

Appendix : Explanation of Principal Items

Beginning 2016, the Balance of Payments and International Investment Position of the Republic of China (Taiwan) are compiled in accordance with the Sixth Edition of the *Balance of Payments and International Investment Position Manual* issued by the International Monetary Fund.

A. Current account

1. Goods: transactions of movable goods between residents and nonresidents involving a change of ownership

1-1. General merchandise: Customs data are used after adjustment for trade terms, timing, and coverage. Goods that pass through the R.O.C. (Taiwan) territory without ownership changes are excluded; goods of which ownership changes without passing through the R.O.C. (Taiwan) territory are included. Goods acquired by a resident to be processed abroad for a fee and resold abroad without passing through the territory are also recorded under this item.

1-2. Net exports of goods under merchanting: The purchase of raw materials, semi-finished goods or finished goods by a resident from a nonresident followed by the resale of the same goods without passing through the R.O.C. (Taiwan) territory. The value of the goods is recorded under this item on a net basis.

1-3. Nonmonetary gold cover all gold not held as reserve assets by the monetary authority, including physical gold and transactions of allocated gold accounts.

2. Services

2-1. Manufacturing services: The receipts of a resident providing a nonresident with the services of processing, assembly, labeling, or packing on goods owned by the nonresident; a resident's payments to a nonresident for providing these services for the resident who also are the owner of the goods concerned.

2-2. Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods owned by nonresidents (and vice versa). Maintenance and repair work on ships, aircraft, and other transport equipment are recorded under this item. Maintenance and repair work on construction and on computers are excluded as they are recorded under "construction" and "telecommunications, computer, and information services," respectively.

2-3 Transport: Passenger and freight services, and other transport services (such as charter planes, charter ships, ports, postal and courier services).

2-4 Travel: Expenditure on goods and services of nonresidents traveling in the R.O.C. (Taiwan) and residents traveling abroad for less than one year. Excluded is the international carriage of travelers, which is covered under "transport." The one-year rule does not apply to students and medical patients, whose expenditures are recorded under travel.

2-5. Other services

2-5-1. Construction: Work on construction projects and installations. Acquisition of goods and services by the enterprises undertaking that construction work from the economy of location of the construction work is also included.

2-5-2. Insurance and pension services: Services of providing freight insurance, direct insurance (incl. life and non-life insurance), reinsurance, annuities, and pensions.

2-5-3. Financial services cover explicit financial intermediary and auxiliary services (except services of insurance enterprises and pension funds, which are recorded as insurance services) and also includes financial intermediation service charges indirectly measured (FISIM).

2-5-3-1. Explicit intermediary services: Commissions and other fees related to letters of credit, bankers' acceptances, lines of credit, financial leasing, and foreign exchange transactions; commissions and other charges related to transactions in securities (brokerage, placements of issues, underwritings, and redemptions); commissions and fees paid for the arrangement of financial derivatives contracts. Also included are commissions and other fees related to auxiliary services such as asset management services, financial market operational and regulatory services, security custody services, etc.

- 2-5-3-2. FISIM: Implicit intermediary services calculated by using an "interbank" reference rate of interest to determine the margins between interest receivable and payable on banks' loans and deposits. These services are not recorded in the income account.
- 2-5-4. Charges for the use of intellectual property n.i.e.: Receipts or charges for the use of patents, copyrights, industrial processes and designs, trademarks, franchises, etc.
- 2-5-5. Telecom., computer, and information services: Telecommunications services, hardware and software installation and consultancy services, data processing and hosting services, maintenance and repair of computers and peripheral equipment, etc.
- 2-5-6. Other business services:
 - 2-5-6-1. Research and development services include the acquisition and disposal of proprietary rights arising from R&D, namely patents, copyrights, industrial processes and designs. Excluded are the acquisition and disposal of trademarks and franchises, which are recorded in the capital account.
 - 2-5-6-2. Professional and management consulting services: Legal services, accounting, management consulting, public relations services; advertising, market research, public opinion polling services; convention, trade-fair and exhibition organization services, product testing and certification, architectural design, etc.
 - 2-5-6-3. Trade-related, and other miscellaneous technical services comprise operating leasing, commissions and agent fees for trade-related services, waste treatment and depollution, agricultural and mining services.
- 2-5-7. Personal, cultural, and recreational services:
 - 2-5-7-1. Audiovisual and related services include services and fees to actors, directors, and producers involved with motion pictures, videotapes, radio and television programs, musical recordings, etc.
 - 2-5-7-2. Other personal, cultural, and recreational services include services associated with museums, libraries, and other cultural and sporting activities; education services such as correspondence courses; health services including those rendered remotely or on site. However, education and health services acquired by residents while outside their territory of residence are included in travel.
- 2-5-8. Government goods and services n.i.e.: Such as goods and services acquired by diplomats, military personnel located abroad, etc.
- 3. Primary income
 - 3-1. Compensation of employees: Wages, salaries, and other benefits earned by nonresident workers with length of stay under one year (including seasonal, cross-border, and other short-term workers).
 - 3-2. Investment income comprises receipts and payments of income associated, respectively, with the holding of external financial assets by residents and with liabilities to nonresidents. Capital gains and losses are not classified as investment income but as part of the value of the financial account. The components of investment income are classified as direct investment income, portfolio investment income, and other investment income.
 - 3-2-1. Direct investment income includes income on equity and investment fund shares; undistributed earnings and reinvested earnings; income on investment between fellow enterprises.
 - 3-2-2. Portfolio investment income includes income on positions in equity securities, bonds, and money market instruments.
 - 3-2-3. Other investment income includes pure interest (excluding FISIM) from deposits and loans and income derived from other claims.
 - 3-3. Other primary income: Income receivable from the use of land or other natural resources, including the use of rights in territorial airspace or waters.

4. Secondary income

Renamed from "current transfers" in BPM5. Secondary income covers items offset when a resident provides a real resource or a financial item to a nonresident without receiving any real resource or financial item in exchange. Examples are workers' remittances (compensation of foreign workers staying in the compiling economy for one year or longer), donations, remittances to support family, gifts and samples, insurance claims, etc.

B. Capital account

The capital account covers all transactions that involve the receipt/payment of capital transfers and the acquisition/disposal of non-produced, nonfinancial assets (such as trademarks, franchises, and domain names).

C. Financial account

The financial account records the transactions in external financial assets and financial liabilities. The components of the financial account are classified by the functional types of investment: direct investment, portfolio investment, financial derivatives, and other investment.

1. Direct investment

Direct investment refers to a lasting interest of the direct investor in the direct investment enterprise. The components include equity and investment fund shares, reinvestment of earnings, and intercompany lending.

2. Portfolio investment

Portfolio investment consists of equity and investment fund shares and debt securities. Equity and investment fund shares cover shares, stocks, participations, depository receipts or similar documents, as well as mutual funds and investment trusts. Debt securities include bonds, notes, money market instruments, etc.

3. Financial derivatives

This category covers hedge and non-hedge derivatives, such as futures, swaps, forwards, and options. The data are recorded on settlement receipts and payments basis.

4. Other investment

Other investment is a residual category that includes all financial transactions not covered in direct investment, portfolio investment, financial derivatives, or reserve assets. This category covers other equity and debt instruments, the latter of which include currency and deposits, loans, trade credits and advances, and other accounts receivable and payable. Unallocated gold accounts not held as reserve assets are classified as deposits. Components of other investment can be further broken down by maturity under sub-items, where long-term investment is defined as investment with an original contractual maturity of more than one year or with no stated maturity. Short-term investment is investment payable on demand or with an original contractual maturity of one year or less.

D. Reserve assets

Reserve assets consist of those external assets that are readily available to and controlled by the monetary authority.

By definition, reserve assets consist of monetary gold, currency and deposits, securities (including debt and equity securities), financial derivatives, and other claims (loans and other financial instruments).