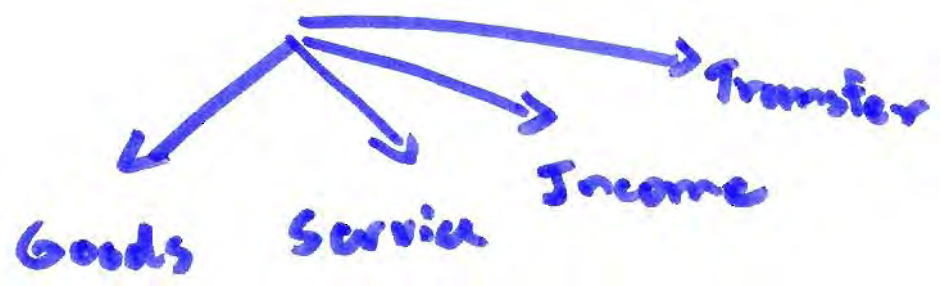


# Balance of Payment (BoP) <sup>Part 1</sup>

- ① Current Account
- ② Capital and Financial Account
- ③ Error and Omissions
- ④ International Reserve Account

Capital Acct.      Financial Acct.

$$CA + KA + EBO = \text{Change in Foreign Reserve}$$



- ⊕ Positive number → the country earns foreign exchange (i.e. inflows of foreign currency)
- ⊖ Negative number → outflows of foreign currency

(A

- ① Trade in goods account: record of foreign exchange receive and payment from the country's export and import of goods.
- ② Trade in service account: record of foreign exchange receive and payment from the country's export and import of services.

(e.g. transportation, travel, govt service, consultancy service, medical service.)

CA

③ Income Account: record of foreign exchange income receipts and income payment from compensation of employees and investment incomes (e.g. dividends, interest, rent, profit)

④ Transfer Account: record of transfer receive and payment from private and govt sectors.

(e.g. donations, parents' transfer to children studying abroad)

# KA (Capital & Financial Account)

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## ① Capital Account

- Cancellation of debt by creditors
- Money transfer by refugees.
- Asset / Liability of non-productive activities

## ② Financial Account

- Direct Investment (FDI = Foreign Direct Investment)  
(e.g. actual operation, building a factories)
- Portfolio Investment  
(e.g. stock, bond, financial assets)
- Other Investments (e.g. trade credit, intl loans)

③ Error and Omissions : From incomplete data collection due to several problems. (e.g. illegal trade, drugs, money laundry)

④ Change in International Reserve

The adjustment of stock of foreign exchange (kept at the central bank)

⊖ negative ⇒ the country earns more foreign exchange  
↓

Mirror Accounting → ⊖ → Thailand owns more foreign assets

BGP : "Balance" → Sum of CA, KA, Error, Δ Foreign

CASE 1 : Surplus of CA + KA | asset = 0

$$CA + KA + Error > 0$$

⊕ → net surplus or net inflow of foreign exchange → Δ Foreign Reserve ⇒ ⊖

$$CA + KA + Error - \Delta \text{ Foreign Reserve} = 0$$

CASE 2 : Deficit of CA + KA

$$CA + KA + Error < 0$$

$$CA + KA + Error + \Delta \text{ Foreign Reserve} = 0$$

## Example of Balance of Payment (units: million US dollars)

	2007 p	2008 p	2009 p
<b>Current account</b>	<b>15,681.73</b>	<b>1,633.00</b>	<b>20,290.90</b>
a. Goods and services	18,703.21	4,934.85	24,916.72
1. Goods	12,782.03	108.09	19,416.41
Exports (f.o.b.)	151,258.35	175,233.06	150,883.04
Imports (c.i.f.)	-138,476.31	-175,124.97	-131,466.62
Of which: Non-monetary gold	-1,635.98	-6,068.98	-3,785.31
2. Services	5,921.17	4,826.76	5,500.31
Services receipts	30,361.92	33,399.57	30,200.07
Services payments	-24,440.74	-28,572.81	-24,699.75
b. Income	-6,960.39	-8,072.30	-9,116.48
Income receipts	7,331.98	7,130.71	5,030.48
Income payments 4/	-14,292.38	-15,203.02	-14,146.96
c. Current transfers	3,938.91	4,770.45	4,490.66
<b>Capital and financial account</b>	<b>-2,623.78</b>	<b>14,603.70</b>	<b>-1,199.44</b>
a. Capital account 6/	0.00	0.00	0.00
b. Financial account	-2,623.78	14,603.70	-1,199.44
1. Direct investment 3/	8,465.85	6,002.05	2,118.39
(1) Abroad	-2,864.34	-2,568.41	-3,835.90
(2) In reporting economy	11,330.19	8,570.46	5,954.32
2. Portfolio investment	-6,726.91	-2,080.36	-9,211.68
3. Other investment	-4,362.72	10,682.01	5,893.84
<b>Errors and omissions</b>	<b>4,044.25</b>	<b>8,456.58</b>	<b>5,035.12</b>
<b>Overall balance</b>	<b>17,102.20</b>	<b>24,693.30</b>	<b>24,126.60</b>
<b>Reserve assets</b>	<b>-17,102.20</b>	<b>-24,693.30</b>	<b>-24,126.60</b>

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Income receipts	7,331.98	7,130.71	5,030.48
Income payments	-14,292.38	-15,203.02	-14,146.96
1.4 c. Current transfers	3,938.91	4,770.45	4,490.66
② Capital and financial account <b>KA</b>	-2,623.78	14,603.70	-1,199.44
a. Capital account 6/	0.00	0.00	0.00
b. Financial account	-2,623.78	14,603.70	-1,199.44
1. Direct investment 3/	8,465.85	6,002.05	2,118.39
(1) Abroad	-2,864.34	-2,568.41	-3,835.90
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③ Errors and omissions <b>Error</b>	4,044.25	8,456.58	5,035.12
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Income payments 4/	-14,292.38	-15,203.02	-14,146.96
c. Current transfers	3,938.91	4,770.45	4,490.66
<b>Capital and financial account</b> KA	<b>-2,623.78</b>	14,603.70	-1,199.44
a. Capital account 6/	0.00	0.00	0.00
b. Financial account	-2,623.78	14,603.70	-1,199.44
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$(A + KA + Error) = 15,681 + (-2,623) + 4,044$

17,102.

Mirror Accounting

FDI \*\*