

BALANCE OF PAYMENTS: FREQUENTLY ASKED QUESTIONS

1. What is Balance of Payments?

The Balance of Payments (BOP) is a statistical statement that summarizes transactions between Brunei residents and nonresidents during a period. It consists of the goods and services account, the primary income account, the secondary income account, the capital account, and the financial account.

The BOP in Brunei Darussalam has been compiled in accordance with the international standards set out in the Balance of Payments and International Investment Position Manual, Sixth Edition (BPM 6), published by the International Monetary Fund.

2. What is Current Accounts?

The current account shows flows of goods, services, primary income, and secondary income between Brunei residents and nonresidents. The current account is an important grouping of accounts within the balance of payments.

3. What is Capital Account?

The capital account shows credit and debit entries for nonproduced nonfinancial assets and capital transfers between Brunei residents and nonresidents. It records acquisitions and disposals of nonproduced nonfinancial assets, such as land sold to embassies and sales of leases and licenses, as well as capital transfers, that is, the provision of resources for capital purposes by one party without anything of economic value being supplied as a direct return to that party

4. What is Financial Account?

The financial account records transactions that involve financial assets and liabilities and that take place between Brunei residents and nonresidents. The financial account indicates the functional categories, sectors, instruments, and maturities used for net international financing transactions. The financial account shows net acquisition and disposal of financial assets and liabilities.

5. Who are considered residents and nonresidents?

A resident is any individual, enterprise or other organization ordinarily domiciled in Brunei Darussalam. On the other hand, a nonresident is any individual, enterprise or other organization ordinarily domiciled in a country other than Brunei Darussalam. Brunei Darussalam branches and subsidiaries of nonresident companies are residents of Brunei Darussalam. Similarly, foreign branches and subsidiaries of Brunei Darussalam companies who are residing temporarily in Brunei Darussalam are considered as nonresidents. Exception is that of individuals and members of their immediate families who reside outside the Brunei Darussalam who works with the Brunei Government such as diplomats, consular officials and members of the armed forces are considered as Brunei residents. Brunei students who are studying at foreign educational institutions are also considered as Brunei residents, regardless of how long they study abroad.

Similarly, individuals and members of their immediate families who work in Brunei Darussalam for foreign embassies, consulates or other missions and foreign students enrolled at Brunei Darussalam's educational institutions are not considered as Brunei Darussalam residents regardless of how long they stay.

6. How do you collect the BOP data?

The BOP transactions are obtained from variety of sources including the government agencies, private agencies and surveys. All government agencies engaged in international are required to report transactions on international services to JPKE.

Meanwhile private agencies engaged in international transactions are required to report international foreign investment and international services transactions quarterly and annually through surveys. These surveys are conducted under the authority of the Statistics Act, Chapter 81 from the Laws of Brunei Darussalam. All information provided will be treated as confidential and used for statistical purposes only. Partner country data are also used to estimate services transactions and also for comparison purposes.

7. Does the Balance of Payments have to balance?

The BOP compilation follows the standard double entry accounting treatment. Each transaction in the balance of payments is recorded as consisting of two equal and opposite entries, reflecting the inflow and outflow element to each exchange. For each transaction, each party records a matching credit and debit entry.

Credit entries are used to record exports of goods and services, income receivable, reduction in assets, or increase in liabilities. Conversely, debit entries are used to record imports of goods and services, income payable, increase in assets, or reduction in liabilities.

The transactions of both entries in the BOP accounting system must be recorded at uniform values and in the same period. The factor may lead to omissions in the BOP accounts is different data sources may be used to measure the two entries in a transaction. These data sources may not reflect uniform valuations and time of recording. In addition, coverage of transactions by data source may be incomplete.

8. Could you explain changes in the sign convention in BPM 6?

The sign convention used in BOP is in line with the national accounts. An increase in either credit or debit entries gives a positive sign and a negative sign to a decrease in credit or debit entries. In the current and capital accounts, both receipt/credit items and payment/debit items are registered with positive sign and the net balance are calculated as receipts/credits less payments/debits.

Meanwhile in the financial account, the terms net acquisition of financial assets and net incurrence of liabilities are used. The financial assets and financial liabilities are recorded separately and new sign convention for recording of financial flows in the balance of payments is used. A positive sign indicates an increase in assets or liabilities and a negative sign indicates a decrease in assets or liabilities. The net balances in the financial accounts are calculated as the net change in assets transactions less the net change in liabilities transactions.

9. Where can I find information on Balance of Payments?

The BOP data can be found in the Brunei Darussalam Statistical Yearbook and Balance of Payments 2014 publication or you may contact at this number at 673-2233344 or email info.statistics@jpke.gov.bn for further enquiries.