

BALANCE OF PAYMENTS

The current account balance is the difference between current receipts from abroad and current payments to abroad. When the current account is positive, the country can use the surplus to repay foreign debts, to acquire foreign assets or to lend to the rest of the world. When the current account balance is negative, the deficit will be financed by borrowing from abroad or by liquidating foreign assets acquired in earlier periods.

Definition

Current account transactions consist of exports and imports of goods; exports and imports of services such as travel, international freight and passenger transport, insurance and financial services; income flows consisting of wages and salaries, dividends, interest and other investment income (i.e. property income in *System of National Accounts*); and current transfers such as government transfers (i.e. international cooperation), worker's remittances or other transfers such as gifts, inheritances and prizes won from lotteries.

Note that investment income includes retained earnings (i.e. profits not distributed as dividends to the direct investor) of foreign subsidiaries or branches. In general, earnings of direct investment enterprises are treated as if they were remitted abroad to the direct investor, with the part that is actually retained in the country where the direct investment enterprises are located shown as direct investment income-reinvested earnings (debit) in the current account and (with the opposite sign) as inward direct investment in the financial account.

Overview

Current account balances as a percentage of GDP have been negative throughout the period since 1990 in Australia, Mexico, New Zealand, Spain, the United Kingdom and the United States; this is partly due to the way in which earnings of direct investment enterprises are treated. The portfolio investment balance, as well as the balance on goods, had a significant impact on trends in current account balances up to the recent crisis that affected the world economy. Countries which have recorded current account surpluses throughout the period include Japan, Luxembourg, the Netherlands, Norway and Switzerland.

Since 1990, current account balances have generally moved from deficit to surplus in Austria, Canada and Germany.

Current account balances, as a percentage of GDP and averaged over the three years to 2008, recorded deficits of 5% of GDP or more in Iceland (where the average deficit reached 30%), Greece, Portugal, Spain, New Zealand, Hungary, the Slovak Republic, Turkey, the United States and Australia. Surpluses in excess of 5% were recorded by Norway, Switzerland, Sweden, Luxembourg, the Netherlands, and Germany.

Comparability

The data are taken from balance of payments statistics compiled according to the International Monetary Fund (IMF) *Balance of Payments Manual* (BPM5). The IMF closely monitors balance of payments statistics reported by its member countries through regular meetings of balance of payments compilers. As a result, there is relatively good comparability across countries.

Because all earnings of direct investment enterprises are treated as though they are remitted to the direct investor even though a large part may in practice be retained by the direct investment enterprise in the countries where they are located, the existence of direct investment enterprises in an economy will tend to reduce its current account balance.

Note also that portfolio income balance plays a role of growing importance for current account balances.

Sources

- OECD (2010), *Main Economic Indicators*, OECD, Paris.

Further information

Analytical publications

- OECD (2006), *Export Credit Financing Systems in OECD Member Countries and Non-Member Economies*, OECD, Paris.

Methodological publications

- IMF (1993), *Balance of Payments Manual*, 5th edition, IMF, Washington, DC.
- UN, EC, IMF, OECD, UNCTAD and the WTO (2002), *Manual on Statistics of International Trade in Services*, United Nations, New York.

Online databases

- *Main Economic Indicators*.
- *OECD Economic Outlook Statistics*.

Web sites

- *OECD Economic Outlook – Sources and Methods*, www.oecd.org/eco/sources-and-methods.



Current account balance

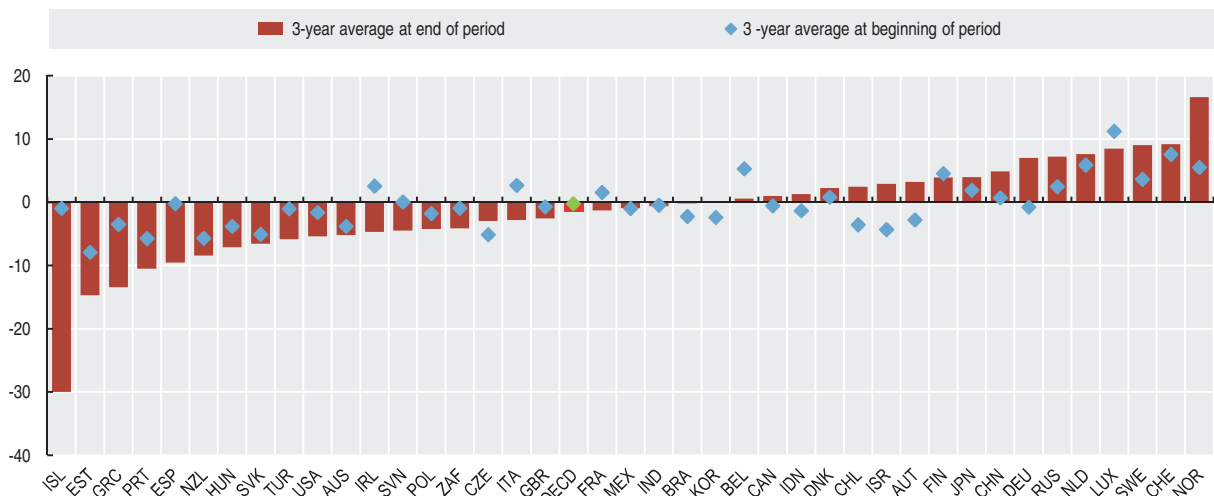
As a percentage of GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	-5.0	-3.6	-2.8	-4.7	-5.1	-3.6	-1.9	-3.7	-5.2	-5.9	-5.5	-5.1	-6.1	-4.4
Austria	-2.9	-2.9	-2.5	-1.7	-1.7	-0.7	-0.8	2.7	1.7	2.2	2.2	2.8	3.6	3.2
Belgium	5.4	5.0	5.5	5.2	5.1	4.0	3.4	4.6	4.1	3.5	2.6	2.0	2.2	-2.5
Canada	-0.8	0.5	-1.3	-1.2	0.3	2.7	2.3	1.7	1.2	2.3	1.9	1.4	1.0	0.5
Czech Republic	-2.5	-6.6	-6.2	-2.0	-2.4	-4.8	-5.3	-5.5	-6.3	-5.2	-1.3	-2.6	-3.2	-3.1
Denmark	0.7	1.4	0.4	-0.9	1.9	1.6	2.6	2.9	3.5	2.3	4.3	3.0	1.5	2.2
Finland	4.1	4.0	5.6	5.6	6.2	8.1	8.6	8.8	5.2	6.6	3.6	4.5	4.2	3.0
France	0.7	1.3	2.7	2.6	3.1	1.6	1.9	1.4	0.8	0.6	-0.4	-0.5	-1.0	-2.3
Germany	-1.2	-0.6	-0.5	-0.7	-1.3	-1.7	0.0	2.1	1.9	4.7	5.1	6.5	7.9	6.7
Greece	-3.9	-2.7	-3.8	-7.8	-7.3	-6.8	-6.6	-5.9	-7.4	-11.3	-14.5	-14.5
Hungary	-3.3	-3.8	-4.3	-6.9	-7.7	-8.5	-6.0	-6.9	-8.0	-8.3	-7.2	-7.4	-6.8	-7.1
Iceland	0.7	-1.8	-1.8	-6.7	-6.8	-10.1	-4.3	1.5	-4.8	-9.8	-16.2	-25.7	-20.1	-44.2
Ireland	2.6	2.8	2.3	0.8	0.2	-0.4	-0.7	-0.9	0.0	-0.6	-3.5	-3.5	-5.3	-5.3
Italy	2.2	3.1	2.8	1.9	0.7	-0.5	-0.1	-0.8	-1.3	-0.9	-1.7	-2.6	-2.4	-3.4
Japan	2.1	1.4	2.3	3.1	2.6	2.6	2.1	2.9	3.2	3.7	3.6	3.9	4.8	3.2
Korea	-1.6	-4.0	-1.5	11.2	5.3	2.3	1.6	0.9	1.9	3.9	1.8	0.6	0.6	-0.7
Luxembourg	12.1	11.2	10.4	9.2	8.4	13.2	8.8	10.5	8.1	11.9	11.0	10.3	9.7	5.4
Mexico	-0.5	-0.7	-1.7	-3.5	-2.7	-2.9	-2.6	-2.0	-1.0	-0.7	-0.5	-0.5	-0.8	-1.5
Netherlands	6.1	5.1	6.5	3.2	3.8	1.9	2.4	2.5	5.5	7.5	7.3	9.3	8.7	4.8
New Zealand	-5.0	-5.7	-6.3	-3.9	-6.2	-5.2	-2.7	-3.8	-4.1	-6.2	-8.3	-8.5	-8.0	-8.8
Norway	3.5	6.8	6.3	0.0	5.6	15.0	16.1	12.5	12.3	12.7	16.3	17.3	14.1	18.5
Poland	-1.7	-0.9	-2.7	-4.0	-6.9	-6.0	-3.1	-2.8	-2.5	-4.0	-1.2	-2.8	-4.8	-5.1
Portugal	..	-4.2	-5.9	-7.0	-8.5	-10.2	-9.9	-8.1	-6.1	-7.6	-9.5	-10.0	-9.4	-12.1
Slovak Republic	2.6	-9.3	-8.5	-8.9	-4.8	-3.4	-8.3	-7.9	-5.9	-7.8	-8.5	-7.9	-5.3	-6.5
Spain	-0.3	-0.2	-0.1	-1.2	-2.9	-4.0	-3.9	-3.3	-3.5	-5.3	-7.4	-9.0	-10.0	-9.6
Sweden	3.3	3.5	4.1	3.8	4.1	3.8	3.8	4.0	7.2	6.7	7.0	8.5	8.8	9.8
Switzerland	6.5	7.0	9.3	9.2	10.8	12.1	8.2	8.8	13.3	13.4	14.0	15.2	10.0	2.4
Turkey	-1.0	-1.0	-1.0	0.7	-0.4	-3.7	1.9	-0.3	-2.5	-3.7	-4.6	-6.0	-5.9	-5.7
United Kingdom	-1.2	-0.8	-0.1	-0.4	-2.4	-2.6	-2.1	-1.7	-1.6	-2.1	-2.6	-3.3	-2.7	-1.6
United States	-1.5	-1.6	-1.7	-2.5	-3.2	-4.2	-3.9	-4.3	-4.7	-5.3	-6.0	-6.0	-5.2	-4.9
OECD total	0.2	-0.1	-0.7	-1.3	-1.1	-1.1	-1.0	-0.9	-1.5	-1.6	-1.3	-1.6
Brazil	-1.8	-2.2	-2.7	-3.0	-2.2	-2.0	-1.8	-0.6	0.3	0.8	0.9	0.8	0.1	-1.4
Chile	-2.1	-4.1	-4.4	-4.9	0.1	-1.2	-1.6	-0.9	-1.1	2.2	1.2	4.9	4.4	-2.0
China	0.1	0.4	1.6	1.3	0.8	0.7	0.5	1.0	1.1	1.5	3.0	4.1	5.2	5.4
Estonia	-4.2	-8.4	-11.1	-8.6	-4.3	-5.4	-5.2	-10.6	-11.3	-11.3	-10.0	-16.9	-17.8	-9.4
India	-0.5	-0.5	-0.3	-0.5	-0.2	-0.3	0.1	0.4	0.5	0.0	-0.4	-0.4	-0.4	-1.1
Indonesia	-1.5	-1.6	-0.9	0.9	1.2	1.6	1.3	1.4	1.3	0.2	0.0	1.4	1.2	0.0
Israel	-5.0	-4.9	-3.0	-0.9	-1.8	-1.8	-1.6	-1.1	0.5	1.7	3.1	5.0	2.8	1.0
Russian Federation	2.2	2.8	0.0	0.1	12.6	18.0	11.1	8.5	8.2	10.1	11.1	9.6	5.9	6.1
Slovenia	-0.3	0.2	0.3	-0.6	-3.2	-2.7	0.2	1.0	-0.8	-2.6	-1.7	-2.5	-4.8	-6.2
South Africa	-1.1	-0.7	-0.9	-0.8	-0.2	-0.1	0.1	0.3	-0.6	-1.9	-2.4	-3.7	-4.4	-4.3

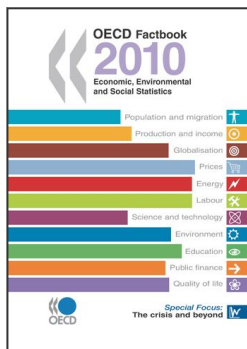
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Current account balance

As a percentage of GDP



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