

## Box 2 The impact of revisions to the services, income and current transfer account

The services, income and current transfer account is a *subaccount* of the current account of the balance of payments. This subaccount, in conjunction with the trade account (which encapsulates trade in merchandise *goods*), is collectively known as the current account of the balance of payments. The exports and imports of goods and services are therefore captured in the 'X' and 'M' of the well-known identity  $Y = C + I + G + X - M$ .

The conversion of balance-of-payments statistics from the fifth edition of the *Balance of Payments Manual* (BPM5) to the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6), alongside annual data revisions paved the way for the disaggregation of the previously known category 'other services' in the services account into more subcategories. These categories, for which data will initially only be published on an annual basis, include manufacturing services; repairs and maintenance services; telecommunications, computer and information services; financial and insurance services; charges for the use of intellectual property; personal, cultural and recreational services; and other business and miscellaneous services (also see the note on the conversion and revision of South Africa's balance of payments statistics in this issue of the *Quarterly Bulletin*). The disaggregation of the 'other services' category, along with other revisions to previously published services categories such as transportation-related services, resulted in improved building-block data and more accurate estimates of external services payments and receipts.

According to the newly established data set, the quantitatively most important identified subcategories on the payment or debit side of the account are charges for the use of intellectual property (comprising 29 per cent of the total 'other services' payments by South Africa) and payments for telecommunications, computer and information services (comprising a further 11 per cent of the total). Concomitantly, the main subcategories on the credit side of the account are financial and insurance services, accounting for 28 per cent of the total 'other services' receipts by South Africa, and telecommunications, computer and information service receipts at 12 per cent of the total.

The accompanying table summarises the impact of the incorporation of the revisions expressed as a percentage of gross domestic product:

- On the services account, South Africa's net services deficit has been reduced compared with previous estimates as, for instance, higher receipts for transport services rendered to non-residents, are now factored in.
- As far as income payments and receipts are concerned, the situation is the reverse since 2009, with higher net income payments to the rest of the world now factored in than before the revisions. While net dividend payments remained broadly unchanged, net interest payments were revised upwards for the period 2009 to 2013. Gross interest payments to the rest of the world are now more closely aligned with the level of the country's outstanding foreign debt, in particular that of national government. Relative to total external debt, government debt rose from 26,3 per cent in 2009 to 38,2 per cent in 2013.
- Regarding current transfer payments, the changes arising from the revision exercise are fairly small.
- The overall balance on the services, income and current transfer account did not change by much since 2011 on account of the revisions. In the earlier part of the period under review, however, the revisions resulted in somewhat smaller deficits on the services, income and current transfer account.

Since trade in services is commonly regarded by the international statistical community as one of the most challenging areas to measure, the dissemination of more detailed components of the account will remain work in progress, subject to further refinement in future. Given the intangible and invisible nature of services, information to inform the estimation of transactions in international services is often scarce and scattered. South Africa is in the fortunate position that a comprehensive international transactions reporting system involving all the authorised dealers in foreign exchange is available, providing source data and guiding the identification of appropriate statistical building blocks.

## Balances: Components of services, income and current transfer account

Percentage of gross domestic product

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Average 2005–2013
Net services payments .....	-0,1	-0,4	-0,5	-1,0	-0,7	-0,9	-0,8	-0,3	-0,3	-0,6
<i>Before revisions</i> .....	-0,3	-0,8	-0,9	-1,5	-1,0	-1,2	-1,2	-0,7	-0,6	-0,9
Net income payments .....	-1,9	-1,9	-3,3	-3,1	-2,2	-2,1	-2,6	-2,7	-2,6	-2,6
<i>Before revisions</i> .....	-2,0	-2,0	-3,4	-3,3	-2,2	-2,0	-2,3	-2,3	-2,1	-2,4
Of which: Net dividend payments.....	-1,6	-1,6	-3,1	-2,6	-1,6	-1,5	-1,8	-1,7	-1,5	-1,9
<i>Before revisions</i> .....	-1,6	-1,7	-3,2	-2,7	-1,7	-1,6	-1,9	-1,8	-1,5	-2,0
Net current transfer payments..	-1,0	-0,9	-0,8	-0,8	-0,9	-0,6	-0,5	-1,0	-0,9	-0,8
<i>Before revisions</i> .....	-1,0	-0,9	-0,9	-0,8	-0,9	-0,6	-0,4	-1,0	-1,0	-0,8
<b>Overall balance</b> .....	<b>-3,0</b>	<b>-3,2</b>	<b>-4,6</b>	<b>-4,9</b>	<b>-3,8</b>	<b>-3,6</b>	<b>-3,9</b>	<b>-4,0</b>	<b>-3,8</b>	<b>-3,9</b>
<i>Before revisions</i> .....	<b>-3,3</b>	<b>-3,7</b>	<b>-5,2</b>	<b>-5,6</b>	<b>-4,1</b>	<b>-3,8</b>	<b>-3,9</b>	<b>-4,0</b>	<b>-3,7</b>	<b>-4,1</b>

Deficit – Surplus +

Components may not add up to totals due to rounding

The accompanying table shows the relative share of service receipts or payments in relation to the total receipts or payments for goods and services across a number of countries. South Africa is well aligned with other emerging-market economies, both on the receipts (exports) and payments (imports) side.

## Trade in services in relation to total trade in goods and services for selected countries

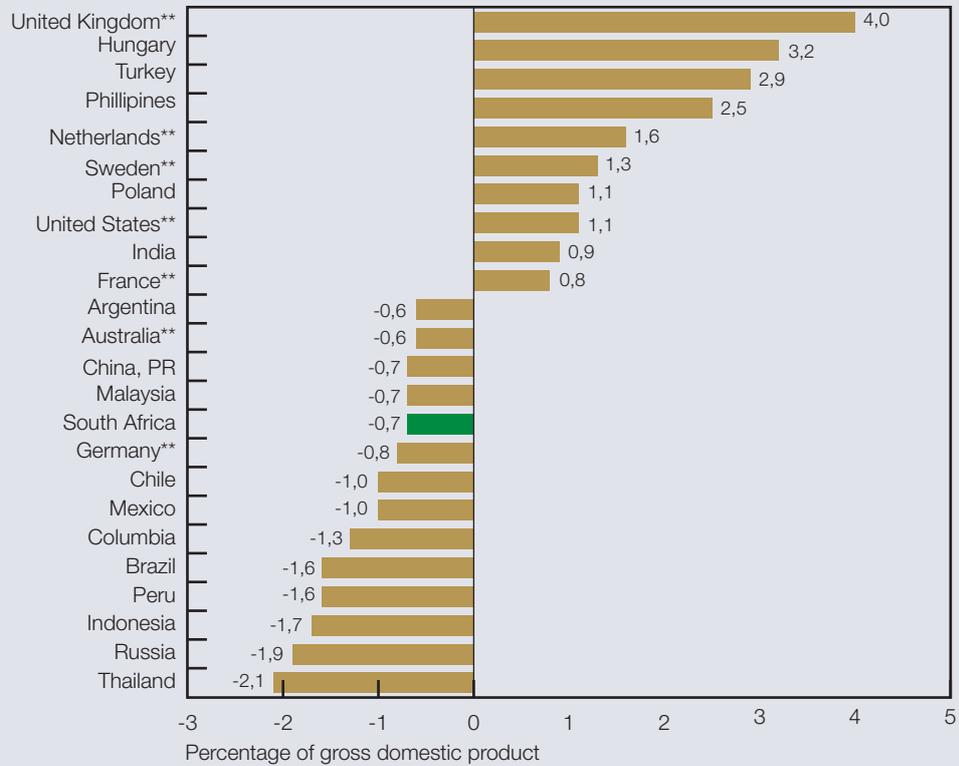
Percentage, average for the period 2008 to 2013

Receipts		Payments	
Mexico .....	5,0	Mexico .....	8,0
Colombia.....	8,9	Turkey .....	9,2
Peru .....	9,1	Poland.....	13,7
China, People's Republic of.....	10,2	China, People's Republic of.....	14,3
Indonesia.....	10,5	Hungary .....	15,8
Russia .....	11,3	Colombia.....	16,3
Chile.....	13,8	<b>South Africa.....</b>	<b>16,7</b>
Brazil .....	13,9	Peru .....	16,8
Malaysia .....	14,2	United States * .....	16,9
<b>South Africa.....</b>	<b>14,6</b>	Netherlands*.....	17,2
Argentina.....	15,5	Philippines .....	17,9
Germany* .....	16,4	Malaysia .....	18,1
Poland.....	16,5	Chile.....	18,2
Thailand.....	17,1	Indonesia.....	19,2
Netherlands*.....	17,4	Australia* .....	20,2
Australia* .....	17,9	Germany* .....	20,6
Hungary .....	18,6	Argentina.....	21,3
Turkey .....	23,1	Thailand.....	21,3
Sweden*.....	25,0	France*.....	22,8
France*.....	27,0	United Kingdom* .....	23,1
United States * .....	30,0	India .....	23,5
Philippines.....	31,5	Russia .....	24,1
India .....	33,3	Sweden*.....	25,2
United Kingdom* .....	38,6	Brazil .....	25,4
<i>Average ratio excluding advanced economies.....</i>	<i>15,7</i>	<i>Average ratio excluding advanced economies.....</i>	<i>17,6</i>
<i>Average ratio for advanced economies.....</i>	<i>24,6</i>	<i>Average ratio for advanced economies.....</i>	<i>20,9</i>

\* Advanced economies

The accompanying graph indicates *net* service receipts or payments relative to gross domestic product for the same countries shown in the table on the previous page, thereby differentiating between net exporters or importers of services. South Africa is a net importer of services, as are many other emerging-market economies.

Average net service\* receipts for selected countries as percentage of gross domestic product for the period 2008 to 2013



\* Positive sign refers to net receipts  
 \*\* Advanced economies