

Preview of the 2015 Annual Revision of the International Economic Accounts

Changes in Classification and New Source Data

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IN JUNE, the Bureau of Economic Analysis (BEA) will release the results of the 2015 annual revisions of the U.S. international transactions accounts (ITAs) and the U.S. international investment position (IIP) accounts. As part of annual revisions, statistics are revised to incorporate newly available and revised source data, changes in definitions and classifications, and changes in estimation methods. In addition, seasonally adjusted statistics are revised to reflect recalculated seasonal and trading day adjustments.

As part of the 2014 annual revisions, BEA introduced significant changes to the table presentations for the international accounts as a result of the comprehensive restructuring of the accounts.¹ This restructuring improved the quality and usefulness of the accounts and brought BEA's statistics into closer alignment with new international statistical guidelines for compiling statistics on the balance of payments accounts and on the IIP accounts, primarily the guidelines in the International Monetary Fund's *Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6)*.² Before the comprehensive restructuring, BEA had incorporated several changes in definitions and classifications as part of a multiyear process to implement many of the *BPM6* recommendations.

Like previous annual revisions, this year's annual revisions will incorporate newly available and revised source data for the preceding 3 years and for additional years for selected series.³ In addition to these standard

revisions, this year's annual revisions will incorporate a change in classification, a new data source, and the publication of two related data series that are not shown in the standard table presentations of the ITAs and IIP accounts. As a result of these changes, the international economic account statistics will be more accurate and will be in further alignment with the international statistical guidelines. An overview of the upcoming changes to the current account and to the financial account of the ITAs and to the IIP accounts is presented below.

Current Account

This section describes the changes that will be introduced in the current account of the ITAs, which includes statistics on trade in goods and services, primary income (investment income and employee compensation), and secondary income (current transfers).

Reclassify repair services related to the U.S. Foreign Military Sales (FMS) program. Repairs related to FMS—including upgrades to aircraft and other military equipment—are currently included in ITA “Table 3.1 U.S. International Trade in Services” in the services exports category “government goods and services n.i.e.” (not included elsewhere) (line 43). The *BPM6* recommends that services supplied by and to governments be classified to a specific services category where possible. Therefore, to align with *BPM6* recommendations, FMS repairs transactions will be reclassified from “government goods and services n.i.e.” to “maintenance and repair services n.i.e.” (line 2), beginning with statistics for 1999.

Improve the measurement of cross-border institutional remittances. Cross-border institutional remittances or charitable donations by U.S. private institutions are included in ITA “Table 5.1. U.S. International

1. For more information, see Jeffrey R. Bogen, Mai-Chi Hoang, Kristy L. Howell, and Erin M. Whitaker, “Comprehensive Restructuring of the International Economic Accounts,” *SURVEY OF CURRENT BUSINESS* 94 (July 2014).

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

3. For information on BEA's revision policy and on data sources and estimation methodologies, see *U.S. Economic Accounts: Concepts and Methods* on BEA's Web site.

Transactions in Secondary Income” in “other current transfers” (line 10). Currently, BEA’s statistics on these charitable donations are based primarily on data from the voluntary BEA Survey of Institutional Remittances to Foreign Countries (BE–40). This survey collects information from U.S. religious, charitable, educational, scientific, and similar organizations on their transfers to foreign residents and organizations and their expenditures in foreign countries. Data from this survey are supplemented by data from the U.S. Agency for International Development (USAID) *Report of Voluntary Agencies Engaged in Overseas Relief and Development* and data from the Foundation Center, a leading authority on philanthropy. Because of the voluntary nature of BEA’s survey, the response rate has been low in recent years, raising a concern about the quality of the statistics based on the BE–40 survey data.

To address this concern, BEA searched for alternative data sources and worked with the Statistics of Income Division of the Internal Revenue Service (IRS) to obtain data on cross-border charitable donations reported on IRS Form 990. Form 990 is an annual return required to be filed by most organizations exempt from income tax under section 501(a) and by certain political organizations and nonexempt charitable trusts. Each year, more than 7,000 entities engaged in cross-border charitable donations complete Form 990. As a result, the IRS data are more comprehensive than BEA’s survey data.

Beginning with statistics for 2008, BEA will use the IRS data as the primary source for measuring cross-border charitable donations. These data will be supplemented by the USAID data and the Foundation Center data. BEA will continue to evaluate the quality and availability of the new data and will consider a possible phase out of the BE–40 survey in the future.

Financial Account and IIP Accounts

This section describes the changes that will be introduced in the financial account of the ITAs and in the IIP accounts. These accounts include transactions and

investment positions between U.S. residents and non-residents in direct investment, portfolio investment, other investment, reserves, and financial derivatives.

Introduce a supplemental table presenting U.S. government capital subscriptions in, or contributions to, international organizations other than the International Monetary Fund (IMF). Currently, in BEA’s standard table presentations, these capital subscriptions or contributions are classified as loans.⁴ Financial account transactions in U.S. government loans (assets) are included in ITA “Table 8.1. U.S. International Financial Transactions for Other Investment” in “loans” (line 7) under the net acquisition of other investment assets and in “long-term general government loans” (line 58). U.S. government loans (assets) in the IIP accounts are included in IIP “Table 1.2. U.S. Net International Investment Position at the End of the Period, Expanded Detail” in “loans” (line 23).

The *BPM6* recommends that these U.S. government assets be classified as other equity. Other equity is defined as equity that is not in the form of securities and that includes the government ownership of shares in international organizations. Loans and other equity are both components of the other investment functional category in the financial account and in the IIP accounts. Because other equity is not currently presented in BEA’s standard table presentations in the ITAs and in the IIP accounts, a supplemental table of the transactions and positions for capital subscriptions and contributions will be available on BEA’s Web site with the release of the 2015 annual revision. BEA will reclassify these transactions and positions from loans to other equity when it modifies the standard table presentations to include lines for other equity in a future annual revision.

4. Before the comprehensive restructuring of the ITAs, the transactions were published as “capital subscriptions and contributions to international financial institutions, excluding IMF”; see “Table 6. U.S. Government Transactions” under “Previous Standard Tables” on BEA’s Web site. In the IIP accounts, the related investment positions were never identified separately as a type of U.S. government asset.