

## Upcoming Changes in the Classification of Current and Capital Transactions in the U.S. International Accounts

BEGINNING WITH THE release of the U.S. international transactions accounts in June, the treatment of current-account and capital-account transactions in the U.S. accounts will be modified to bring them into closer alignment with international guidelines. The Bureau of Economic Analysis (BEA) is among those agencies in the United States and in other countries that have been both a strong supporter of, and a major contributor to, the development of the international guidelines recommended in the fifth edition of the International Monetary Fund's *Balance of Payments Manual*.<sup>1</sup> Many important changes in the international guidelines are patterned after the innovations and changes undertaken by BEA in the U.S. international transactions and direct investment accounts in recent years. BEA has already adopted many of the most important changes included in the *Manual*, and with this reclassification of certain current-account transactions, it is moving forward to eliminate one of the few remaining differences between the guidelines and the U.S. international accounts.

In the June revision of the U.S. international accounts, U.S. international transactions will be classified into three groups—the current account, the capital account, and the financial account; the transactions are presently classified into the current account and the capital account. The current account will be redefined by removing a small part of the present measure of unilateral transfers and including it in the new capital account.<sup>2</sup> The present capital account transactions will become the new financial account. Both the new and the present versions of the U.S. international transactions accounts are presented in [table 1](#).

The newly defined capital account consists of capital transfers and the acquisition and disposal of nonproduced nonfinancial assets. The major types of capital transfers are debt forgiveness and migrants' transfers (goods and financial assets accompanying migrants as they leave or enter the country). "Other" capital transfers includes the transfer of title to fixed assets and the transfer of funds linked to the sale or acquisition

of fixed assets, gift and inheritance taxes, death duties, uninsured damage to fixed assets, and legacies. The acquisition and disposal of nonproduced nonfinancial assets includes the sales and purchases of nonproduced assets, such as the rights to natural resources, and the sales and purchases of intangible assets, such as patents, copyrights, trademarks, franchises, and leases.

Though conceptually important, capital-account transactions are believed to be generally small in the U.S. accounts, and extensive source data have not been developed. However, they are important to other countries and may occasionally be significant for the U.S. accounts, especially in the case of debt forgiveness and the transfer of major U.S. Government assets. The new capital account will include estimates of U.S. Government debt forgiveness (which will be shown as an outflow) and a limited measure of immigrants' transfers (shown as an inflow).<sup>3</sup> Each of these types of transactions accounts for less than 0.1 percent of net capital outflows or inflows.<sup>4</sup> Estimates of "other" types of capital transfers have not been developed, because of the lack of source data. Capital transactions in nonproduced nonfinancial assets are believed to be small, but only partial information is available.<sup>5</sup> No details of the new capital account will be shown because the estimates are small and incomplete.

Some capital transactions will remain in the current account because they cannot be disentangled from other current-account transactions or because they are conceptually difficult to classify as either current or capital transactions. However, large transactions will be judged on a case-by-case basis and classified as capital transactions if they clearly fit the definition of capital transactions, such as U.S. Government transfers of air bases abroad.

The estimates of net current transfers and net capital transactions for the fourth quarter of 1998 will be posted on the BEA Web site <[www.bea.doc.gov](http://www.bea.doc.gov)> by the end of March 1999, and estimates for the first quarter of 1999 will be posted by the end of June 1999.

*Table 1 follows.* 

1. See John B. McLenaghan, "Standards for the Dissemination of Economic and Financial Statistics," in the October 1996 SURVEY OF CURRENT BUSINESS; Mr. McLenaghan was formerly the Director, Statistics Department, of the International Monetary Fund. See also "How U.S. Economic Statistics Comply With the New IMF Standards" in the October 1996 SURVEY.

2. Generally, capital transfers result in a change in the stock of assets of an economy, while current transfers affect the level of disposable income and influence the consumption of goods and services.

3. Both items were previously included in the current account.

4. BEA will be attempting to improve the coverage of migrants' transfers, but the source data are difficult to develop. However, even if the estimates were to be revised by several multiples of their present levels, they would remain a small item in the U.S. international accounts.

5. Data on purchases and sales of rights to natural resources are being collected by BEA and will be classified in the capital account when significant transactions are reported.

**Table 1.—U.S. International Transactions**

[Millions of dollars, quarters seasonally adjusted]

Line		1995	1996	1997	1998		
					I	II	III
<b>NEW VERSION</b>							
<b>Current account</b>							
1	Exports of goods, services, and income .....	999,491	1,063,971	1,179,380	299,061	292,483	287,751
2	Imports of goods, services, and income .....	-1,080,107	-1,158,309	-1,294,904	-336,316	-339,731	-338,966
3	Current unilateral transfers, net .....	-34,737	-41,099	-39,851	-9,564	-9,530	-10,153
4	<b>Balance on current account (lines 1, 2, and 3) .....</b>	<b>-115,353</b>	<b>-135,437</b>	<b>-155,375</b>	<b>-46,819</b>	<b>-56,778</b>	<b>-61,368</b>
<b>Capital and financial account</b>							
<b>Capital account</b>							
5	Capital account, net .....	99	522	160	84	88	69
<b>Financial account</b>							
6	U.S. assets abroad, net (increase/capital outflows (-)) .....	-327,453	-368,801	-478,502	-45,648	-109,787	-48,052
7	Foreign assets in the United States, net (increase/capital inflows (+)) .....	465,449	563,357	733,441	95,529	164,859	112,862
8	<b>Net capital and financial account flows (lines 5, 6, and 7) .....</b>	<b>138,095</b>	<b>195,078</b>	<b>255,099</b>	<b>49,965</b>	<b>55,160</b>	<b>64,879</b>
9	Allocations of special drawing rights .....						
10	Statistical discrepancy (sum of lines 4, 8, and 9 with sign reversed) .....	-22,742	-59,641	-99,724	-3,146	1,618	-3,511
<b>PRESENT VERSION</b>							
1	Exports of goods, services, and income .....	999,491	1,063,971	1,179,380	299,061	292,483	287,751
2	Imports of goods, services, and income .....	-1,080,107	-1,158,309	-1,294,904	-336,316	-339,731	-338,966
3	Unilateral transfers, net .....	-34,638	-40,577	-39,691	-9,480	-9,442	-10,084
4	<b>Balance on current account (lines 1, 2, and 3) .....</b>	<b>-115,254</b>	<b>-134,915</b>	<b>-155,215</b>	<b>-46,735</b>	<b>-56,690</b>	<b>-61,299</b>
5	U.S. assets abroad, net (increase/capital outflows (-)) .....	-327,453	-368,801	-478,502	-45,648	-109,787	-48,052
6	Foreign assets in the United States, net (increase/capital inflows (+)) .....	465,449	563,357	733,441	95,529	164,859	112,862
7	<b>Net capital flows (lines 5 and 6) .....</b>	<b>137,996</b>	<b>194,556</b>	<b>254,939</b>	<b>49,881</b>	<b>55,072</b>	<b>64,810</b>
8	Allocations of special drawing rights .....						
9	Statistical discrepancy (sum of lines 4, 7, and 8 with sign reversed) .....	-22,742	-59,641	-99,724	-3,146	1,618	-3,511