

## Appendix

Section A13.1 of this appendix presents the method of measuring the balance of payments that all nations must use in reporting to the International Monetary Fund. This standardized reporting method is useful because it ensures consistency and permits international comparisons of the balance of payments of different nations. Section A13.2 then examines the case of the “missing surplus” or the fact that the sum of the current account balances for the world as a whole does not balance but instead shows a large and persistent deficit.

**TABLE 13.6.** *IMF Balance-of-Payments Summary Presentation: United States, Japan, Germany, United Kingdom, France, Italy, and Canada in 2004 (billions of U.S. dollars)<sup>a</sup>*

	United States	Japan	Germany	United Kingdom	France	Italy	Canada
A. Current Account	-668.1	172.1	103.8	-41.9	-4.3	-15.1	22.0
Goods: exports f.o.b	811.0	539.0	909.5	349.6	421.1	352.2	330.1
Goods: imports f.o.b	-1,473.0	-406.9	-719.6	-456.9	-429.1	-341.3	-279.4
<i>Balance on Goods</i>	-661.9	132.1	190.0	-107.3	-7.9	10.9	50.7
Services: credit	340.4	97.1	141.9	181.4	110.3	83.7	47.5
Services: debit	-296.1	-135.5	-193.1	-144.4	-97.5	-82.0	-57.3
<i>Balance on Goods and Services</i>	-617.6	94.2	138.7	-70.3	4.9	12.6	40.9
Income: credit	379.5	113.3	132.8	255.9	113.0	53.2	29.6
Income: debit	-349.1	-27.6	-132.6	-207.8	-100.9	-71.4	-48.7
<i>Balance on Goods, Services and Income</i>	-587.1	179.3	139.0	-22.3	16.9	-5.6	21.7
Current transfers: credit	17.9	6.9	13.4	23.5	26.0	21.9	5.6
Current Transfers: debit	-98.9	-14.8	-54.6	-43.1	-47.8	-31.4	-5.4
B. Capital Account	-1.7	-4.8	0.5	3.6	2.2	2.6	3.4
Capital account: credit	1.1	0.4	3.3	6.6	3.2	4.1	3.9
Capital account: debit	-2.8	-5.2	-2.8	-2.9	-1.0	-1.5	-0.6
<i>Total Groups A Plus B</i>	-669.7	167.3	104.3	-38.3	-2.7	-12.5	25.4
C. Financial Account	581.8	22.5	-138.5	22.2	5.5	8.2	-23.6
Direct investments abroad	-252.0	-31.0	-8.1	-80.2	-47.7	-19.1	-47.0
Direct investments in the nation	106.8	7.8	34.9	72.6	24.5	16.8	6.3
Portfolio investment assets	-102.4	-173.8	-139.7	-262.0	-176.3	-26.4	-14.4
Equity securities	-83.2	-31.5	-7.3	-102.4	-51.1	-16.2	-1.2
Debt securities	-19.2	-142.3	-132.4	-159.6	-125.2	-10.2	-13.2
Portfolio investment liabilities	762.7	196.7	166.4	171.0	119.0	58.6	42.5
Equity securities	61.9	98.3	.2	15.2	12.2	17.2	27.2
Debt securities	700.8	98.4	166.2	186.2	106.9	41.4	15.3
Financial derivatives	—	2.4	-5.4	-14.3	6.3	2.3	—
Financial derivatives assets	—	56.4	—	—	—	-6.7	—
Financial derivatives liabilities	—	-54.0	-5.4	-14.3	6.3	8.9	—
Other investment assets	-503.9	-48.0	-179.0	-585.3	-114.1	-47.6	-5.0
Monetary authorities	—	—	-4.3	—	11.4	-8.7	—
General government	1.2	3.9	2.3	-7	1.6	-5	-3

(continued)

TABLE 13.6. (continued)

	United States	Japan	Germany	United Kingdom	France	Italy	Canada
Banks	-356.1	3.2	-152.4	-399.8	-119.9	-28.3	-1.0
Other sectors	-149.0	-55.1	-24.9	-184.8	-7.1	-10.0	-3.7
Other investment liabilities	570.6	68.3	46.1	720.5	139.7	23.7	-6.0
Monetary authorities	52.8	—	-3.0	—	1.8	0.4	—
General government	1.4	1.0	-2.3	-.9	2.4	-.7	-.8
Banks	393.0	42.7	42.1	554.9	170.2	14.7	1.0
Other sectors	123.5	24.6	9.2	166.4	19.2	9.2	-4.0
Total, Groups A Through C	-87.9	189.8	-34.3	-16.0	2.8	-4.3	1.8
D. Net Errors and Omissions	85.1	-28.9	-32.5	16.4	1.3	1.5	-4.7
Total, Groups A Through D	-2.8	160.9	-1.8	.4	4.1	-2.8	-2.8
E. Reserves and Related Items	2.8	-160.9	1.8	-.4	-4.1	2.8	2.8
Reserve assets	2.8	-160.9	1.8	-.4	-4.1	2.8	2.8
Use of Fund credit and loans	—	—	—	—	—	—	—
Exceptional financing	—	—	—	—	—	—	—
Conversion rate per U.S. dollar	—	108.19	.8054	.54618	.8054	.8054	1.3010

\*Some totals do not add up because of rounding. Values for the United States differ slightly from those in Table 13-1 because of data revisions.

Source: International Monetary Fund, *Balance of Payments Statistics Yearbook* (Washington, D.C.: 2005).

### A13.1 The IMF Method of Reporting International Transactions

Table 13.6 summarizes the balance of payments of the United States, Japan, Germany, France, the United Kingdom, Italy, and Canada for the year 2004 in the standard form required by the International Monetary Fund.

From Section A in Table 13.6, we see that in 2004 the United States had a net debit balance in the current account equal to (-)\$668.1 billion, while Japan had a net current account *credit* balance of (+)\$172.1 billion. The current account balance was (+)\$103.8 billion for Germany, (-)41.9 billion for the United Kingdom, (-)\$4.3 billion for the France, (-)\$15.1 billion for Italy, and (+)\$22.0 billion for Canada.

Section B in Table 13.6 gives the capital account. This measures capital transfers and acquisition/disposal of nonproduced, nonfinancial assets. *Capital transfers* consists of those involving transfer of ownership of fixed assets and transfers of funds linked to the acquisition and disposal of fixed assets. *Acquisition/disposal of nonproduced, nonfinancial assets* covers intangibles such as patents, leases, and other transferable contracts. From Table 13.6, we see that the balances of capital accounts for all seven countries were very small in 2004.

Section C of Table 13.6 gives the financial account. This is roughly equivalent to the capital account discussed in the chapter. It measures direct investments (from and to the nation), portfolio investment assets and liabilities (equity securities and debt), and other investment assets and liabilities of monetary authorities, general government, banks, and other sectors. The traditional distinction between short-term and long-term capital is no longer made, except for other investments (where maturity, as in the case of foreign debt, is important). New money market and other financial instruments and derivatives are recorded in the portfolio component of this account. In 2004 the financial account had