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يتقدم الجهاز المركزي للإحصاء الفلسطيني وسلطة النقد الفلسطينية بجزيل الشكر والتقدير إلى أعضاء مجموعة التمويل الرئيسية للجهاز (CFG)، الذين ساهموا بالتمويل على مساهمتهم القيمة في تنفيذ هذا المشروع.

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Tables

جدول 1: ميزان المدفوعات في الأراضي الفلسطينية للعامين 2010، 2011

Table 1: Balance of Payments In the Palestinian Territory for the Years 2010, 2011

Indicator	2011	2010	المؤشر
Current account (net)	-2192.6	-690.9	الحساب الجاري (صافي)
Goods (net)	-4626.0	-3652.8	السلع (صافي)
Exports (fob)	848.0	666.1	الصادرات (فوب)
Imports (fob)	5473.9	4318.9	الواردات (فوب)
Services (net)	-103.6	-312.1	الخدمات (صافي)
Exports	954.6	830.7	الصادرات
Transportation services	20.1	22.6	خدمات النقل
Travel services	795.1	667.0	خدمات السفر
Communications services	29.0	33.3	خدمات الاتصالات
Construction services	32.9	25.5	خدمات الإنشاءات
Other business services	8.0	11.1	خدمات الأعمال الأخرى
Government services	64.8	49.2	الخدمات الحكومية
Others*	4.7	22.0	أخرى*
Imports	1058.2	1142.8	الواردات
Transportation services	114.2	91.9	خدمات النقل
Travel services	659.1	577.5	خدمات السفر
Communication services	20.4	35.2	خدمات الاتصالات
Other business services	87.7	70.6	خدمات الأعمال الأخرى
Personal cultural recreational services	88.3	84.4	خدمات الشخصية والثقافية والترفيهية
Government services	79.4	261.1	الخدمات الحكومية
Others**	9.1	22.1	أخرى**
Income (net)	1217.2	1098.1	الدخل (صافي)
Receipts	1358.1	1213.2	المقبوضات
Compensation of employees	1258.9	1077.4	تعويضات العاملين
Of which from Israel	1152.7	991.2	:
Investment income	99.3	135.8	دخل الاستثمار
Payments	140.9	115.1	المدفوعات
Current transfers (net)	1319.8	2175.9	التحويلات الجارية (صافي)
Inflows	1976.9	2476.5	التدفقات الداخلة إلى فلسطين
To the government sector	750.5	1214.2	للقطاع الحكومي
Donors transfers	669.4	1144.0	
To the private sector	1226.4	1262.3	للقطاع الخاص
Donors transfers	189.4	541.2	
Outflows	657.1	300.6	التدفقات الخارجة من فلسطين

جدول 1 (تابع): ميزان المدفوعات في الأراضي الفلسطينية للعامين 2010، 2011

Table 1 (Cont.): Balance of Payments In the Palestinian Territory for the Years 2010,2011

Indicator	2011	2010	المؤشر
Capital and financial account (net)	2155.7	800.3	الحساب الرأسمالي والمالي (صافي)
Capital account (net)	536.2	846.1	الحساب الرأسمالي (صافي)
Capital transfers (net)	536.2	846.1	التحويلات الرأسمالية (صافي)
Inflows	536.2	846.1	التدفقات الداخلة إلى فلسطين
To the government sector	369.5	705.1	للقطاع الحكومي
Donors transfers	369.5	705.1	
To the private sector	166.7	141.0	للقطاع الخاص
Outflows	0.0	0.0	التدفقات الخارجة من فلسطين
Acquisition / disposal of non-Produced, non-financial assets non-financial assets (net)	0.0	0.0	حيازة الأصول غير المنتجة غير المالية أو التصرف فيها (صافي)
Financial account (net)***	1619.5	45.8	الحساب المالي (صافي)***
Foreign Direct investment (net)	605.2	103.0	الاستثمار الأجنبي المباشر (صافي)
Change in investment abroad (net)	259.4	-77.0	التغير في الاستثمار في الخارج (صافي)
Change in investment in Palestine (net)	345.8	180.0	التغير في الاستثمار في فلسطين (صافي)
Foreign Portfolio investment (net)	-69.5	-453.4	استثمار المحافظ الأجنبي (صافي)
Change in Assets (net)	-68.8	-450.5	التغير في الأصول (صافي)
Change in Liabilities (net)	-0.7	-2.9	التغير في الخصوم (صافي)
Foreign Other investment (net)	1050.2	341.0	الاستثمارات الأجنبية الأخرى (صافي)
Change in Assets (net)	781.4	499.2	التغير في الأصول (صافي)
Of which Loans to nonresidents	2.3	89.8	
Of which Currency and deposits****	731.9	488.2	****
Change in Liabilities (net)	268.8	-158.2	التغير في الخصوم (صافي)
Of which Loans nonresidents	71.2	-41.6	
Of which Currency and deposits*****	130.7	-109.9	*****
Net errors and omissions	36.9	-109.6	صافي السهو والخطأ
Overall balance	-33.7	36.4	الميزان الكلي
Financing	33.7	-36.4	التمويل
Change in Reserve assets (- = Increase/+ = decrease)	33.7	-36.4	التغير في الأصول الاحتياطية (= زيادة/ + = نقص)

* Include insurance, financial, information and computer, royalties and licenses, and personal cultural recreational services.

** Include financial, construction, information and computer, royalties and licenses fees, insurance services.

*** Include reserve assets

**** Currency and deposits: Including the cash of foreign currency in the banks and the deposits of the Palestinian institutions deposited abroad

***** Currency and deposits : Includes the deposits of non-residents deposited in Local banks

* تشمل خدمات التأمين، الخدمات المالية، وخدمات المعلومات والكمبيوتر، رسوم الامتياز والتراخيص، والخدمات الشخصية والترفيهية والثقافية.

** الخدمات المالية، الإنشاءات، المعلومات والكمبيوتر، رسوم الامتياز والتراخيص وخدمات التأمين.

*** يشمل الأصول الاحتياطية

**** عملة وودائع: تشمل النقد من العملات الأجنبية في صناديق البنوك وودائع المؤسسات الفلسطينية المودعة خارج فلسطين

***** عملة وودائع: وودائع غير المقيمين المودعة في البنوك المحلية.

جدول 2: الحساب المالي، 2011
Table 2: Financial Account, 2011

(Value in million USD)

(القيمة بالمليون دولار امريكي)

Item	التدفقات الداخلة (السحب) Inflows (Decrease)	التدفقات الخارجة (الإضافة) Outflows (Increase)	صافي التدفقات NetFlows	البند
Total Change in Assets	3016.2	2010.5	1005.7	التغير الكلي في الأصول
Change in Foreign Direct Investment Abroad	263.8	4.4	259.4	التغير في الاستثمار الأجنبي المباشر في الخارج
<i>Of Which Equity Capital</i>	263.8	3.5	260.3	
Change in Foreign Portfolio Investment	141.2	210.0	68.8-	التغير في استثمار الحافظة الأجنبي
<i>Of Which Debt Securities</i>	141.2	179.1	37.9-	
Change in Foreign Other Investment	2397.3	1615.9	781.4	التغير في الاستثمارات الأجنبية الأخرى
<i>Of Which Loans lended</i>	15.8	13.5	2.3	
<i>Of Which Currency and deposits*</i>	2334.4	1602.5	731.9	*
Change in Reserve Assets (- = Increase/ + = decrease)**	213.9	180.2	33.7	التغير في الأصول الاحتياطية (- = زيادة/ + = نقص)**
Item	التدفقات الداخلة (الإضافة) Inflows (Increase)	التدفقات الخارجة (السحب) Outflows (Decrease)	صافي التدفقات NetFlows	البند
Total Change in Liabilities	830.4	216.5	613.9	التغير الكلي في الخصوم
Change in Direct Investment in Palestinian Territory	361.1	15.3	345.8	التغير في الاستثمار الأجنبي المباشر في الخارج
<i>Of Which Equity Capital</i>	277.6	8.0	269.6	
Change in Foreign Portfolio Investment	0.0	0.7	0.7-	التغير في استثمار الحافظة الأجنبي
<i>Of Which Equity Securities</i>	0.0	0.7	0.7-	
Change in Foreign Other Investment	469.3	200.5	268.8	التغير في الاستثمارات الأجنبية الأخرى
<i>Of Which Loans Borrowed</i>	89.7	18.5	71.2	
<i>Of Which Currency and deposits ***</i>	312.7	182.0	130.7	***
Financial account ****	3846.6	2227	1619.6	الحساب المالي ****

* Currency and deposits: Including the Cash in Foreign Currency in the Banks and the Deposits of Palestinian Institutions Deposited Abroad

** Change in Reserve Assets Includes the Change in the Stock Value of the Foreign Eexchange That PMA Keep as Reserves for Balance of Payments Pupos

*** Currency And Deposits : Includes the Deposits of Non-residents Deposited in Local Banks

**** Financial Account: Net Flows of Change in Assets and Liabilities. Also it Equals the Difference Between Total of Inflows and Total of Outflows for Both Assets and L iabilities.

Notes:

- The negative sign in The value of NetFlows means increasing in assets and decreasing in liabilities. Meanwhile The positive sign means decreasing in assets and increasing in liabilities.

-It could be noticed a little differences when comparing with data of financial account in table 1 according to integers

* عملة وودائع: تشمل النقد من العملات الأجنبية في صناديق البنوك وودائع المؤسسات الفلسطينية المودعة خارج فلسطين

** التغير في الأصول الاحتياطية يشمل التغير في ارصدة العملات الأجنبية الصعبة التي تحتفظ بها سلطة النقد الفلسطينية بهدف معالجة الاختلالات التي قد تحدث في ميزان المدفوعات

*** عملة وودائع: ودائع غير المقيمين المودعة في البنوك المحلية.

**** الحساب المالي: مجموع صافي التدفقات للتغير الكلي في الأصول والتغير الكلي في الخصوم كذلك يساوي الفرق بين المجموع الكلي للتدفقات الداخلة مطروح منها المجموع الكلي للتدفقات الخارجة لكل من الأصول والخصوم

ملاحظات:

- الإشارة السالبة في قيم صافي التدفقات تعني ارتفاع في الأصول وانخفاض في الخصوم. بينما الإشارة الموجبة تعني انخفاض في الأصول وارتفاع في الخصوم.

- قد يلاحظ اختلاف طفيف في البيانات عند المقارنة مع بيانات الحساب المالي في جدول رقم 1 بسبب الفواصل العشرية



**Palestinian Central Bureau of
Statistics**



**Palestine Monetary
Authority**

**Balance of Payments, Preliminary
Results, 2011**

December, 2012

PAGE NUMBERS OF ENGLISH TEXT ARE PRINTED IN SQUARE BRACKETS.
TABLES ARE PRINTED IN ARABIC FORMAT (FROM RIGHT TO LEFT).

This document is prepared in accordance with the standard procedures stated in the Code of Practice for Palestine Official Statistics 2006

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The Balance of Payments - 2011 was planned and conducted by a technical team from PCBS and PMA with joint funding from the Palestinian National Authority (PNA), the Palestine Monetary Authority (PMA) and the Core Funding Group (CFG) for 2012, represented by the Representative Office of Norway to the PNA and the Swiss Development and Cooperation Agency (SDC).

PCBS extends its gratitude to the Core Funding Group for their valuable contribution to the funding of this project.

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Introduction

The Balance of Payments (BOP) is an account measuring transactions between residents and non-residents during a given period. It is a vital instrument for the analysis of a country's external situation. It conveys detailed information on receipts and payments between the domestic economy and the rest of the world. Moreover, it is considered as the peak of efforts in preparing the systematic economic statistics required to observe economic performance in general and to derive the data essential to compile the rest of the world account as a part of National Accounts.

BOP is prepared according to the latest international recommendations, namely the fifth edition of the Balance of Payments Manual (BPM5) adopted by the International Monetary Fund (IMF) in 1993. BOP consists of two main accounts: the current account and the capital and financial account.

The PMA and the PCBS announce the preliminary results of the Palestinian Balance of Payments for 2011.

December, 2012

Ola Awad
President of PCBS

Jihad Al-Wazir
Governor of PMA

Preliminary Results

The main findings are summarized as:

The Current Account Position:

- **The Current Account:** The Palestinian balance of payments recorded a deficit of USD 2,192.6 million in current account (goods, services, income, current transfers). This contributes 21.5% of the GDP in current prices and compares with a deficit of USD 690.9 million in 2010.
- **The Trade Balance of Goods:** A deficit of USD 4,626.0 million was recorded in this account, which comprises about 45.5% of the GDP in current prices in 2011. This reflects an increase of 26.6% compared with the 2010 deficit. The trade balance deficit with Israel was the main cause of the overall trade balance deficit.
- **The Services Balance:** This account recorded a deficit of USD 103.6 million, representing a decrease of 66.8% compared with 2010. The decline in the services balance deficit was caused by increased exports in travel services and a decrease in communication services imports.
- **The Income Balance:** A surplus of USD 1,217.2 million was recorded in this account, representing an increase of 10.8% compared with 2010. The surplus was caused mainly by the surplus in compensations of employees working in Israel, which totaled USD 1,152.7 million, reflecting an increase of 16.3% compared with 2010. Investment income received from abroad totaled USD 99.3 million, reflecting a decrease of 26.9% compared with 2010. This was caused mainly by a decrease in the earnings received on Palestinian foreign direct investment (FDI) and portfolio investments invested abroad.
- **Balance of Current Transfers:** The balance of current transfers (voluntary or compulsory, not a result of an economic transaction) recorded a surplus of USD 1,319.8 million, a decrease of 39.3% compared with 2010. Current transfers by donors represented 43.4% of the total value of receipts from abroad, while current transfers received from abroad other than donors made up 56.6%. The total value of receipts from abroad was distributed as 38.0% for the government sector and 62.0% for other sectors (private, household and non-government organizations).

The Capital and Financial Account Position:

- **The Capital and Financial Account:** This account recorded a surplus of USD 2,155.7 million, mainly due to the surplus in the financial account (direct investments, portfolio investments, other investments and reserve assets) totaling USD 1,619.5 million as a result of the surplus in currency and deposits in other investments. The surplus in the capital account totaled USD 536.2 million.
- **The Capital Account:** The capital account recorded a surplus of USD 536.2 million, a decrease of 36.6% compared with 2010 and mainly due to government capital transfers (transfers from donors) that constituted 68.9% of the capital account. Household transfers received from abroad to finance house construction for households accounted for 25.7% of this account.

- **The Financial Account:** This account recorded a deficit of USD 1,619.5 million,¹ caused mainly by the surplus in currency and deposits in other investments. The flows of foreign investments may be summarized as follows:
 - **Foreign Direct Investment (FDI):** Recorded a surplus of USD 605.2 million caused by a decrease in net Palestinian investment abroad of USD 259.4 million, in addition to an increase in net foreign investments in Palestine of USD 345.8 million.
 - **Foreign Indirect Investment (Portfolio):** Recorded a deficit of USD 69.5 million caused by an increase in net Palestinian (assets) abroad of USD 68.8 million, in addition to a decrease in net foreign investments in Palestine (liabilities) of USD 0.7 million.
 - **Foreign Other Investments (OI):** Recorded a surplus of USD 1,050.2 million, caused by a decrease in net Palestinian (assets) abroad of USD 781.4 million (mainly Palestinian deposits in banks abroad and loans extended to nonresidents), in addition to an increase in net foreign investments in Palestine (liabilities) of USD 268.8 million (mainly foreign deposits in local banks).
- **Reserve Assets:** The total change (decrease) in reserve assets of the Palestinian Monetary Authority totaled USD 33.7 million, reflecting the final liquidity position of the balance of payments. These are reflected in the overall balance surplus in the Palestinian case due to the absence of other financing resources.

Net Error and Omissions: Net error and omissions (the difference between net current accounts on one hand and the net capital and financial account on the other) totaled USD 36.9 million, which constitutes 0.4% of Gross Domestic Product (GDP) in current prices for the Palestinian Territory. This percentage is acceptable internationally since it was less than 5% of the GDP.

¹ The increase in net Palestinian (assets) abroad and the decrease in net foreign (liabilities) in Palestine recorded a negative value. The decrease in net Palestinian (assets) abroad and the increase in net foreign (liabilities) in Palestine recorded a positive value.

Chapter Two

Methodology

Data Collection: Data was collected from various sources including:

- PA Ministries.
- Consulates and representative offices.
- Non-governmental organizations.
- Related national institutions (Palestine Exchange).
- Administrative records of PMA with respect to banks (call report).
- Administrative records of financial companies and their annual reports.
- Surveys conducted by Palestinian Central Bureau of Statistics:
 - Labour force survey.
 - Balance of payments household survey annexed with the labour force survey: (BOP- Annex).
 - Economic surveys series.
 - Population statistics.
 - Price index.
 - Foreign trade statistics.
 - Finance and insurance survey.
 - Hotels survey.
 - Foreign investments survey.

The questionnaires were designed to meet the requirements for compiling the balance of payments and the rest of the world account. Twelve forms of questionnaire were used for administrative records, one for each similar group of data sources.

Processing: The data collected from surveys, administrative records and other sources provide an economic database. The data was processed through systematic computerized files using EXCEL software. Coding, classifications and tabulation were implemented according to the recommendations stated in the fifth edition of the IMF manual.

1. Current Account:

Foreign trade in goods: Data on visible trade (trade in goods) is obtained from foreign trade statistics (FTS), supplemented by other sources. For balance of payments purposes, coverage and valuation adjustments are made to the FTS.

Foreign trade in services: In connection with the valuation adjustment for imports, data from the FTS was used as source for *transportation, insurance services* and *current transfers* on the debit side. The economic surveys (ES) are the main source of data on services in connection with enterprises. The Hotel Survey (HS) conducted by the Palestinian Central Bureau of Statistics was used to obtain data on the number of foreign visitors to Palestine.

Income: The Labour Force Survey (LFS) was used as source of data for *wages and salaries* earned in Israel by Palestinian workers. In addition, the questionnaire completed by foreign diplomatic representations and international organizations provides data on compensation of employees. On the debit side, there are two sources: a) data obtained from the Palestinian National Fund; and b) the ES for compensations payable to non-resident workers. For investment income, information is obtained from the ES, administrative records of PMA regarding the banks (call report), the BOP-Annex and the government (including the

Palestinian National Fund). Of all data sources, the banks' survey is considered the most important source.

Current transfers: For this sub-account, there are several sources of data. The main source is the Donor Matrix compiled by the Ministry of Planning. Other complementary sources are:

- The budget of the Palestinian National Fund in Amman.
- Data obtained from the National Committee for Education, Culture and Science – this data is not included in the Donor Matrix.
- The questionnaires completed by foreign diplomatic representatives and international organizations in Palestine.
- The information obtained from the Ministry of Labour.
- BOP-Annex.

2. Capital Account:

- **Capital transfers:** For this sub-account there are also several sources of data. The main source of data is again the Donor Matrix compiled by the Ministry of Planning. This source accounts for the bulk of transfers receivable by the Palestinian government. The counter-entry to goods and financial assets owned by immigrants to Palestine is recorded in this account under *migrants' transfers*. As mentioned above, data on goods is obtained from the Civil Affairs Agency and data on financial assets from BOP-Annex. For private capital transfers, computations were based on anecdotal evidence and general knowledge of the economy.
- **Acquisition/disposal of non-produced non-financial assets:** The questionnaires completed and submitted by foreign diplomatic representations are the source of data on the *acquisition/disposal of non-produced non-financial assets* for their purchases of land and fixed structures.

3. Financial Account:

- **Foreign Direct Investment:** Data on direct investment was obtained through:
 - Administrative records from the Ministry of Economy and Trade.
 - ES on resident construction for computations of non-resident participation of private construction.
 - Administrative records of PMA regarding the banks (call report).
 - BOP-Annex for households investing abroad.
- **Foreign Indirect Investment (Portfolio):** The administrative records of the PMA regarding the banks (call report), data from the PMA and BOP-Annex were used to capture transactions in portfolio investment. No adjustments were made to these data.
- **Foreign Other Investment:** For the financial account, the administrative records of the PMA regarding the banks (call report) were used to obtain the values of changes in banks' financial assets and liabilities, both with respect to their own transactions and those undertaken on behalf of clients. Unfortunately, because there is no national currency in Palestine, neither cash transactions were captured in this survey, nor transactions which take place through a non-resident bank. Certain adjustments were made to find reasonable values for the transactions that were not captured.
- **Reserve Assets:** In Palestine, all assets held by the PMA and denominated in convertible currency are included under *reserve assets*. No adjustments were made to the data obtained from the PMA. According to IMF recommendations, reserve assets include Palestine Monetary Authority (PMA) assets abroad.

Chapter Three

Concepts and Definitions

Residence:

Is defined in economic and not legal terms. The main criterion to determine residence of an entity is the center of economic interest. Persons are considered residents of the country where they live for at least one year. Exceptions to this rule are embassy staff (apart from locally employed people who are residents of the country where they live), patients who are treated abroad and students who live abroad, even when their stay exceeds one year.

Current Account:

Is subdivided into four major categories:

- Goods.
- Services.
- Income.
- Current transfers.

Certain items are self-explanatory in these accounts, but others are not and will be further explained in this chapter.

Goods:

Valuation at market price implies that goods should be valued at the customs border of the exporting country, called the point of uniform valuation. This valuation is referred to as the free on board (f.o.b.) price. Goods valued at the customs border of the importing country. This is particularly relevant in Palestine where the bulk of trade in goods is with Israel.

Three issues are of particular relevance for trade in goods:

- Coverage (how to include certain goods even though they do not cross international borders and thus, are not captured by statistics provided by customs, and how to exclude others even though they cross international borders).
- Valuation of trade items (point of uniform valuation and appropriate steps to take if the price recorded on the customs declaration differs from the market prices due to under- or over-invoicing or transfer pricing).
- Time of recording (when the change of ownership occurs in a different recording period than the physical movement of the goods across international borders – as mentioned above. If no adjustments are made, the difference will appear under *errors and omissions* in the balance of payments).

Services:

It covers all transactions classified in the fifth edition of the IMF manual for balance of payments under this category. Government and travel services, related goods or services are recorded under these items.

Income:

Income covers international transactions associated with income on factors of production, i.e. labour and capital. In the balance of payments, income on capital is referred to as income on financial assets. Thus income can be divided into two broad categories:

- Compensation of employees that Refers to earnings by residents working abroad as well as payments to non-residents working in inside.
- Investment income receivable due to ownership of external financial assets or payable due to external liabilities.

Current Transfers:

Refers to cash and in-kind flows between two sides. Current transfers record flows of a current nature, i.e. they should affect the level of consumption of both the donor and the recipient.

Capital Account:

Is divided into capital transfers and acquisitions/disposals of non-produced non-financial assets. Recorded under capital transfers are investment grants (including cash transfers for purchases of investment goods), debt forgiveness and migrants' transfers.

Non-produced, non-financial assets are mainly licenses, franchises and patents. Also included are acquisitions/disposal of land by representative offices of foreign governments, for example foreign embassies.

Financial Account:

Transactions in financial assets and liabilities are recorded in the financial account. Financial stocks can be divided into four broad categories: direct investment; portfolio investment; other investment (mainly currency, deposits and loans); and reserve assets.

Foreign Direct Investment:

This category includes investment over which the owner exercises control. In practice, the distinguishing criterion for inclusion in this category is that the owner should hold at least 10 per cent of the ordinary shares in the company. However, this criterion should be applied flexibly to ensure that assets over which the owner exercises control are classified as direct investment. Acquisitions and disposal of land – other than when foreign embassies are involved – are also included.

Foreign Indirect Investment (Portfolio):

Portfolio investment is a residual category for transactions in shares, bonds, bills, notes, money market instruments and financial derivatives. It is residual because these instruments are also included under direct investment and reserve assets. Portfolio investment is divided into two main categories: equity and debt. Shares are equity investment and the remaining instruments are debt investment.

Foreign Other Investment:

Other investment includes all transactions in financial assets and liabilities not classified under any of the three other broad categories. The most important of these are currency, deposits and loans (including trade credits).

Reserve Assets:

Assets that must be controllable by the Monetary Authority; they must be accessible to the Monetary Authority at relatively short notice for balance of payments purposes and they must be denominated in a convertible currency.

Overall Balance:

The change in reserve assets of the Monetary Authority.