial plans, focusing on the overall approach and strategy.
- The second section discusses changes that have already been made or that will be made in the June 2010 annual revision. This section also identifies changes that BEA is considering for future years.
- The final section provides prototypes of some of the new presentations that BEA would like to feature and discusses the likely statistical impacts of the changes based on existing data. To facilitate the transition for users, BEA plans to maintain proposed alternative tables as a work-in-progress on the BEA Web site.

New International Standards

Overview

The new international standards were developed partly in response to important economic developments that arose after the last set of updates in 1993. Some of the developments include the increased globalization of economic activities, rising innovation and complexity in financial markets, and an increased emphasis on the balance sheet as a tool for understanding economic activity. Implementing new standards and other improvements that respond to these developments allows BEA's economic accounts to retain their relevance as economic conditions change. While a wide variety of recommendations were made in both BPM6 and BD4, some of the changes are particularly noteworthy for their potential impact on the U.S. international economic accounts. These include the following:

- Trade in goods and services should be more strictly defined on a change-of-ownership basis to increase consistency with the treatment of the related financial flows and with the treatment of domestic transactions and to more clearly identify global

5. BPM6 chapter 10, section 10.8 acknowledges that the value of some service items includes the values of some goods in the cases of travel, construction, and government goods and services that are not included elsewhere (BPM6, 149–150).

outsourcing associated with manufactured goods.

- Direct investment should be presented on an asset/liability (gross) basis, and the related income flows should be defined on a receipts/payments basis instead of both being presented on a directional (net) basis. This change would facilitate comparisons with related balance sheet and financial flow statistics.
- Financial intermediation services that are indirectly measured—that is, services for which there are no explicit charges—should be recognized in order to account more completely for the different ways that financial services are priced and delivered.
- Research and development results should be treated as produced assets and included in the current account with other produced assets rather than as nonproduced assets recorded in the capital account. This change would better reflect their role as assets that contribute to current production.

Consistency between BPM and SNA

Strong linkages exist between BPM6 and the 2008 SNA because of concerted efforts to maximize consistency in the definitions, concepts, principles, and recommended practices. In an increasingly globalized economy characterized by large trade, investment, and financial flows, national statistical offices and international organizations have recognized that meaningful cross-country economic comparisons and coordinated economic policy require highly integrated sets of economic accounts. This emphasis on harmonization and consistency was maintained throughout the development of the most recent versions of both manuals. [6]

Several steps were taken in the updated manuals to further integrate these international standards. One prominent example was the recommendation for a new treatment of goods that cross borders for further processing without changing ownership, an economic phenomenon of growing importance and a clear example of the trend towards outsourcing the production of both goods and services. Although this new standard poses considerable practical problems for statistical agencies, both standards ultimately agreed on the need to recognize this important economic development in a consistent, integrated manner. Other examples include the new treatment of certain disaster-related insurance settlements and the inclusion in BPM6 of financial intermediation services that are implicitly priced and delivered.

BEA's approach

BEA has reviewed the recommendations in both BPM6 and BD4 with the goal of identifying not only the feasibility of implementation but also the most appropriate timeframe, taking into account practical matters such as source data availability, resource requirements, and consistency with BEA's national, industry, and regional accounts. BEA is considering not only the economic and statistical significance of changes but also factors such as data processing requirements, estimation needs, and implications for publication tables and data dissemination. Some of the recommendations in the new international standards are relatively straightforward and, in principle, should not be difficult to implement, although practical problems could arise. However, other changes are more complex and will require new source data, new methodologies and presentations, and new data processing applications.

As a result of these differences in the difficulty of implementation, BEA has grouped the recommendations into three categories: (1) changes that can be implemented in the June 2010 annual revision (or that have already been implemented), (2) changes that are planned for implementation after the June 2010 revision but most likely by the June 2012 revision, roughly consistent with the IMF's implementation timetable, and (3) changes for which implementation either does not appear feasible or cannot be determined at this time. This article describes changes in the first and second categories and new presentations that could be featured when BPM6 implementation has been completed.

BEA plans to introduce changes in its standard presentations and related data dissemination vehicles beginning in June 2012, when it anticipates that most of the feasible changes will be ready for release. The primary reason for this scheduling approach is to avoid confusion about the interpretation of the statistics until most of the major changes can be implemented on a consistent time series basis. However, to assist its customers with the transition to the new presentation, BEA has developed a set of alternative tables based on BPM6; these tables will be maintained as a work-in-progress until essentially complete implementation can be achieved. Customers will be able to view progress on these tables on the BEA Web site.

6. Chapter 26 of the 2008 SNA discusses the rest-of-the-world accounts and the links to the balance of payments. The introduction to the chapter notes that both BPM6 and the 2008 SNA use the same macroeconomic framework, but that the balance of payments guidelines provide additional detail on measurement issues that are especially relevant to international transactions or positions (2008 SNA, 541–542). Likewise, Appendix 7 of BPM6 describes the relationship of the SNA to the international accounts (BPM6, 289–291).

Implementation Plans

Changes completed or scheduled for June 2010

This section describes the changes in definitions, classifications, and methodology that have recently been introduced into the international economic accounts or that are scheduled to be introduced in the upcoming June 2010 annual revision. Changes that primarily affect the current account and the capital account are described first, followed by changes that primarily affect the financial account and the IIP. Some changes affect more than one of the accounts.

Current and capital accounts

Reclassify certain disaster-related insurance settlements from the current account to the capital account. This change was introduced in the June 2009 annual revision of the ITAs, and in July, a parallel change was introduced in the 2009 comprehensive revision of the NIPAs. Insurance settlements received in connection with major disasters, which are treated as transfers, were removed from the "private remittances and other transfers" line item in the current account and placed in the capital account. This new treatment, which corresponds with recommendations in BPM6 and the 2008 SNA, acknowledges the capital nature of disaster-related losses and removes volatility not related to current production and income from the current account. Periods with major disasters affected by this change include the third quarters of 1992, 2001, 2004, 2005, and 2008.

Reclassify transactions in goods and services. International guidelines recommend separating goods and services transactions to the extent possible given the nature of the source data used to compile the accounts. Currently, a number of accounts in the ITAs commingle goods and services. A clearer separation of goods and services will more closely align BEA's goods and services statistics with international economic accounting concepts and definitions and will improve the comparability of statistics for trade and domestic production. With the June 2010 annual revision, BEA plans to implement the following:

- Reclassify certain exports and imports of military-related goods from services to goods. Currently, these military-related exports and imports of goods and services are recorded on a transactor basis and are combined in the services account. Exports of goods under the U.S. Foreign Military Sales (FMS) program are included in services as "transfers under U.S. military agency sales contracts," and military imports of goods are included in services as "direct defense expenditures." Beginning with statistics for 1999, exports of goods related to the FMS program will be moved from "transfers under U.S. military agency sales contracts" to goods under "exports, n.e.c." (not elsewhere classified), which includes commercial sales of military-type goods. Also beginning with statistics for 1999, petroleum purchases abroad by the U.S. military will be moved from "direct defense expenditures" to goods under "petroleum and products." Other goods transactions will remain in "transfers under U.S. military agency sales contracts" and "direct defense expenditures" because they are commingled in BEA's source data. BEA will continue research to develop a methodology to separately identify the remaining goods-related transactions.[7]
- Reclassify goods procured by air and ocean carriers in foreign ports from services to goods. Currently, expenditures on goods and services by foreign air and ocean carriers in U.S. ports (exports) and by U.S. carriers in foreign ports (imports) are included in "other" transportation services. Beginning with statistics for 1999, fuel expenditures by U.S. and foreign air and ocean carriers will be moved from "other" transportation services to goods under "petroleum and products." Other goods transactions will remain in "other" transportation services because they are commingled in BEA's source data. However, BEA will continue research to develop a methodology for separately identifying the remaining goods-related transactions.

Exclude migrants' transfers from the capital account. Migrants' transfers, a measure of the net worth of individuals who immigrate or emigrate during the period, do not involve a change of ownership, and international guidelines no longer call for them to be recorded as international transactions. Beginning with statistics for 1982, migrants' transfers will be removed from the capital account. This change more clearly focuses the ITAs on transactions involving a change of ownership. Migrants' investments in their country of origin will continue to be recorded in the IIP accounts when migration changes the status of these investments from domestic to international, but they will enter the position as "other changes" in value rather than as financial flows.

7. BEA plans to maintain these series as they are currently defined in a supplemental presentation in order to assist customers who use these series to obtain a complete picture of the role of the U.S. military in trade.

Financial account and IIP accounts

Treat allocations of special drawing rights (SDRs) as transactions. BEA implemented the new treatment of allocations of SDRs recommended by BPM6 with the December 2009 release of the ITAs for the third quarter of 2009. The $47.6 billion in SDRs allocated to the United States in the third quarter by the IMF were included in "U.S. official reserve assets," and the related increases in the liabilities of the U.S. Treasury were included in "other" U.S. government liabilities. Prior to this change, BEA followed the recommendation of BPM5 and excluded SDR allocations from international transactions.

In order to treat all SDR allocations consistently, BEA departed from its usual practice of making historical revisions only in the June release of the ITAs.[8] Instead, it revised the ITAs to include the six earlier allocations of SDRs in the same way that the third-quarter allocations were included. Revisions to account for these allocations were made for the first quarters of 1970, 1971, 1972, 1979, 1980, and 1981.

To complete the implementation of BPM6 recommendations on the treatment of SDR allocations, BEA will revise the IIP through yearend 2008 by adding the U.S. reserve-related liabilities resulting from the allocations to the "other" U.S. government liabilities component. Allocations of SDRs have been included in the SDR component of U.S. reserve assets in the IIP since the first allocation in 1970; however, no corresponding liability was recognized. In addition, the allocations will now enter the position as financial flows, following the BPM6 recommendations; previously, they entered the position as "other changes" in value. This methodology also will be reflected in the treatment of the SDR allocations in 2009 in the presentation of the year-to-year changes shown in IIP table 1.

Record permanent debt between selected affiliated financial intermediaries as "other investment" rather than as direct investment. In general, debt between affiliated entities (intercompany debt) has been classified as direct investment. However, international standards also recognized that debt transactions between selected affiliated financial intermediaries are more strongly related to their role as intermediaries than to a direct investment relationship. In this vein, BPM5 recommended that only permanent debt between these entities be classified as direct investment; permanent debt was defined as debt that represents a lasting interest. Nonpermanent debt between these entities was classified as other investment. Perhaps in recognition of the practical difficulties in assessing "permanence," BPM6 removes the exception and excludes from direct investment all debt transactions (permanent and nonpermanent) between affiliated financial intermediaries.

BEA currently classifies permanent debt between affiliated banks, bank holding companies, and financial holding companies as direct investment, following BPM5. Beginning with statistics for the first quarter of 2007, permanent debt between these affiliated financial intermediaries will be excluded from direct investment and will be recorded as "other investment."[9]

Changes planned for later years

This section briefly describes major changes that cannot be implemented in June 2010 but are being considered for implementation in a later annual revision. These changes generally are more complex than those that have already been made or are planned for this year's annual revision and involve changes in definitions, classifications, methodology, or presentations. Some of them require new source data or other resources. In a few cases, it is not clear that implementation will prove feasible even within the next 2 years.

Current and capital accounts

Introduce manufacturing services on physical inputs owned by others (goods for processing). This recommendation changes the treatment of goods that are sent abroad for further processing and subsequently returned without any change in ownership. Under BEA's current treatment, which follows BPM5, a change in ownership is imputed, and as a result, these goods are included in merchandise exports and imports along with other merchandise that crosses the border. Under the new BPM6 standard, no change in ownership is imputed, the goods are excluded from merchandise trade, and the difference between the two gross flows is recorded as a service, measured by the processing fee charged by the manufacturing service provider. At this time, source data are not available that would allow this change to be implemented, primarily because these goods cannot be separately identified in the merchandise trade statistics. BEA is conducting research aimed at identifying realistic options for implementing this change.

Anticipating the need to begin to develop information on the relative size and importance of U.S. trade in processing services, BEA has added a question to its

8. See the box "Allocations of Special Drawing Rights in the ITAs" in Douglas B. Weinberg, "International Transactions: Third Quarter of 2009," SURVEY 90 (January 2010): 17.

9. "Other investment" is a new category that will be included in a new presentation of the accounts. Although this new category is included in the prototype tables presented later in this article, the reclassification of permanent debt between affiliated financial intermediaries is not incorporated in those tables at this time. However, this change in treatment will be incorporated into the standard presentation of the accounts in June 2010.

2009 Benchmark Survey of U.S. Direct Investment Abroad to identify U.S. parent companies that meet the BPM6 criteria for engaging in contract manufacturing, either as purchasers or sellers of manufacturing services. BEA and the Census Bureau are also exploring options for collecting similar information in certain Census Bureau surveys. Because this change in treatment also has important implications for the national and industry accounts, BEA is taking a coordinated approach to ensure that changes are made as consistently as possible throughout all of BEA's program areas.

Reclassify merchanting from services to goods. BEA currently classifies merchanting—which is the purchase and subsequent resale of goods abroad without substantial transformation and without the goods entering or exiting the United States—as a service transaction. Under this treatment, which follows BPM5, BEA obtains information on the difference between the sales proceeds and the acquisition cost of the goods and includes these net receipts as a component of "other" private services. BPM6 recommends classifying merchanting as a component of trade in goods under the new category "net exports of goods under merchanting." Like the change to goods for processing, discussed above, this change eliminates an exception to the change-in-ownership principle. BPM6 recommends presenting the gross flows associated with merchanting transactions—goods acquired under merchanting and goods sold under merchanting. BEA's source data on goods do not cover these flows, because the goods do not cross the U.S. customs frontier. Absent new source data covering the gross flows, BEA would consider simply reclassifying the net values that it currently collects from services to the new merchanting category under goods.

Reclassify transactions related to intellectual property. BPM6 recommends a number of changes to the treatment of transactions related to the use and sale of intellectual property. Currently, transactions for the use of intellectual property and some transactions for the sale of intellectual property are commingled in BEA's source data and are recorded indistinguishably under the services category "royalties and license fees." To conform to the BPM6 recommendations, transactions for the use of intellectual property will need to be separated from those for the outright sale of intellectual property. In addition, transactions related to the outright sale of intellectual property, and certain transactions related to its use, will need to be reclassified to newly defined categories related to research and development services, computer services, and audiovisual and related services.[10] Finally, changes in nomenclature will be necessary. At this time, BEA is evaluating its data collection procedures to determine if transactions related to use and to sale can be collected separately.

Introduce financial intermediation services indirectly measured (FISIM). Financial services include intermediation services provided by banks and other financial firms. These services may be charged either explicitly (as in commissions and fees) or implicitly. FISIM captures implicit fees obtained by financial institutions for lending and deposit-taking services through the margin between interest payable for loans and deposits and the cost of funds. The cost of funds is estimated using a reference interest rate. The implicit service fees charged for lending and deposit-taking services need to be separated from interest income. The use of a reference rate, which reflects the cost to financial institutions of funds obtained in the market, separates interest into pure interest income and FISIM.

The concept of FISIM was introduced in the SNA in 1968 as imputed bank service charges, but it was not extended to the international accounts until BPM6. BEA has included FISIM in exports of services (but not imports of services) since the comprehensive revision of the NIPAs that was released in 1985. BEA expanded the allocation of FISIM to include borrowers as well as depositors, as recommended in the 1993 SNA, as part of the 2003 comprehensive NIPA revision. Before FISIM can be introduced in the international accounts, certain issues need to be resolved. These issues include determining the most appropriate reference interest rate representing the "pure" cost of money, defining how FISIM on banks' loans and deposits would be applied to existing source data, and reconciling the approaches taken for the ITAs and the NIPAs.

Restructure the investment income account. The investment income account will be restructured to classify transactions according to major functional categories and to present direct investment income flows according to the asset/liability basis. These changes are described in the next section.

Financial account and IIP

Restructure the financial account. BEA plans to make significant changes to the presentation of the financial account in order to adopt a classification by functional category that was first introduced in BPM5. Five major functional y categories—direct investment, portfolio investment, other investment, reserve assets, and

10. These and other new categories are part of a broader set of changes in presentation that are described later in this article and that will be described in more detail in future articles in the Survey of Current Business.

financial derivatives—will replace the current financial-account structure, which is a mix of classification by U.S. sector, by sector of the foreign counterparty, by reporter, and by instrument. Within each of the functional categories, transactions will be classified according to the type of instrument. "U.S.-owned assets abroad" will be referred to as "net acquisition of financial assets," and "foreign-owned assets in the United States" will be referred to as "net incurrence of liabilities" (both will exclude financial derivatives). Financial derivatives will continue to be shown on a net basis, because of the absence of information in the source data on gross flows.[11]

Investment income will be classified according to the same functional categories introduced in the financial account. This detail on investment income, together with an IIP account that is classified by functional category (which BEA plans to develop), will give users the information needed to calculate rates of return by major type of investment.

Present direct investment on an asset/liability basis. BPM6 and BD4 recommend that direct investment be presented in international economic accounts on an asset/liability basis rather than the directional basis that had been recommended in earlier international guidance. On a directional basis, which is the current BEA method, direct investment statistics in both the current and financial account of the ITAs and in the IIP are organized according to the direction of the direct investment relationship, that is, according to whether the direct investor is domestic or foreign. On an asset/liability basis, direct investment statistics are organized according to whether the investment relates to an asset or liability.

The difference between the two approaches can be seen in the treatment of outward direct investment transactions in the financial account of the ITAs. On a directional basis, the financial account includes a direct investment abroad account within "U.S.-owned assets abroad" that covers transactions related to U.S. parent companies' investments in their foreign affiliates as well as transactions related to foreign affiliates' investments in their U.S. parents. Because investments by affiliates in their parents represent financial obligations (liabilities) of the parents, transactions related to these "reverse investments" are netted against those related to the parent companies' investments in foreign affiliates, which represent financial claims (assets) of the parents.[12]

In contrast, on an asset/liability basis, the financial-account category "net acquisition of financial assets" contains, as described in BPM6, a direct investment asset account that includes only transactions related to assets. Consequently, this account covers transactions related to U.S. parent companies' investments in their foreign affiliates but not those related to the affiliates' investments in their parents. The latter are recorded in a direct investment liabilities account along with transactions related to foreign residents' direct investments in domestic companies. (However, any changes in the claims of these foreign-owned domestic companies on their foreign parent companies are recorded in the direct investment assets account described above.)

The new standards also recommend breaking direct investment down into three categories—investment by a direct investor in its direct investment enterprise, investment by a direct investment enterprise in its direct investor (reverse investment), and investment between "fellow enterprises."[13] BEA's direct investment data collection system is not designed to capture reverse equity investment.[14] It captures some, but not all, investments between fellow enterprises.[15] Because this information is needed to present the direct investment accounts on a true asset/liability basis, BEA will not be able to adopt this recommendation completely. However, some data on intercompany debt are available at this level of detail and will be used to move towards an approximation of the asset/liability basis.

The new standards recommend organizing direct investment statistics in the main presentation of the ITAs and IIP on an asset/liability basis. However, the

11. International standards recommend presenting financial derivatives on a gross (asset/liability) basis; however, net settlements are acceptable where gross reporting is not feasible. Given current source data limitations, BEA cannot currently present derivatives on a gross basis. There are no plans to expand source data collection to capture gross transactions at this time.

12. Under the standards' recommendation for the presentation of direct investment statistics on the directional basis, transactions related to a foreign affiliate's investment in its U.S. parent are included in the direct investment abroad account provided that the affiliate's equity investment in the parent is less than 10 percent. If the affiliate's equity investment is 10 percent or more, the affiliate has a direct investment in its parent and its equity and debt investment in the parent is included in the inward direct investment account.

13. Fellow enterprises are defined in BPM6, chapter 6, section 6.17(c), as "enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other fellow enterprise"(BPM6, 6).

14. Reverse equity investment transactions are included in source data on portfolio investment collected by the U.S. Department of the Treasury and cannot be separately identified. Although reverse equity investment is believed to be small, BEA has added questions to the 2009 Benchmark Survey of U.S. Direct Investment Abroad to gauge its size. Similar questions may be added to the 2012 Benchmark Survey of Foreign Direct Investment in the United States.

15. While the U.S. accounts capture investments among fellow enterprises, some investments among these enterprises are included in portfolio investment and cannot be separately identified. Other transactions are included in direct investment but cannot be distinguished from other direct investment transactions.

directional basis is recommended for geographical and industry breakdowns. BEA expects to be able to implement both of these recommendations in a future annual revision.

Introduce new financial assets. BPM6 introduces a new class of instruments under other investment—"insurance, pension, and standardized guarantee schemes"—which includes insurance technical reserves (prepayments of premiums and reserves against outstanding insurance claims), pension entitlements (the claims of pensioners on their employers or pension funds), and provisions for calls under standardized guarantees (prepayments of net fees and provisions to meet outstanding calls under standardized loan guarantees). BPM6 also introduces employee stock options, which are recommended to be recorded in the financial account with a corresponding offset entry in the current account. BEA currently does not have source data or methodologies in place to include most of these financial instruments in the international accounts.[16] More research is needed to identify new data sources or develop new estimation methodologies.

Changes in Presentation

One of BEA's principal objectives in adopting the new international standards and other improvements is to bring its standard presentations into better alignment with the presentation recommended by BPM6. BEA's current presentation of the international economic accounts differs in several significant ways from the IMF standard presentation, particularly for the financial account and the IIP. Adopting the BPM6 standard presentation will also improve the alignment of BEA's presentation with those of several major partner countries. Changes to BEA's standard presentation should ensure that U.S. balance of payments statistics are more clearly identified, better understood by key customers, and easier to compare with similar statistics from other countries.

Currently, BEA's presentation of the ITAs includes a summary table of highly aggregated statistics that facilitate discussion of broad trends for recent periods, labeled table A in previous articles; a table showing additional detail for the current account, the capital account, and the financial account that is used for more in-depth analysis of recent quarterly changes, labeled table 1; and a set of supplementary tables that provide more detailed analytical information for many of the components of table 1, labeled tables 2–11.[17] Country and area detail for the table 1 series are provided in table 12.

As described above, BEA does not plan to introduce major changes to its standard presentations until most of the changes in definitions, classifications, and methodology that prove feasible have been developed. For the purpose of this article, however, prototypes are presented for new versions of table A (see page 17) and table 1 (see page 20), which include annual time series statistics for 2006–2008. These statistics largely reflect changes in presentation, although an attempt has been made to incorporate definition changes that involve relatively simple reclassifications of transactions from one component of the ITAs to another. This prototype presentation will be expanded to include other changes in definitions and methodology as they are developed and will be available on the BEA Web site for review and comment. Future articles will discuss changes to the presentation of the more detailed supplementary and geographic tables.

Major differences

The prototypes for alternative table A and table 1 attempt to present the accounts essentially as they will appear in a new presentation that is planned for 2012. When possible, adjustments based on current data have been made to existing statistics to match the definitions and classifications recommended by the new standards. For example, in table 1, statistics for nonmonetary gold are removed from general merchandise and included as a separate category under total goods.

Several characteristics of the alternative presentation represent major changes from BEA's standard presentation. First, in the new tables, the uniform use of negative signs for debit entries is eliminated. Previously, credits (exports, income receivable, transfers received, reductions in assets, and increases in liabilities) were presented as positive numbers, and debits (imports, income payable, transfers made, increases in assets, and reductions in liabilities) were presented as negative numbers. Although this convention facilitated some types of aggregation across accounts, it has proved to be a source of confusion for a significant number of data users. Under the new presentation,

16. Insurance technical reserves are currently recorded in the U.S. accounts but are not separately identified. Insurance companies' unearned premiums and unpaid claims are captured as advanced receipts/advanced payments and trade receivables/trade payables on the Treasury Department survey of commercial claims and liabilities (for unrelated party transactions) and on BEA's direct investment surveys (for transactions between parents and affiliates). However, the insurance-related transactions cannot be distinguished from other changes in claims and liabilities reported on these surveys.

17. For comparison, see table A and tables 1–12 in Douglas B. Weinberg and Erin M. Whitaker, "International Transactions: Fourth Quarter 2009 and Year 2009," Survey of Current Business 90 (April 2010): 26–61.

positive signs are used to show exports and imports, income receipts and payments, transfers made and received, and increases in assets and liabilities. Negative signs are used only to indicate negative investment income (losses) and decreases in assets or in liabilities (as occur, for example, if investments are sold off).[18] Current-account and capital-account balances are calculated as the difference between the underlying gross flows (exports minus imports, for example). For the financial account, net investment is calculated as the difference between the acquisition of assets and the incurrence of liabilities. These new conventions should not only make the ITAs easier to understand and interpret but should also make them easier to relate to the corresponding changes in asset and liability positions in the IIP.

The new tables also adopt the nomenclature of primary and secondary income introduced into the current account in BPM6. Primary income is income generated from current production and is largely equivalent to income receipts and income payments that are shown in BEA's current ITA table 1. Secondary income is largely equivalent to current transfers.[19] However, BPM6 introduces some definition changes to these accounts that affect the components included in each series. Not all of these definition changes are reflected in the alternative presentation tables.

The alternative presentation reflects significant changes to the presentation of the financial account to adopt the classification by functional category discussed earlier. Transactions are classified according to functional category and then according to the type of instrument. Investment income is classified by functional category as well.

Direct investment is presented on an asset/liability basis rather than on a directional basis to the extent possible, given the data that are available. As described above, BEA's current data collection system for direct investment does not collect reverse equity investment nor equity and debt investment between fellow enterprises according to the definitions in BPM6; therefore, the asset/liability basis of presentation can only be approximated. BEA does collect information on reverse intercompany debt investment, which allows this type of investment to be shown in the new presentation on a full asset/liability basis. Therefore, instead of netting U.S. parents' liabilities to their foreign affiliates against their claims on these affiliates, as is done currently, the former are recorded in the prototype tables as liabilities and the latter as assets. Similarly, U.S. affiliates' intercompany claims on their foreign parent groups are recorded as assets, and their liabilities to their foreign parent groups are recorded as liabilities. Corresponding adjustments are made to the interest income on direct investment in the current account.

While these changes go a long way in moving BEA towards the BPM6-recommended presentation, some accounts will require additional methodological work or more detailed source data to fully implement BPM6 definitions and concepts. For some accounts, the required source data are not currently available, or transactions are included in existing accounts but are not separately identifiable. These are denoted "n.a." (not available) and include items such as goods for processing and insurance technical reserves, pension entitlements, and standardized guarantee schemes in the financial account.

Other items are shown in the alternative presentation using current statistics based on BPM5 definitions when it was not possible to adjust the accounts to match the BPM6 definitions with current data. These items are discussed in more detail below.

Insurance services. Although BPM6 introduces a category called "insurance and pension services," only the currently published category "insurance services" is shown in the new presentation at this time. The name change is not reflected in the new presentation because pension services are not separately measured in the international accounts. Explicit service charges associated with pensions are currently included indistinguishably in financial services. BPM6 also calls for identification of implicitly charged pension services. Research will be required to determine whether source data and a methodology can be developed that would provide a basis for estimating such charges separately from the pension flows in which they are now embodied.

Royalty and license fees. The new presentation also maintains the current services category "royalties and license fees." BPM6 introduces a category called "charges for the use of intellectual property, n.i.e" (not included elsewhere). As discussed earlier, BEA's source data currently commingle transactions for the use and sale of intellectual property within royalties and license fees. Changes in data collection likely will be necessary

18. Exceptions may arise in a few highly specialized types of transactions. However, these are likely to be manifested only rarely in published totals. For example, merchanting transactions (goods bought and resold abroad by U.S. residents without the goods ever physically entering or leaving the United States) may in certain circumstances result in negative entries under exports.

19. Current transfers include government grants and institutional and personal remittances.

to provide a basis for separating these transactions into categories for the "use" and the "sale" of intellectual property.

Merchanting. According to the new standards, goods under merchanting are to be shown as net exports in the goods account. The gross flows associated with merchanting should also be reported. BEA currently collects only net receipts for merchanting and classifies these receipts in "other" private services. This amount has been moved to the goods account in the alternative presentation; however, information on the gross flows of the underlying goods is not currently available.

Employee stock options. BPM6 introduces employee stock options (ESOs) in the financial account. The granting and exercising of ESOs should be included with financial derivatives in a functional category referred to as "financial derivatives (other than reserves) and employee stock options." The corresponding offset should be recorded in the current account as compensation of employees. These changes are not reflected in the new presentation, because currently, no source data or methodologies are available for cross-border ESOs. More research is needed to identify new data sources or develop new estimation methodologies.

Loans. These are defined by BPM6 as extensions of credit that are not negotiable and are not considered debt securities. In the prototype financial account, loans are shown as a category under other investment. For these prototype tables, estimates of "loans" include two main items: (1) transactions for repurchase agreements (which are classified as loans according to BPM6) and (2) a portion of transactions currently included in "other claims" and "other liabilities." The amounts in "other claims" and "other liabilities" not classified as loans are included in the line items "other accounts receivable" and "other accounts payable" in the prototype table 1. BEA is looking into better estimation procedures or possible new data collection to improve these estimates.

Feedback on Proposed Changes

BEA plans to communicate with its major customers as part of its efforts to ensure that the changes being considered are well understood before they are implemented and to obtain feedback that could help improve the overall process and the ultimate results. As a step in that direction, BEA plans to maintain proposed alternative presentations for both its standard and supplemental tables as a work-in-progress on the BEA Web site. We also plan to provide periodic progress reports that will describe updates to our plans and other developments. BEA encourages its customers to look closely at the proposed changes and to provide comments and suggestions to help guide its efforts. Comments can be directed to internationalaccounts@bea.gov.

Prototype tables

Prototype tables for the alternative presentation including illustrative estimates are presented in table A and table 1. These illustrative estimates, while largely based on published statistics, are intended to give users a preliminary indication of the magnitude of the changes to the accounts and should not be viewed as official statistics from the international accounts.

The prototype table A retains the same focus on transactions at a high level of aggregation, but the emphasis shifts from the components of gross flows for exports, imports, income, and financial transactions to balances and other net flows. For example, in the current table A, the top line provides statistics for exports of goods and services and income receipts; in contrast, the prototype table A features the current-account balance on the top line. Balances on goods, services, primary income, and secondary income are highlighted, with the corresponding gross flows shown directly below the balances. In the current table A, these balances are presented in memoranda at the bottom of the table. In addition, the prototype table A shows the gross flows (receipts and payments) underlying the balance on secondary income (current transfers), whereas in the current presentation, only net unilateral current transfers are shown. The financial account features net flows (acquisition of assets less incurrence of liabilities) by functional category. Transactions in assets and liabilities are shown directly below the net flows except in the case of financial derivatives and reserve assets. Financial derivatives continue to be shown on a net basis because of the absence of gross flows in the source data. The functional category reserve assets is where the official reserve assets of the United States are recorded; however, any reserve-related liabilities are commingled with all liabilities under the other functional categories. Following BPM6 terminology, "net errors and omissions" replaces the "statistical discrepancy."

In the prototype table 1, the structure of the current account is similar to that of the current table 1, but several differences are noteworthy. The major aggregate under the current account includes exports (imports) of goods and services and receipts (payments) of both primary and secondary income. In BEA's current standard presentation, secondary income, which is called current transfers, is shown as a separate component of the current account. In addition, exports and imports of goods on a balance of payments basis are shown in the prototype table 1 with detail for the major end-use categories. In the current presentation, this breakdown is only provided in the supplemental table 2. Additional services detail and other items are provided in order to conform more closely to BPM6-recommended standard components. Some of this detail recognizes new treatments in BPM6, such as "manufacturing services on physical inputs owned by others" (goods for processing). Other services categories have names similar to those in the current presentation but reflect new content based on the classifications recommended in BPM6. For example, travel in table 1 reflects the BPM6 definition of travel, which includes receipts from education and medical services provided to nonresidents while in the host economy and payments abroad for those services acquired by residents while in a foreign country. These services were previously classified elsewhere.

The capital and financial accounts are also presented differently in the prototype tables. Gross flows are now shown in the capital account, which previously showed only net flows. The financial account is significantly affected by the new presentation. Assets and liabilities are classified according to functional category and then by type of financial instrument. "Net financial flows" is also introduced in the prototype table 1. "Net acquisition of financial assets" replaces "U.S.-owned assets abroad," and "net incurrence of liabilities" replaces "foreign-owned assets in the United States." Both aggregates exclude financial derivatives, which continue to be shown on a net basis in the balance of payments as a separate functional category.

Table A. U.S. International Transactions (Prototype)

[Billions of dollars]

Line		2006	2007	2008
1	**Current-account balance**	**–803.5**	**–726.6**	**–706.1**
2	Exports of goods and services and income receipts	2,207.5	2,535.1	2,666.8
3	Imports of goods and services and income payments	3,011.0	3,261.6	3,372.9
4	**Goods and services balance**	**–760.4**	**–701.4**	**–695.9**
5	Exports	1,451.7	1,643.2	1,826.6
6	Imports	2,212.0	2,344.6	2,522.5
7	**Goods balance**	**–837.9**	**–820.6**	**–833.2**
8	Exports	1,040.2	1,164.5	1,307.4
9	Imports	1,878.1	1,985.1	2,140.6
10	**Services balance**	**77.5**	**119.1**	**137.2**
11	Exports	411.5	478.6	519.2
12	Imports	334.0	359.5	381.9
13	**Primary income balance**	**48.1**	**90.8**	**118.2**
14	Receipts	690.6	829.5	774.9
15	Payments	642.6	738.6	656.7
16	**Secondary income (transfers) balance**	**–91.3**	**–116.0**	**–128.4**
17	Receipts	65.1	62.4	65.3
18	Payments	156.4	178.4	193.7
19	**Capital-account balance**	**–1.8**	**0.4**	**3.6**
20	Credits	0.0	0.5	3.8
21	Debits	1.8	0.1	0.2
22	**Financial account, net**	**–809.2**	**–663.6**	**–505.1**
23	**Financial derivatives, net**	**–29.7**	**–6.2**	**28.9**
24	**Financial account, net, excluding financial derivatives**	**–779.4**	**–657.3**	**–534.0**
25	Assets	1,336.9	1,586.0	13.6
26	Liabilities	2,116.3	2,243.4	547.6
27	**Direct investment, net**	**1.8**	**122.8**	**12.3**
28	Assets	296.1	512.5	345.5
29	Liabilities	294.3	389.7	333.3
30	**Portfolio investment, net**	**–627.8**	**–758.7**	**–645.1**
31	Assets	498.9	396.0	–117.4
32	Liabilities	1,126.7	1,154.7	527.7
33	**Other investment, net**	**–151.0**	**–21.6**	**94.0**
34	Assets	544.3	677.4	–219.4
35	Liabilities	695.3	699.0	–313.4
36	**Reserve assets**	**–2.4**	**0.1**	**4.8**
37	**Net errors and omissions** [1]	**–3.8**	**62.6**	**197.4**

1. Net financial account less the sum of the current-account and capital-account balances (line 22 – line 1 – line 19).

Acknowledgments

BEA's International Economic Accounts Modernization and Enhancement Steering Committee made significant contributions to this article. Steering committee members include Obie G. Whichard, Associate Director for International Economics, Robert E. Yuskavage, Chief of the Balance of Payments Division (BPD), David H. Galler, Chief of the Direct Investment Division, Ned A. Howenstine (chair), Assistant BPD Chief for Research and Analysis, Paul W. Farello, Assistant BPD Chief for Goods and Services Trade, Christopher A. Gohrband, Chief of BPD's Private Capital Branch, and Kristy L. Howell, Special Assistant to the Associate Director. Other BPD staff who contributed to the article include Lori K. Chang, Anne E. Flatness, and Douglas B. Weinberg.

Table B compares the current and proposed structures for the financial account, using statistics for 2007. The left panel shows the financial account according to the current financial-account structure, which classifies transactions in U.S.-owned assets abroad first by U.S. sector (official, government, or private) and then according to instrument or reporter-type, and transactions in foreign-owned assets in the United States according to the sector of the foreign counterparty (official or private foreigners) and then by instrument or reporter-type. The new structure for the financial account (right panel) arranges asset and liability transactions first according to the functional category and then according to instrument, with additional detail on original maturity for debt securities.

Statistical impacts

The statistical impacts of changes to selected series that are known at this time are shown in table C. The largest impact on the current account results from recording secondary income (transfer) receipts and payments on a gross basis. Both receipts and payments increase

Table B. Current and Proposed BPM6-Based Structures for the Financial Account, 2007

Line[1]	Current structure by U.S. sector	Billions of dollars	Share of assets	Line[2]	Proposed BPM6-based structure by functional category	Billions of dollars	Share of assets
40	**U.S.-owned assets abroad, excluding financial derivatives**	**1,472.1**	**100.0**	73	**Net acquisition of financial assets, excluding financial derivatives**	**1,586.0**	**100.0**
41	U.S. official reserve assets	0.1	0.0	93	Reserve assets	0.1	0.0
42	Gold	0.0	0.0	94	Monetary gold	0.0	0.0
43	Special drawing rights	0.2	0.0	95	Special drawing rights	0.2	0.0
44	Reserve position in the International Monetary Fund	–1.0	–0.1	96	Reserve position in the International Monetary Fund	–1.0	–0.1
45	Foreign currencies	1.0	0.1	97	Other reserve assets	1.0	0.1
46	U.S. government assets, other than official reserve assets	22.3	1.5	74	Direct investment	512.5	32.3
47	U.S. credits and other long-term assets	2.5	0.2	75	Equity and investment fund shares	413.9	26.1
48	Repayments of U.S. credits and other long-term assets	–4.1	–0.3	76	Equity other than reinvestment of earnings	174.9	11.0
49	U.S. foreign currency holdings and other short-term assets	23.9	1.6	77	Reinvestment of earnings	239.0	15.1
50	U.S. private assets	1,449.7	98.5	78	Debt instruments	98.6	6.2
51	Direct investment (outward)	398.6	27.1	79	U.S. parents' claims on foreign affiliates	23.3	1.5
52	Foreign securities	366.5	24.9	80	U.S. affiliates' claims on foreign parent groups	75.3	4.7
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	40.5	2.8	81	Portfolio investment	396.0	25.0
54	U.S. claims reported by U.S. banks and securities brokers	644.1	43.8	82	Equity and investment fund shares	147.8	9.3
				83	Debt securities	248.2	15.7
				84	Short term	29.5	1.9
				85	Long term	218.7	13.8
				86	Other investment	677.4	42.7
				88	Currency and deposits	356.9	22.5
				89	Loans	408.6	25.8
				91	Trade credits and advances	8.7	0.5
				92	Other accounts receivable	–96.9	–6.1
Line[1]	Current structure by foreign counterparty	Billions of dollars	Share of liabilities	Line[2]	Proposed BPM6-based structure by functional category	Billions of dollars	Share of liabilities
55	**Foreign-owned assets in the United States, excluding financial derivatives**	**2,129.5**	**100.0**	102	**Net incurrence of liabilities, excluding financial derivatives**	**2,243.4**	**100.0**
56	Foreign official assets in the United States	480.9	22.6	103	Direct investment	389.7	17.4
57	U.S. government securities	269.9	12.7	104	Equity and investment fund shares	204.8	9.1
58	U.S. Treasury securities	98.4	4.6	105	Equity other than reinvestment of earnings	155.4	6.9
59	Other	171.5	8.1	106	Reinvestment of earnings	49.4	2.2
60	Other U.S. government liabilities	5.3	0.3	107	Debt instruments	184.9	8.2
61	U.S. liabilities reported by U.S. banks and securities brokers	109.0	5.1	108	U.S. affiliates' liabilities to foreign parent groups	146.3	6.5
62	Other foreign official assets	96.7	4.5	109	U.S. parents' liabilities to foreign affiliates	38.6	1.7
63	Other foreign assets in the United States	1,648.5	77.4	110	Portfolio investment	1,154.7	51.5
64	Direct investment (inward)	275.8	12.9	111	Equity and investment fund shares	275.6	12.3
65	U.S. Treasury securities	66.8	3.1	112	Debt securities	879.1	39.2
66	U.S. securities other than U.S. Treasury securities	605.7	28.4	113	Short term	165.0	7.4
67	U.S. currency	–10.7	–0.5	114	Long term	714.0	31.8
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	201.7	9.5	115	Other investment	699.0	31.2
69	U.S. liabilities reported by U.S. banks and securities brokers	509.3	23.9	117	Currency and deposits	231.6	10.3
				118	Loans	241.9	10.8
				120	Trade credits and advances	2.0	0.1
				121	Other accounts payable	223.5	10.0
				122	Special drawing rights	0.0	0.0
Line[1]		Billions of dollars	Share	Line[2]		Billions of dollars	Share
70	**Financial derivatives, net**	**–6.2**	**n.a.**	123	**Financial derivatives, net**	**–6.2**	**n.a.**

n.a. Not applicable
BPM6 *Balance of Payments and International Investment Position Manual,* 6th ed. (Washington, DC: International Monetary Fund, 2009).
1. The line numbers are from the current "Table 1. U.S. International Transactions," but the data for 2007 are presented on the new basis, without the uniform use of negative signs to indicate debits.
2. The line numbers are from the prototype table 1.

$43.5 billion. There is also a large impact on current-account components due to reclassifying a number of transactions from services to goods. These changes increase goods exports by $30.4 billion in 2008 and decrease services exports by the same amount. The changes increase goods imports by $23.4 billion in 2008 and decrease services imports by the same amount. While the current-account balance is unchanged, the deficit on goods is reduced by $7.1 billion, and the surplus on services is reduced by the same amount.

Moving towards an asset/liability basis for direct investment affects gross direct investment assets and liabilities but has no impact on net direct investment. In 2008, gross direct investment asset and liability transactions are each $13.5 billion more than transactions recorded on a directional basis. Receipts and payments of income on direct investment are affected in the same way, with both total receipts and total payments of primary income increasing by $10.3 billion.

The removal of migrants' transfers from the capital account lowers both capital-account credits and debits, resulting in a $2.6 billion increase in the capital-account surplus in 2008. This change also reduces net errors and omissions by the same amount.

The statistical impact of other major changes, such as goods for processing and FISIM, cannot be determined at this time; therefore, these changes are not reflected in table C.

Table C. Summary of Changes to Selected Series in the ITAs, 2008

[Billions of dollars]

	Current basis	BPM6 basis	Difference
Current account			
Exports of goods and services and income receipts [1]	2,613.0	2,666.8	53.8
Exports of goods and services	1,826.6	1,826.6	0.0
Goods, balance of payments basis	1,277.0	1,307.4	30.4
Services	549.6	519.2	–30.4
Receipts of primary income [2]	764.6	774.9	10.3
Receipts of secondary income (transfers) [3]	21.8	65.3	43.5
Imports of goods and services and income payments [1]	3,319.1	3,372.9	53.8
Imports of goods and services	2,522.5	2,522.5	0.0
Goods, balance of payments basis	2,117.2	2,140.6	23.4
Services	405.3	381.9	–23.4
Payments of primary income [2]	646.4	656.7	10.3
Payments of secondary income (transfers) [3]	150.2	193.7	43.5
Capital account			
Credits [4]	5.0	3.8	–1.2
Debits [4]	4.0	0.2	–3.9
Financial account			
Financial derivatives, net	28.9	28.9	0.0
Financial account, net, excluding financial derivatives	–534.0	–534.0	0.0
Acquisition of assets	0.1	13.6	13.5
Incurrence of liabilities	534.1	547.6	13.5
Direct investment, net	12.3	12.3	0.0
Acquisition of assets [2]	332.0	345.5	13.5
Incurrence of liabilities [2]	319.7	333.3	13.5
Net errors and omissions	200.1	197.4	–2.6
Balances:			
Current account	–706.1	–706.1	0.0
Goods and services	–695.9	–695.9	0.0
Goods	–840.3	–833.2	7.1
Services	144.3	137.2	–7.1
Primary income	118.2	118.2	0.0
Secondary income (transfers)	–128.4	–128.4	0.0
Capital account	1.0	3.6	2.6
Net financial flows	–505.1	–505.1	0.0

BPM6 *Balance of Payments and International Investment Position Manual,* 6th ed.
ITAs International transactions accounts

NOTE. These estimates are intended to give users a preliminary indication of the magnitude of changes to selected series. This table uses the signage conventions described in this article.

1. These aggregates include both primary and secondary income (current transfers). The amount shown on the current basis is the summation of exports or imports of goods and services and income receipts or payments and gross unilateral transfer receipts or payments (not currently published separately).

2. Direct investment flows on the BPM6 basis in the financial account are on the asset/liability basis. The current basis flows are on the directional basis, where the changes in the U.S. entity's liabilities are netted against the changes in its assets. The difference between the current basis and BPM6 basis is due to the grossing up of these asset and liability transactions. BPM6-basis primary income receipts and payments differ from the current basis for the same reason.

3. Secondary income (current transfers) flows are currently published on a net basis. The gross transactions on the current basis represent underlying detail that is not currently published separately in the standard accounts. Although receipts and payments are shown on the current basis, some underlying transfers related to insurance are netted against one another according to the current methodology. On the BPM6 basis, these insurance-related transfers have been recorded on a gross basis. The difference between the current basis and BPM6 basis is due to the grossing up of these insurance-related transfers.

4. Capital-account transactions are currently published on a net basis. The gross transactions on the current basis represent underlying detail that is not currently published separately in the standard accounts.

Supplemental tables

Supplemental tables that will provide additional information on each main component of table 1 are also being developed. These tables will be presented in a future article in the SURVEY OF CURRENT BUSINESS. Additional detail on goods by end-use category, on services by type of service, and on financial assets and liabilities by sector will be considered for inclusion in the supplemental tables. A table with geographic detail (similar to the current table 12) will also be developed.

Additional detail that is not specifically recommended in BPM6, but that is of interest to BEA's customers will also be included in supplemental tables. Certain series that are discontinued in the new table 1, for example, may be maintained in supplemental tables to meet user needs and to provide continuity between the current presentation and the new presentation.

Table 1. U.S. International Transactions (Prototype)

[Billions of dollars]

Line		2006	2007	2008
	Current account			
1	**Exports of goods and services and income receipts**	**2,207.5**	**2,535.1**	**2,666.8**
2	Exports of goods and services	1,451.7	1,643.2	1,826.6
3	Goods, balance of payments basis	1,040.2	1,164.5	1,307.4
4	General merchandise	1,028.6	1,147.0	1,283.6
5	Foods, feeds, and beverages	66.0	84.3	108.3
6	Industrial supplies and materials	280.6	316.8	387.3
7	Capital goods	404.0	433.0	457.7
8	Automotive vehicles, parts, and engines	107.3	121.3	121.5
9	Consumer goods	129.1	146.0	161.3
10	Other goods	41.6	45.7	47.5
11	Net exports of goods under merchanting	2.8	4.3	5.2
12	Nonmonetary gold	8.8	13.3	18.7
13	Services	411.5	478.6	519.2
14	Manufacturing services on physical inputs owned by others	n.a.	n.a.	n.a.
15	Maintenance and repair services, n.i.e.	3.7	4.1	4.0
16	Transport	54.9	63.4	72.5
17	Travel	107.3	120.2	135.4
18	Construction	0.7	1.0	1.7
19	Insurance services	9.4	10.2	10.8
20	Financial services	47.9	61.4	60.2
21	Royalties and license fees	70.7	83.8	91.6
22	Telecommunications, computer, and information services	17.2	19.7	21.8
23	Other business services	65.1	76.7	85.4
24	Personal, cultural, and recreational services	14.7	16.5	16.0
25	Government goods and services, n.i.e.	19.8	21.7	19.9
26	Primary income receipts	690.6	829.5	774.9
27	Compensation of employees	2.9	3.0	3.0
28	Investment income	687.8	826.5	771.9
29	Direct investment	333.2	373.8	381.0
30	Portfolio investment	165.7	221.5	251.2
31	Other investment	188.1	230.2	138.4
32	Reserve assets	0.7	1.0	1.3
33	Other primary income	n.a.	n.a.	n.a.
34	Secondary income (transfer) receipts	65.1	62.4	65.3
35	**Imports of goods and services and income payments**	**3,011.0**	**3,261.6**	**3,372.9**
36	Imports of goods and services	2,212.0	2,344.6	2,522.5
37	Goods, balance of payments basis	1,878.1	1,985.1	2,140.6
38	General merchandise	1,872.4	1,976.3	2,128.2
39	Foods, feeds, and beverages	74.9	81.7	89.0
40	Industrial supplies and materials	611.9	646.2	797.3
41	Capital goods	420.0	446.0	455.2
42	Automotive vehicles, parts, and engines	256.6	259.2	233.8
43	Consumer goods	446.1	478.2	484.7
44	Other goods	62.9	64.9	68.2
45	Nonmonetary gold	5.6	8.8	12.5
46	Services	334.0	359.5	381.9
47	Manufacturing services on physical inputs owned by others	n.a.	n.a.	n.a.
48	Maintenance and repair services, n.i.e.	(*)	(*)	(*)
49	Transport	81.3	84.5	89.4
50	Travel	78.4	83.0	86.8
51	Construction	0.5	0.6	0.8
52	Insurance services	37.0	41.7	42.9
53	Financial services	14.7	19.8	19.1
54	Royalties and license fees	23.5	24.7	26.6
55	Telecommunications, computer, and information services	19.8	21.9	23.3
56	Other business services	45.2	49.1	57.4
57	Personal, cultural, and recreational services	2.8	2.8	3.2
58	Government goods and services, n.i.e.	30.7	31.5	32.2
59	Primary income payments	642.6	738.6	656.7
60	Compensation of employees	9.5	10.1	10.4
61	Investment income	633.1	728.6	646.3
62	Direct investment	159.2	137.1	131.1
63	Portfolio investment	304.5	381.5	399.6
64	Other investment	169.4	210.0	115.6
65	Other primary income	n.a.	n.a.	n.a.
66	Secondary income (transfer) payments	156.4	178.4	193.7

Line		2006	2007	2008
	Capital account			
67	**Credits**	**0.0**	**0.5**	**3.8**
68	Gross acquisitions of nonproduced nonfinancial assets	0.0	0.5	0.0
69	Capital transfers	0.0	0.0	3.8
70	**Debits**	**1.8**	**0.1**	**0.2**
71	Gross disposals of nonproduced nonfinancial assets	0.1	0.0	0.0
72	Capital transfers	1.7	0.1	0.2
	Financial account			
73	**Net acquisition of financial assets, excluding financial derivatives**	**1,336.9**	**1,586.0**	**13.6**
74	Direct investment	296.1	512.5	345.5
75	Equity and investment fund shares	266.3	413.9	341.8
76	Equity other than reinvestment of earnings	49.0	174.9	90.2
77	Reinvestment of earnings	217.3	239.0	251.5
78	Debt instruments	29.7	98.6	3.8
79	U.S. parents' claims on foreign affiliates	11.7	23.3	1.5
80	U.S. affiliates' claims on their foreign parent groups	18.0	75.3	2.3
81	Portfolio investment	498.9	396.0	–117.4
82	Equity and investment fund shares	137.3	147.8	1.3
83	Debt securities	361.6	248.2	–118.7
84	Short term	133.8	29.5	–56.6
85	Long term	227.8	218.7	–62.1
86	Other investment	544.3	677.4	–219.4
87	Other equity	n.a.	n.a.	n.a.
88	Currency and deposits	276.3	356.9	264.3
89	Loans	152.1	408.6	–440.8
90	Insurance, pension, and standardized guarantee schemes	n.a.	n.a.	n.a.
91	Trade credits and advances	3.3	8.7	–6.7
92	Other accounts receivable	112.6	–96.9	–36.1
93	Reserve assets	–2.4	0.1	4.8
94	Monetary gold	0.0	0.0	0.0
95	Special drawing rights	0.2	0.2	0.1
96	Reserve position in the International Monetary Fund	–3.3	–1.0	3.5
97	Other reserve assets	0.7	1.0	1.3
98	Currency and deposits	0.3	0.5	0.6
99	Securities	0.3	0.3	0.4
100	Financial derivatives	0.0	0.0	0.0
101	Other claims	0.1	0.2	0.2
102	**Net incurrence of liabilities, excluding financial derivatives**	**2,116.3**	**2,243.4**	**547.6**
103	Direct investment	294.3	389.7	333.3
104	Equity and investment fund shares	184.1	204.8	304.8
105	Equity other than reinvestment of earnings	115.0	155.4	250.2
106	Reinvestment of earnings	69.1	49.4	54.6
107	Debt instruments	110.1	184.9	28.5
108	U.S. affiliates' liabilities to their foreign parent groups	77.1	146.3	17.3
109	U.S. parents' liabilities to their foreign affiliates	33.1	38.6	11.2
110	Portfolio investment	1,126.7	1,154.7	527.7
111	Equity and investment fund shares	145.5	275.6	110.4
112	Debt securities	981.3	879.1	417.2
113	Short term	27.6	165.0	282.0
114	Long term	953.7	714.0	135.3
115	Other investment	695.3	699.0	–313.4
116	Other equity	n.a.	n.a.	n.a.
117	Currency and deposits	261.7	231.6	184.3
118	Loans	186.0	241.9	–464.7
119	Insurance, pension, and standardized guarantee schemes	n.a.	n.a.	n.a.
120	Trade credits and advances	2.5	2.0	–7.6
121	Other accounts payable	245.1	223.5	–25.3
122	Special drawing rights	0.0	0.0	0.0
123	**Financial derivatives, net**	**–29.7**	**–6.2**	**28.9**
124	**Net errors and omissions** [1]	**–3.8**	**62.6**	**197.4**
	Balances:			
125	Current account	–803.5	–726.6	–706.1
126	Goods and services	–760.4	–701.4	–695.9
127	Goods	–837.9	–820.6	–833.2
128	Services	77.5	119.1	137.2
129	Primary income	48.1	90.8	118.2
130	Secondary income	–91.3	–116.0	–128.4
131	Capital account	–1.8	0.4	3.6
132	Net financial flows [2]	–809.2	–663.6	–505.1

(*) Transactions are less than $50,000,000 (±).
n.a. Transactions are possible, but data are not available.
n.i.e. Not included elsewhere
1. Net financial flows less the sum of the current-account and capital-account balances (line 132 – line 125 – line 131).
2. Net acquisition of financial assets less net incurrence of liabilities plus financial derivatives (line 73 – line 102 + line 123).