



Balance of Payments and International Investment Position Statistics

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Balance of Payments and International Investment Position Statistics

Abstract

The Balance of Payments (BoP) and International Investment Position (IIP) are some of New Zealand's key economic statistics. Put simply, the BoP measures economic transactions between New Zealand residents and the rest of the world. It also draws a series of balances between inward and outward transactions, provides an overall net flow of transactions between New Zealand residents and the rest of the world, and reports how that flow is funded.

Economic transactions include:

- exports and imports of goods such as agricultural products, raw materials, machinery and transport equipment, computers, textiles, clothing, and footwear
- exports and imports of services such as international transport, travel and business services
- primary income flows such as dividends and interest earned by non-residents on investments in New Zealand and by New Zealanders investing abroad
- secondary income flows are offsetting entries to any one-sided transactions listed above, such as foreign aid and funds brought by migrants to New Zealand
- financial flows such as investment in shares, debt securities and loans

New Zealand's BoP statement comprises the current and capital accounts (which record the value of New Zealand's transactions in goods, services, income, and transfers with non-residents) and the financial account (which records financial transactions in international assets and liabilities).

In recent years, with growing interest in the level of foreign investment and debt, more emphasis has been placed on New Zealand's IIP statistics. These statistics measure the level (or stock) of foreign investment in New Zealand and New Zealand investment abroad at the end of a specified period. The difference between foreign investment in New Zealand and New Zealand investment abroad is referred to as New Zealand's net IIP. The IIP statistics may be split to show, separately, New Zealand's foreign debt and equity investment.

The balance of payments and international investment position statistics are used:

- Domestically, by those engaged in financial market operation, policy development and the provision of advice and analysis, including government agencies, especially the New Zealand Treasury and the Reserve Bank of New Zealand.
- Internationally, by major credit rating agencies in their assessments of New Zealand, and by the International Monetary Fund (IMF) in its economic monitoring and assessment role.

Purpose

The main purpose of balance of payments statements is to produce and publish information on the value of New Zealand's transactions with the rest of the world in goods, services, income, transfers including seasonally adjusted trend measures of the current account. It provides detailed changes in New Zealand's investment flows and level of investment on assets and liabilities with the rest of the world.

The international investment position and balance of payments statistics are used:

- domestically, by those engaged in financial market operation, policy development and the provision of advice and analysis, including New Zealand government agencies, especially the New Zealand Treasury and the Reserve Bank of New Zealand
- internationally, by major credit rating agencies in their assessments of New Zealand, and by the International Monetary Fund (IMF) in its economic monitoring and assessment role.

Population

Balance of Payments and International Investment Position Statistics Population

Balance of Payments and International Investment Position Statistics Population

Business enterprises involved in international trade and investment

BOP Data Collection

Methodology

Data sources

The source data and information for BoP and IIP statistics collected and processed each quarter are summarised below and include:

- Statistics NZ surveys of New Zealand-resident enterprises
- surveys conducted by other entities
- administrative data
- financial market information.

The main surveys that provide data for BoP and IIP are:

- Quarterly International Investment Survey – a sample survey that is the main source of data on primary income, financial account flows, and the stock of overseas assets and liabilities.
- International Trade in Services and Royalties Survey – a quarterly sample survey that is the primary source for commercial services data
- transportation surveys – full-coverage surveys that measure transactions relating to transportation services such as passenger airfares and port expenses.

Surveys conducted by other organisations – we use data from other organisations that operate surveys that are relevant to our data needs. For example:

- International Visitors Survey – run by a marketing company for MBIE. The data is used to estimate exports of travel services in the current account.
- Quarterly Managed Funds Survey – a Reserve Bank of New Zealand (RBNZ) survey that provides data on overseas income, financial account transactions, and IIP, for the pension, money market, and non-money market sectors.

Administrative data – examples of these include non-resident withholding tax data from Inland Revenue, and New Zealand Customs Service records of imports and exports published in the overseas merchandise trade (OMT) statistics.

Financial market information – includes interest and, exchange rates and share prices for major investment partner countries. The information is used for survey validation purposes. We take much of this information from publicly available websites.

Conceptual adjustments to exports and imports of goods

In BoP, we record exports and imports of goods when the ownership changes between the resident and the non-resident party. Adjustments are made to the OMT statistics (source data for the BoP goods item), to account for ownership changes. The following conceptual adjustments are made.

- Goods that cross the customs frontier without a change in ownership are removed from merchandise trade imports and exports data – an example of this is large capital items imported or exported on an operational lease.
- Goods on consignment are removed from trade data, as ownership does not change for these goods when they leave a country.
- Freight and insurance charges are removed from the value of imports of goods and are reclassified to services.
- Changes in the level of oil stocks held abroad get added to or subtracted from imports of goods.

Goods on consignment are goods intended for sale but not actually sold at the time they cross the border of the exporting country. To meet the BoP recording convention, we remove the value of goods exported on consignment from the OMT exports in the quarter they leave the country, and add them back into exports in the quarter in which the goods are actually sold.

Seasonal adjustment and trend analysis

Quarterly current account statistics are subject to large, short-term movements, both irregular and seasonal, which makes interpreting trends in the original series difficult.

In the current account, we produce seasonally adjusted and trend series for both goods and services (including travel and transportation services separately). Primary and secondary income series only have a trend calculated for them as they do not have a seasonal pattern.

The seasonally adjusted current account is the sum of adjusted goods and services, and the actual primary and secondary income series. We calculate the seasonally adjusted balances as being the sum of adjusted exports minus adjusted imports.

Undercoverage estimate for the international investment position

BoP uses a purposive sampling method to capture international investment position (IIP) data for the other sectors of the economy. Under this method, all units identified as being significant are surveyed each quarter.

A non-sample estimate is added to the results of the quarterly survey to represent the IIP position for the entire population.

Net errors and omissions (residual)

We compile the BoP statement using the double-entry bookkeeping system to ensure the account balances. In practice, the BoP statement does not always balance. To balance the account, a balancing item called the 'net errors and omissions' or 'residual' is used. The residual is always entered on the credit side of the account.

We can calculate the residual by one of two means:

1. the sum of all current, capital, and financial account credits (inflows), less the sum of all the debits (outflows)
2. the current account balance, plus the net flow of the capital and financial accounts.

A positive entry means the sum of the debits is greater than the sum of the credits.

Persistent large residuals in one direction may indicate serious and systemic errors. However, a small figure does not necessarily mean that only small errors and omissions have occurred, since large positive and negative errors may be offsetting. Timing differences in data reported by the different sources we use to estimate the credit and debit sides of a transaction may result in positive and negative errors and omissions offsetting each other.

In any quarter there may be financial account transactions occurring but not recorded in the accounts. The reasons for them may include: transactions undertaken by entities not in the frame for BoP surveys, omissions of data by existing survey respondents, and errors in data reporting and compilation.

Confidentiality and accessing the data

Where data within a table in this release discloses information about an individual respondent, or would allow close estimation of such information, we publish data only after obtaining the consent of those respondents (ie published under section 37(4)(a) of the Statistics Act 1975). Where affected respondents have not provided their consent, data remains confidential.

More information

Statistics in this release have been produced in accordance with the Official Statistics System principles and protocols for producers of Tier 1 statistics for quality. They conform to the Statistics NZ Methodological Standard for Reporting of Data Quality.

Liability

While all care and diligence has been used in processing, analysing, and extracting data and information in this publication, we give no warranty it is error-free and will not be liable for any loss or damage suffered by the use directly, or indirectly, of the information in this publication.

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Frequency

3 Quarterly

Main users of the data

Balance of Payments (BoP) and International Investment Position (IIP) statistics are used extensively by business, academics, media, the public, and international organisations. BoP data is also widely used by international organisations; International Monetary Fund, World Bank, Organisation of Economic Cooperation and Development (OECD) and United Nations for monitoring and comparing New Zealand's performance with other countries. Other users include government organisations such as: Treasury, RBNZ, MFAT

More specifically our statistics also provide information for trade negotiations among World Trade Organisation's (WTO) membership to make reforms of the international trading system, such as introducing lower trade barriers, trade rules etc.

Usage and limitations of the data

Usage:

The conceptual framework used in New Zealand's BOP and IIP statistics is based on the sixth edition of the IMF Balance of Payments Manual (BPM6). Statistics New Zealand compiles statistics using quarterly and annual surveys of NZ resident enterprises, surveys conducted by other entities, administrative data and financial market information. The business frame survey is believed to capture enterprises having significant amount of international transactions.

Revisions are made every June quarter with latest available survey and administrative data. Estimates for non-surveyed and undercounted areas are determined every year.

Statistics New Zealand produces and publishes very comprehensive data series about exports and imports of commercial services with highly disaggregated level of service type, using the quarterly international trade in services and royalties survey (ITSS) and International Visitor survey.

In November 2012, Statistics New Zealand produced detailed information on trade in services by country for New Zealand's major trading partners and a comprehensive list of service types. These service types include the estimates on travel, transportation, insurance and government services by country (covering nearly 18 trading partner countries) back dated to the year ended June 2006.

Statistics New Zealand also publishes external and related party debt statistics, foreign direct investment and investment income by industry.

Limitations:

Balance of Payments statements are compiled using double-entry bookkeeping system to ensure that the accounts balance in the accounting sense. In practice, the BoP statement does not always balance. In compiling the Balance of Payments statement a variety of data sources are used; therefore, some transactions may not be captured and there is a possibility of reporting or compilation errors. To balance the accounts, we use a balancing item called the 'net errors and omissions' or 'residual'. The residual could be positive or negative. The residual is always entered on the credit side of the account. A positive residual means that the sum of debits is greater than the sum of credits. Persistent large residuals in one direction, negative or positive may indicate serious errors. However, a small figure does not necessarily mean that only small errors and omissions have occurred, since large positive and negative errors may be offsetting.

The following areas of known financial account undercoverage may contribute to the residual.

The primary data sources for the financial account and IIP are sample surveys. While we make a new estimate for the non-sampled IIP stock positions each year, we don't make an estimate for financial account transactions.

- We do not receive adequate data about transactions arising from settling and trading in financial derivative contracts from survey respondents.
- Financial transactions of business units that are not surveyed quarterly or identified annually via the Inland Revenue reported income tax data included in BoP. The business units mostly include estate and trusts, partnerships, small sized companies, and individuals. All types of investment flows of these businesses are excluded, except shares held by these entities in Australian listed companies. We include an estimate of the investment flows of these entities in Australian listed companies in the BoP financial account.

Significant events impacting this study series

Significant events impacting this data study series. The main events were:

- The BoP statistics for New Zealand was first compiled from the 1950-1951 year based on merchandise trade reports from customs record and overseas exchange transactions (OET) record published at monthly intervals by the Reserve Bank of New Zealand.
- The method used in the construction of BoP accounts was based on the principles adopted by the International Monetary Fund (IMF) and were in conformity with the methods used in most overseas countries.
- Before 1993, BoP statistics were based on the principles set and formulated by the fourth edition of the Balance of Payments Manual (BPM4) of the IMF.
- At this stage, BoP statement was divided into current and capital account. The capital account showed how the surplus or deficit on current account was financed.
- Quarterly balance of payments publications have been produced since the June quarter of 1966.
- In June 1999, Statistics New Zealand introduced the bulk of the changes required to meet BPM 5 guidelines for the current and capital account. Current account was redefined to exclude the items of a capital nature, for ex: migrant transfers. Also there was an expansion of classification of services.
- The remaining BPM 5 changes were introduced in June 2000 quarter.
- After these changes, BoP statement comprised of three accounts; current account, capital and financial account.
- Quarterly International Insurance Survey (QIIS) was introduced in June 1988. Quarterly Total Overseas Debt Survey and Quarterly International Trade in Services Survey (ITSS) were introduced in September and December 1989. In March 1992, Quarterly Investment Income sample survey was introduced.
- A complete statement of IIP has been prepared since 1990-1991 year as an annual basis.
- New Zealand participated in IMF's Coordinated Portfolio Investment Survey in December 1997.
- Complete balance of payments (BoP) and International Investment Position (IIP) Statistics published as ongoing quarterly series beginning with the June 2000 quarter.
- The current quarterly publication was released in the form of media release and "Hot Off the Press" at a news conference. Seasonally adjusted and trend series were published for quarterly balance of payments statistics. These series were first introduced for the September 1989 quarter.

Major events

Major events recently occurred can be explained under three major sections.

- Data improvements to international investment position statistics
- Incorporating new information
- Presenting additional details

Methodological changes and data changes:

There were some significant events that had an impact on balance of payments data series recently, resulting from incorporating new information from standard practice and improving methods.

- Statistics NZ revised its treatment of Canterbury earthquake's insurance claims in New Zealand's international accounts.

Removed the impact of the Canterbury earthquakes from overseas income. The claims from overseas-owned insurance company profits were included initially in the investment income category. These have been removed from investment income attributed to the rest of the world, to maintain the consistency of transactions throughout our macroeconomic statistics. This change is linked with the decision to treat these claims as capital transfers (rather than current transfers) due to the exceptional nature of the damage. This change meant that insurance and reinsurance claims associated with the Canterbury earthquakes would no longer affect items such as the current account balance, national disposable income, and national saving in New Zealand's balance of payments and national accounts statistics.

- The transactions affected were spread across the September 2010 to June 2011 quarters, with the largest effect in the March 2011 quarter. The change in treatment increased the current account deficit by approximately \$700 million in the March 2011 year, and decrease national disposable income and national saving by the same amount. Quarterly gross domestic product is unaffected by this change.
- All insurance claims not related to the Canterbury earthquakes are being treated as current transfers in balance of payments and national accounts statistics.

FISIM adjustments applied to current account

- Financial intermediation services indirectly measured (FISIM) is a type of financial service fee that is charged by banks and similar financial institutions. This fee is indirect as the value is not explicit within an interest transaction. We have introduced FISIM values into balance of payments statistics from the June 2000 quarter onwards. December 2012 quarter was the first to include FISIM adjustments- by amending the non- explicit service fee from within the other investment income series and transferring the service fee to the financial service export and import series.

International Trade in Services and Royalties Survey (ITSS)

- Statistics NZ publishes data about exports and imports of commercial services, with the quarterly international trade in services and royalties survey (ITSS). This is a sample survey designed to capture 90 to 95 per cent of services transactions within the economy.
- To ensure the sample remains accurate, Statistics NZ conducts the Census of International Trade in Services and Royalties (ITSS). The census provides a benchmark of the total imports and export of commercial services of all enterprises operating in New Zealand.
- The census results are used to estimate the quarterly activity of smaller enterprises that are not included in the quarterly sample. BoP has revised this 'non-sampled estimate' in the quarterly series to include the latest census results in Census of International Trade in Services and Royalties in the year ended June 2011.
- The net effect of revisions on the current account balance was a small increase, as the increase in services exports was largely offset by an increase in imports. Exports and imports of commercial services both revised up by approximately \$900 million in the June 2011 year.

Data improvements to international investment position statistics:

- We have improved the estimates of IIP statistics by bringing new data into the series. These improvements are to New Zealand's investment abroad (assets) estimate.
- The data that feed into measuring New Zealand's international investment position are sourced from regular quarterly and annual surveys. The surveys are generally targeted at large and medium-sized companies, fund managers, the Reserve Bank of New Zealand, the Treasury, and other government entities including state owned enterprises. These surveys have been operating since June 2000. For units that are not in surveys, coverage gap remains in the IIP. Gaps mainly include small companies, trusts, partnerships and individuals.

Recent work done to cover the IIP gap includes:

- Derived estimate on assets held abroad by fund managers, which are surveyed annually in the Annual Managed Funds Survey (AMFS). From 2001-2008, the data captured in AMFS included the assets; equity, debt securities, and other instruments, and the country where the assets were held (by four main countries). In 2009 the survey was expanded to include data on transactions, market price and exchange rates and the associated income flows.
- Derived the under-coverage estimate of portfolio equity investment in Australian listed companies. Under-coverage estimate was derived by reconciling Statistics New Zealand's data on portfolio equity investment in Australia with the Australian Bureau of Statistics (ABS) data on Australian portfolio liabilities to New Zealand.
- Outstanding loans for New Zealand's students living in overseas. In BoP context overseas based student debt holders (New Zealanders going overseas for a working more than one year treated as non-residents).
- On an average yearly basis from 2002 to 2011, approximately New Zealand dollar 10 billion has been added to New Zealand international assets abroad.

Presenting additional details:

In response to user demand, Balance of Payments unit introduced a range of more detailed information into New Zealand's international accounts. Mainly:

- New Zealand's external debt and lending
- Direct investment and investment income, by industry

New Zealand's external debt and lending;

- The sector of the New Zealand party to external debt and lending positions
The investment relationship between the New Zealand party and the non-resident counter-party of external debt and lending positions (Table 15 and 16 of the quarterly release), also Tables 28 and 29 of the Annual release.

Direct investment and investment income, by country;

- We publish industry information in September on total international assets and liabilities in the Annual Balance of Payments and International Investment Position release for March years now.
In response to the user demand, we have expanded coverage of industry information on international investment to include foreign direct investment and the income derived from international investment.

Related Materials

Other

- [Balance of Payments landing page](#)

webpage

- [Balance of Payments and International Investment Position - information releases](#)

Variables

Concepts

Balance of Payments Definitions

Name	Description
Balance of Payments (BOP)	<p>Balance of Payments (BOP) New Zealand's BoP statements are records of the value of the country's transactions with the rest of the world in goods, services, primary income, and secondary income. They also record changes in New Zealand's financial claims on (assets), and liabilities to, the rest of the world.</p>
International Investment Position (IIP)	<p>International Investment Position (IIP) New Zealand's IIP statement provides a snapshot of the country's international financial assets and liabilities. It measures the stock (or level) of New Zealand's financial assets and liabilities with the rest of the world at a particular point in time.</p> <p>The IIP includes New Zealand's net international debt (lending to non-residents less borrowing from non-residents) and net international equity investment (investment in shares abroad less foreign investment in New Zealand company shares). A net international debtor position means that international liabilities exceed international assets.</p> <p>The BoP and IIP statistics are closely related, with the former measuring transaction flows and the latter measuring stock positions. The difference in the level of international financial assets and liabilities between two points in time is due to:</p> <ul style="list-style-type: none"> • BoP financial account transactions • other (non-transactional) changes that occurred during the period (eg revaluations, changes in market prices, and other changes such as write-offs).

Balance of Payments
Institutional Sector
Classification

Balance of Payments Institutional Sector Classification

An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. Institutional units are assigned to an institutional sector by reference to their attributes of economic objectives, function, behaviour, control and ownership. For example, Producer Enterprises operate to produce a physical output in order to generate a profit. Financial Intermediaries provide financial services in order to generate a profit and Households consume goods and services and they also supply labour. Sometimes an intermediate classification of business type, based mainly on legal character, is used as an aid in the process of classifying by institutional sector. At the most aggregated level, the 'New Zealand Standard Institutional Sector Classification 1996' (NZSIC 96) categories are:

- Producer Enterprises
- Financial Intermediaries
- General Government
- Private Non-Profit Organizations Serving Households
- Households
- Rest of the World

In the BoP statistical framework, it is recommended that financial account and IIP statistics be presented on an institutional sector basis, in other words, providing an institutional approach to sectorisation. Therefore, the sector of the domestic creditor for assets and the sector of the domestic debtor for liabilities are identified. The four sectors that are distinguished in the BoP and IIP standard components are: Banks, General Government, Monetary Authorities, Other Sectors.

The sectorisation of the portfolio investment, financial derivatives and other investment in the BoP and the IIP serves to strengthen the links between the international accounts, the SNA93 and IMF statistical systems such as money and banking, government finance and international banking. Within the current and capital accounts, sectorisation is also applied to current and capital transfers, where a split between general government and other is used.

Other Financial
Classifications

Other Financial Classifications

Other classifications in the financial account and the IIP include the domicile of liabilities issued by residents, drawings and repayments for long-term liabilities in the form of both trade credits and loans, the residual maturity structure of financial claims and liabilities and the currency of assets and liabilities.

Country Classification

Country Classification

The general principles applying to the compilation of a global BoP statement for New Zealand can be applied to the preparation of a statement for New Zealand's transactions with an individual country or a group of countries. Statistics New Zealand publishes the stock and flows of direct investment (both debits and credits) statistics by country and by country groupings on a regular basis.

Industry Classification

Industry Classification

- The objective of the industry classification is to identify groupings of businesses that carry out similar economic activities. The Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006 is used in New Zealand IIP statistics. International comparability is maintained by the alignment of ANZSIC with the International Standard Industrial Classification of All Economic Activities (ISIC).

Data is published for the following divisions:

- A. Agriculture, Forestry and Fishing
- B. Mining
- C. Manufacturing
- D. Electricity, Gas, Water and Waste Services
- E. Construction
- F. Wholesale Trade
- G. Retail Trade
- H. Accommodation and Food Services
- I. Transport, Postal and Warehousing
- J. Information, Media and Telecommunications
- K. Financial and Insurance Services
- L. Rental, Hiring and Real Estate Services
- M. Professional, Scientific and Technical Services
- N. Administrative and Support Services
- O. Public Administration and Safety
- P. Education and Training
- Q. Health care and Social Assistance
- R. Arts and Recreational Services
- S. Other Services

BoP financial account data is collected on a consolidated basis. Where possible the top New Zealand enterprise of a group of enterprises in common ownership is surveyed and provides consolidated group data. The industry for foreign investment in New Zealand is determined by the enterprise in the group that has the most employees at the four digit ANZSIC level. This industry classification is then used to classify transactions with non-residents by all companies in the group. This same ANZSIC code is used for any overseas investments made by that parent enterprise or its New Zealand subsidiaries, thus New Zealand's investment overseas by industry is determined by the major industry of the New Zealand group.

Instrument of Investment

Instrument of Investment

Several instruments of investment are also identified. Some of these are applicable to only one type of capital. For example, the instrument reinvested earnings is applicable only to direct investment, while monetary gold and special drawing rights are used for reserve assets only. The major instruments and grouping of instruments identified in BoP and IIP statistics include:

- monetary gold
- voting capital
- fund shares/investment fund
- special drawing rights
- reserve position in IMF
- reinvested earnings
- debt securities
- trade credit
- loans
- other assets/liabilities.

Foreign equity and Debt	<p>Foreign equity and Debt At a broader level, instruments may be combined to show foreign equity and foreign debt. Foreign equity includes equity capital, reinvested earnings and equity securities. Foreign debt is a residual item containing all other instruments. They may be compiled on a gross basis (e.g. foreign debt/assets and liabilities) or on a net basis (e.g. net foreign debt).</p>
Financial Account	<p>Financial Account Records transactions in New Zealand's financial investment abroad (asset), and foreign investment in New Zealand (liabilities). Each of the asset and liability sides of the account records transactions that increase and decrease investments.</p> <p>The financial account is classified into assets and liabilities, which are broken down by type of investment (direct, portfolio, financial derivatives, other investment, and reserve assets) and instrument of investment.</p> <p>Note that we record the income generated/paid from holding an asset/liability in the primary income component of the BoP current account.</p>
Current Account	<p>Current Account Records the value of New Zealand's transactions with the rest of the world in goods, services, primary income, and secondary income.</p> <p>The credit side of this account shows the export of goods and services, income earned, and, under secondary income, the offsetting entries to resources received by residents without payment being required.</p> <p>The debit side shows the import of goods and services, income paid, and, under secondary income, the offsetting entries to resources supplied to foreign residents without payment being required.</p> <p>The current account balance is the sum of all current account credits less all current account debits. When the sum of debits is greater than the sum of credits we have a current account deficit. In New Zealand's case, the current account balance is usually in deficit; that is, expenses exceed revenues. Current account balances (deficit or surplus) are financed through the financial account.</p>
Goods and Services	<p>Goods and Services Goods and services are divided into separate components for goods and services. Goods comprise most movable goods that change ownership between New Zealand residents and non - residents. Separate entries are shown for general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers, and non-monetary gold. Services comprise services traded between New Zealand residents and non-residents, together with some transactions in goods where, by international agreement, it is not practical to separate the goods and services components (eg goods purchased by travellers are classified to services).</p>
Primary Income	<p>Primary Income Earnings from providing capital (eg profits received from directly owning a company, dividends received from owning shares, interest received from lending money) or wages/salaries earned from providing labour ('compensation of employees').</p>
Secondary Income	<p>Secondary Income Offsetting entries to transactions where goods and services are supplied or received without there being an exchange of equal value in return (e.g. taxes or donations, risk element of insurance premiums).</p>
Capital Account	<p>Capital Account Includes capital transfers and the acquisition or disposal of non-produced, non-financial assets. Capital transfers involve the transfer of ownership of fixed assets, or the transfer of funds linked to them, without any counterpart transaction.</p>

BPM6	<p>BPM6 The International Monetary Fund's Balance of Payments and International Investment Position Manual, Sixth Edition. It is the current international standard adopted by New Zealand in compiling our balance of payments and international investment statistics.</p>
Net Errors and Omissions (residual)	<p>Net Errors and Omissions (residual) Net errors and omissions (residual) is a balancing item, and is recorded on the credit side of the account. It is equal and opposite in sign to the sum of all inflows less the sum of all outflows.</p>
Balances	<p>Balances Balances are usually in surplus or deficit and are calculated as credits (exports) minus debits (imports) – zero balances are unusual. For example, the balance on goods is goods exports (credits) less goods imports (debits).</p>
Goods	<p>Goods Physical, produced items over which ownership rights can be established and whose ownership can be passed from one person to another through transactions.</p>
Services	<p>Services Products other than tangible goods. Services result from production activity that changes the conditions of the consuming units, or makes the exchange of products or financial assets possible.</p>
Exports of Travel Services	<p>Exports of Travel Services Covers all expenditure on both goods and services by overseas visitors to New Zealand. This includes holidaymakers, business travellers, and international students. Excludes international airfares.</p>
Imports of Travel Services	<p>Imports of Travel Services Covers all expenditure on both goods and services by New Zealand-resident travellers while overseas. Excludes international airfares.</p>
Capital Transfers	<p>Capital Transfers Involve the transfer of ownership of fixed assets or the transfer of funds linked to them, without any counterpart transaction. Also includes insurance claims arising from exceptional events.</p>
Non-produced, Non-financial Assets	<p>Non-produced, Non-financial Assets Consist of natural resources; contracts, leases, and licences; marketing assets; and goodwill (eg the sale of a brand name).</p>
Assets	<p>Assets A financial claim held by an entity on another entity (eg a New Zealand bank lending money to an overseas company would hold an asset equal to the value of the loan).</p>
Liabilities	<p>Liabilities A financial claim owing to an entity by another entity (eg a New Zealand company borrowing from overseas would have a liability to overseas equal to the value of the loan).</p>
Stocks	<p>Stocks The value, at a set point in time (balance sheet), of a country's financial assets or liabilities.</p>
Flows	<p>Flows Transactions that result in an increase or decrease in financial assets or liabilities (eg a New Zealand company purchases 50 percent of an overseas company – we record the transaction as a flow in the financial account, and the value of New Zealand's stock of financial assets increases accordingly).</p>
Direct Investment	<p>Direct Investment A situation where a single investor owns 10 percent or more of voting shares in a company (eg New Zealand-based subsidiaries of overseas companies represent direct investment from overseas).</p>

Portfolio Investment	<p>Portfolio Investment Arises under two situations.</p> <ol style="list-style-type: none"> 1. when an investor owns less than 10 percent of the voting shares of a company. 2. when an investor holds debt securities issued by a company in which the investor's ownership interest is less than 10 percent. Note that we also include borrowing and lending in the form debt securities between related depository corporations under portfolio investment.
Other Investment	<p>Other Investment Comprises borrowing and lending using loans, trade finance and deposits, where the transactors are unrelated or have less than 10 percent ownership interest in each other. Depository corporations are an exception. We record intercompany borrowing and lending of these entities in the form of loans and deposits under other investment.</p>
Securities	<p>Securities Financing or investment instruments bought and sold in financial markets, such as bonds, notes, options, and shares.</p>
Financial Instruments	<p>Financial Instruments Comprises debt instruments such as debt securities, loans, deposits; other non-equity financial instruments (monetary gold and financial derivatives); and equity instruments – ordinary shares, investment fund shares, and preference shares treated as equity.</p>
Equity Instruments	<p>Equity Instruments Do not require the payment of principal and/or interest and represents a claim on the residual value of the company, after the claims of all creditors have been met. Equity instruments comprise ordinary shares, investment fund shares, and participating preference shares.</p>
Debt Instruments	<p>Debt Instruments Financial instruments that require payment(s) of principal and/or interest by the debtor at some point(s) in the future.</p>
Non-equity Financial Instruments	<p>Non-equity Financial Instruments Comprises debt instruments such as debt securities, (non-participating preference shares are treated as debt instruments), loans, deposits, trade finance, and other non-equity financial instruments (monetary gold and financial derivatives).</p>
Financial Derivatives	<p>Financial Derivatives A financial instrument for which the price is dependent on or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates, and market indexes.</p>
Net International Debt	<p>Net International Debt New Zealand's overseas lending less its overseas borrowing. Lending and borrowing include debt instruments only, and exclude equity (shares). Financial derivative asset and liability positions are included in lending and borrowing. See also 'net external debt'.</p>
External Debt	<p>External Debt Comprises financial liabilities in the form of debt that are current and outstanding, and not contingent. External debt excludes equity instruments, monetary gold, and financial derivative mark-to-market values.</p>
External Lending	<p>External Lending Comprises financial assets in the form of debt instruments, and excludes equity instruments, monetary gold, and financial derivative mark-to-market values.</p>
Net External Debt	<p>Net External Debt The net of external debt less external lending. The external debt series excludes equity instruments, monetary gold, and financial derivative mark-to-market positions</p>

Related	<p>Related A relationship classification introduced for the external lending and debt series and applied solely to the bank sector, due to their role as financial intermediaries. Captures funding and claims between a bank and its direct investment partners (the bank's parent and its own subsidiaries) where the purpose of funding and claims is financial intermediation – borrowing to lend.</p>
Unrelated	<p>Unrelated A relationship classification introduced for the external lending and debt series. Captures all positions in all debt instrument types that are not the subject of a direct or related (bank sector only) investment relationship.</p>
Central Bank	<p>Central Bank Central Bank is the Reserve Bank of New Zealand.</p>
General Government	<p>General Government Comprises the New Zealand Treasury and other central and local government entities. State-owned enterprises are not recorded here; these are recorded in 'other sectors'.</p>
Deposit Taking Corporations	<p>Deposit Taking Corporations All registered banks.</p>
Other Sectors	<p>Other Sectors Include transactors (eg companies, organisations, individuals) that do not belong to any of the above-mentioned sectors.</p>
Financial Intermediation Services Indirectly Measured (FISIM)	<p>Financial Intermediation Services Indirectly Measured (FISIM) A type of financial service fee that is implicitly charged by banks and other similar deposit-taking corporations on interest transactions. For example, when a New Zealand resident deposits money in an overseas bank, the amount of the actual interest received is less than that earned because the overseas bank deducts their service fee charge (FISIM import).</p>
Investment Fund Shares	<p>Investment Fund Shares Units or shares in pooled investment vehicles such as whole equity funds and cash management trusts.</p>
Reinvested Earnings	<p>Reinvested Earnings The earnings of a business enterprise that are not paid out as dividends or other distributions to investors of that enterprise. Reinvested earnings are retained by the enterprise to fund future business activities.</p>
Insurance, pension and standardised guarantee schemes	<p>Insurance, pension and standardised guarantee schemes consist of:</p> <ul style="list-style-type: none"> •non-life insurance technical reserves – amounts identified by the insurance companies to account for premiums prepaid and claims incurred but not yet paid •pensions includes the extent of financial claims both existing and future pensioners hold against either their employer or a fund nominated by the employer to pay pensions earned as part of a compensation agreement between the employer and the employee •standardised guarantee schemes are schemes for which the probability of default can be well established; for example, guarantees issued by governments on export credit or student loans. <p>Note that for this item within the tables, the current data only relates to insurance technical reserves.</p>
Fellow Enterprises	<p>Fellow Enterprises Companies that have no direct investment relationship with one another but that have a common direct investor.</p>
Special Drawing Rights (SDRs)	<p>Special Drawing Rights (SDRs) A reserve asset item created by the International Monetary Fund (IMF) to supplement other reserve assets that are periodically allocated to IMF members in proportion to their respective quotas. The value of SDRs is determined by a weighted basket of currencies. Transactions in SDRs are recorded in the financial account, and positions are recorded in the IIP accounts.</p>

New Zealand Direct Investor	New Zealand Direct Investor A New Zealand resident (eg an individual or an enterprise) that owns 10 percent or more of the voting shares in a company located overseas.
New Zealand Direct Investee	New Zealand Direct Investee A New Zealand company in which a non-resident owns 10 percent or more of the voting shares.
Financial Capital Lending and Borrowing	Financial Capital Lending and Borrowing Lending and borrowing between related financial depository corporations that are in a direct investment relationship. This lending and borrowing is for direct investment purposes and not for financial intermediation.
External Lending and Debt, Direct Investment Inter-company	External Lending and Debt, Direct Investment Inter-company Lending and borrowing between related parties that are in a direct investment relationship, except for entities within the financial depository corporations sector.