

Balance of Payments Methodology

I. General

The DNCI (Dirección Nacional de Cuentas Internacionales) is responsible for compiling Argentina's balance of payments statistics. These data are published quarterly in the *Economic Report (Informe Económico)* and in the *Quarterly Balance of Payments and Foreign Assets and Liabilities Estimates (Estimaciones trimestrales del balance de pagos y de activos y pasivos externos—DNCI)*. They are also available on the Internet (<http://www.mecon.gov.ar/cuentas/internacionales/>).

The methodology used to compile Argentina's balance of payments has been recently revised and updated to ensure its compliance with the guidelines established in the *BPM5* and to reflect the country's changing economic situation. The data revision process has required finding new sources of information and developing new estimation methodologies. Revised data were released in April 1999, together with the updated methodology ("Metodología de Estimación del Balance de Pagos," DNCI, April 1999) as well as the main changes included in the new data set ("Presentación de la Actualización Metodológica del Balance de Pagos," DNCI, April 1999). Data based on the revised methodology are available from 1992 onwards. All these documents are available on the Internet (same site quoted above).

Major data sources used for the balance of payments compilation depend on the sector that accounts for the transaction. General government and central bank transaction estimates are based mainly on information provided by the Treasury, the central bank, and the state governments (through surveys). Financial sector data are estimated mainly from the balance sheet information reported to the central bank. Other private sector transaction estimates are based mainly on customs data (for goods transactions) and on enterprises' information collected through their balance sheets or through surveys (for example, the debt survey, foreign direct investment survey, survey of services). Completing the main sources used for the estimates are additional sources like the survey of international tourism, migration authority's data, Security Central Depository Inc. and stock exchange data, and information available in other countries.

The *Quarterly Balance of Payments and Foreign Assets and Liabilities Estimates* pamphlet also includes estimates of external assets and liabilities of the resident sectors. Balance of payments data are compiled in U.S. dollars.

II. Specific Items: Balance of Payments

Current Account

Goods

The National Institute of Statistics and Census (Instituto Nacional de Estadística y Censos—INDEC) compiles statistics on foreign trade on the basis of customs documents. Imports and exports are recorded in the balance of payments in f.o.b. terms. In case those operations of exports or imports do not produce customs documents but have to be included in the statistics of foreign trade, auxiliary sources of information are employed.

Services

Transportation

INDEC compiles statistics on transportation.

Data on passenger fares, on-board services, and excess baggage charges are obtained from surveys of the sea, air, and road passenger transport companies operating in Argentina. Data include both the international operations of resident carriers (credit) and the domestic operations of nonresident carriers (debit). For road transport, the estimates are based on the number of international trips provided by the companies and on the cost of the tickets. They are also based on surveys conducted monthly of departing and incoming buses to ascertain information on the average occupancy rate of the vehicles and the percentage of resident and nonresident passengers.

The credit entries for freight services cover freight charges collected by resident transport companies for goods exported or transported between foreign ports. These data are obtained from a survey of resident shipping companies and airlines. The debit entries cover freight charges paid to nonresident companies for imported goods. The charges are calculated as the difference between the total freight for imports, as indicated by foreign trade statistics, and freight charges on imports collected by resident companies, obtained from the survey. For road transport, compilers assume that resident companies provide approximately 30-35 percent of freight on imports and exports, as shown in the trade statistics.

For sea transport, the credit entries for other transportation services are derived from a survey that covers the country's principal ports and various companies that provide services related to sea transport. For air transport, the data are derived from a survey of foreign airlines operating in Argentina. The debit entry for sea transport is derived from the survey of resident shipping companies. For air transport, the data are derived from the survey of resident airlines operating abroad. Data on other transports come from a survey of resident and nonresident bus companies.

Travel

This item is calculated on the basis of the estimated number of passengers entering and departing Argentina, the number of days they stay, and the estimated average expenditure per person. To improve the estimates for this account, the institute conducted surveys at main border crossings in 1996. (For more details, see *Estimación de la Cuenta Viajes del Balance de Pagos*—May 1999.)

Other services

Communications. The data for this item are based on a survey of telecommunications and postal service companies on their foreign operations. INDEC compiles the data.

Construction. This account covers work abroad by resident construction enterprises on construction and installation projects that are carried out in a year or less. The data are based on information from the builders' national register of public works (Registro Nacional

de Constructores de Obras Públicas) and on the exchange market reporting system since 2002.

Insurance. The data on insurance of imports are based on information from the statistics of foreign trade and from the rate of cost of the insurance service. The data on reinsurance come from the insurance enterprises supervisory agency (Superintendencia de Seguros de la Nación).

Financial. The entries cover commissions paid by the government, and commissions on securities issued by the private nonfinancial sector. The data on commissions paid by the government are obtained from operations reported by the Treasury Secretariat (Secretaría de Hacienda—MEYOSP) and the central bank. Data on commissions paid by the private nonfinancial sector are derived from a survey of securities issued and from information provided by the resident entity Caja de Valores.

Computer and information services. These data are based on a survey of companies that provide and receive database and other computer related services. INDEC compiles the data.

Royalties and license fees. There are two main sources of information: 1) a survey directed to associations of writers and music composers and 2) the balance sheets of companies that receive or pay royalties. A quarterly survey covers more than 150 companies, which account for more than 70 percent of the total. A bigger survey that covers more than 1.000 companies (99 percent of the total) is conducted yearly.

Other business. The merchandising and other trade-related services are based on data from the exchange market reporting system since 2002. The entries for operational leasing services are derived from information provided by various airline and sea transport companies. Other business service data are obtained from a survey.

Personal, cultural, and recreational. This account includes the transactions related to producing or distributing broadcasting programs, movies and television shows, and musical and theatrical shows. Data are collected through a quarterly survey of the main channels of air television and cable television of the country, film distributors, theater and musical associations, and the Argentine Society of Artists and Composers (Sociedad Argentina de Artistas y Compositores). Also, this account includes sports shows, museums, libraries, etc. Regarding sports activities, compilers derive data from a quarterly survey of sports associations that perform international transactions.

Government, n.i.e. Compilers base estimates of foreign expenditures in Argentina (credits) on the number of nonresidents working in foreign embassies and consulates in Argentina and their average expenditures. The latter are updated according to the evolution of the consumer price index in Argentina measured in U.S. dollars. The credit entries also include data provided by the Foreign Office (Ministerio de Relaciones Exteriores y Culto) on consular fees collected abroad. The debit entries cover expenditures abroad from the

government and other public agencies represented in foreign countries (as shown in their budgets).

Income

Compensation of employees

Employees' wages. The estimates include only domestic employees' wages. No information on border and seasonal workers is included. Credit information comes from the shipping companies survey. Also, the Foreign Office provides information every three years about domestic employees working in foreign diplomatic representations in the country. When this information is not available, expenditures are updated using the Argentine consumer price index adjusted by the exchange rate. Debit is derived from budgetary data about wages paid to nonresidents in public entities with representation abroad.

Investment income

Data are estimated on an accrual basis.

Direct investment. The credit and debit entries for the financial sector are derived from income and loss statements of banks. For other sectors, the credit entries include an average accrued income on real estate investment abroad and income on direct investment abroad by resident companies. The information is collected from the resident enterprises' balance sheets. The debit entries for the nonfinancial private sector are derived from balance sheet data provided on a quarterly basis by a sample of enterprises. The estimates are revised with the results of the annual survey of big enterprises compiled by INDEC. For insurance and pension fund companies, estimates are based on information compiled by their supervisory agencies.

Portfolio investment. Debt securities: For interest earned by the financial system, compilers estimate data from the financial system's consolidated balance sheet data on holdings of portfolio investments. The Treasury Secretariat provides information on interest earned by the nonfinancial public sector from assets invested abroad (mainly interest accrued on holdings of bonds held as guarantees for refinanced foreign debt obligations). The debit entry estimates for resident financial entities are based on balance sheet data. For the nonfinancial public sector, the data sources are the Treasury Secretariat and a survey of the foreign obligations of state governments. To estimate the nonresidents' share of interest payments on securities, compilers use the ratios and methodology employed to determine the residence of securities holders (see note to portfolio investment in the financial account). For the nonfinancial private sector, the debit entries include interest on bonds, negotiable notes, and commercial papers issued abroad and are based on the survey conducted to collect related data. *Equity securities:* The debit entries comprise income estimates based on distributed dividends data collected from the Stock Exchange. (For estimates of nonresident holdings of these securities, see the financial account.)

Other investment. The central bank reports interest earned by the resident financial sector from the investment of international reserves. For interest earned by the rest of the financial system, data are estimated from the financial system's consolidated balance sheet data on holdings of interest-bearing liquid assets and credits or other types of financing provided to nonresidents. The Treasury Secretariat provides information on interest earned by the nonfinancial public sector from assets invested abroad. For the nonfinancial private sector, interest credits are estimated by applying different rates to the assets invested abroad (bank deposits, trade financing, and portfolio investment). (See the financial account for these assets estimates.)

The debit entries for the central bank are obtained from central bank records. For other resident financial entities, estimates are based on balance sheet data and the average rates applicable to each type of liability: deposits of nonresidents, use of lines of credit from abroad, and correspondents' credits. For the nonfinancial public sector, the data sources are the Treasury Secretariat and a survey of the foreign obligations of state governments. For the nonfinancial private sector, the debit entries are based on the average terms of the international organizations' loans and on data collected through the debt survey directed (twice a year) to this sector's enterprises.

Current transfers

General government

The credit entries cover fines collected by the government from nonresidents for infractions of national regulations and laws, and taxes on external payments. The debit entries are derived from information contained in the budgets of all government agencies and data from the central bank on payments for foreign transfers on behalf of, and by order of, the government. It includes also retirement and survivorship pensions paid to non residents, as informed by the social security entity (Administración Nacional de la Seguridad Social-ANSES).

Other sectors

Data on workers' remittances are based on estimates of the number of certain foreigners (Peruvians, Paraguayans, Bolivians, Chileans) living in Argentina and of the average amount of remittances. The credit entries for other private transfers cover retirement and survivorship pensions paid to Argentine residents, which are based on information provided by various countries and grants from members of the Organization for Economic Cooperation and Development (OECD). The debit entries for taxes on external receipts are derived from surveys.

Capital Account

This item includes patents, copyrights, and similar assets purchased and sold, and football players' transfer rights between residents and nonresidents.

Financial Account

Direct investment

Direct investment flows include equity participation of 10 percent or more by foreign investors. The data include reinvested earnings and the provision of loan capital between direct investors and subsidiaries, branches, and associated enterprises (intercompany debt).

Data on direct investment abroad and in Argentina for the resident financial sector are derived from the financial statements of these institutions.

For the nonfinancial public sector, the data refer to direct investment in Argentina through privatization of public companies; information is obtained from the Treasury Secretariat and from state governments.

For the nonfinancial private sector enterprises, estimates of direct investment abroad are based on information collected from the firms' balance sheets and related statements. Foreign direct investment in Argentina includes reinvested earnings, equity participation, and changes in ownership. Reinvested earnings are estimated on the basis of accounting data obtained from a quarterly survey of a sample of enterprises with foreign direct investment. These data are provisional and are revised with information obtained from the annual survey conducted by INDEC. Information on changes in equity holdings is derived from information on the acquisitions and sales of equity capital published in the newspapers. This information is verified on a quarterly basis with the enterprises, and it is revised when the annual survey data are available. Intercompany debt is collected through the debt survey directed to private nonfinancial enterprises.

Portfolio investment

Equity securities

Equity securities issued abroad (ADRs) are supposed to be held by nonresidents. For equity securities issued in Argentina, data on the residence of the holders are available from the records of the Securities Central Depository Inc.

Debt securities

Data for both assets- and liabilities-related transactions by the financial sector are estimated from the financial system's consolidated balance sheet data on holdings of portfolio investments. The data are affected by valuation changes.

The Treasury Secretariat provides information on asset investment abroad by the nonfinancial public sector. Debt securities issued abroad by the nonfinancial public sector are supposed to be held by nonresidents, except for holdings of some resident entities, such as banks, pension funds, insurance companies, and public sector organizations. For securities issued in Argentina, data on the residence of the holders are available from the records of the Securities Central Depository Inc. A complementary survey of state governments is conducted to collect information on their issues of securities abroad.

For the nonfinancial private sector, the estimates related to asset transactions are based on a study on the size and composition of the sector's investment portfolio abroad and on information available in other countries on the liability side. The estimates are based on a survey conducted to collect data on securities issued abroad.

Other investment

Data on those foreign assets and liabilities of the financial sector that are not included under portfolio investment or direct investment are calculated as the difference in stocks outstanding at the end of the period, as shown in the balance sheets of the institutions. The data are, therefore, affected by valuation changes.

Data on assets of the nonfinancial public sector are obtained from the Treasury Secretariat. Data on debt of the nonfinancial public sector (excluding securities) are obtained from the Public Debt Administration and Management System, administered by the Treasury Secretariat. Additional data are obtained from a series of surveys on the foreign debt of state governments.

For the nonfinancial private sector, asset-related flows comprise bank deposits (derived from BIS and Central Bank of Uruguay data), trade credits data (based on data collected through a survey), and other assets, mainly estimates of foreign currency held by residents (derived from currency flows data and from money-demand estimates). On the liability side, the international credit organizations (IFC and IIC) provide the data on loans with international organizations. Other private debt-related flows data with foreign creditors are collected from the debt survey directed to the enterprises of this sector twice a year.

Reserve assets

Changes in reserve assets are derived from stock data published by the central bank on its foreign liquid assets. These are, for example, gold, SDR holdings, Latin American Integration Association payment agreements, notes and deposits, investments convertible into foreign exchange, and reserve position with the Fund. The data are adjusted to exclude valuation changes, which are separately shown.

III. Specific Items: International Investment Position

The data sources on the international investment position (IIP) are the same as those used in compiling the balance of payments.