Capital Account

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Coverage and definitions

Capital-account transactions result from acquisitions and disposals of nonproduced, nonfinancial assets of an economy, such as purchases and sales of rights to tangible assets and purchases and sales of intangible assets, and from capital transfers, such as insured catastrophic losses and debt forgiveness. Capital-account transactions are distinguished from current-account transactions in that capital-account transactions result in a commensurate change in assets of one or both parties to the transaction without affecting the income or savings of either party. Thus, transactions in the components of the capital account do not affect measures of production, income, and savings of an economy, whereas transactions in the components of the current account do affect measures of production, income, and savings of an economy.

Acquisitions and disposals of nonproduced, nonfinancial assets of an economy and capital transfers receivable and payable are recorded separately on a gross basis, but are netted in a single line in the presentation of the accounts.

Estimation methods overview

Statistics are regularly available for only two types of capital account transactions: data for insured catastrophic losses are from BEA's survey of insurance services and from company reports and data for forgiveness of U.S. government loans are from the U.S. Treasury Department.

1 **Capital Account Transactions, Net** (line 39)

1.1 **Acquisitions and disposals of nonproduced nonfinancial assets**

1.1.1 Acquisitions and disposals of nonproduced nonfinancial assets include purchases and sales of rights to *tangible assets,* such as mineral rights, electromagnetic spectrum, and offshore drilling rights, and purchases and sales of *intangible assets,* such as copyrights and trademarks. At present, no source data are available to separately identify and adequately measure most of these transactions. In some cases, capital transactions may be covered but commingled with transactions recorded elsewhere in the accounts, primarily in the royalties and license fees accounts (lines 9 and 26) and in the business, professional, and technical services accounts (lines 10 and 27).

1.1.2 Examples of intermittent transactions in nonproduced, nonfinancial assets currently included in the capital account are receipts of U.S.-based sports leagues for the establishment of franchises in Canada, receipts of the U.S. State Department for the sale of land in London, and payments for the purchase of rights to negotiate with foreign athletes. Although no reliable source data are regularly available, when BEA can identify transactions in nonproduced, nonfinancial assets, they are included in the capital account.

1.2 Capital transfers

1.2.1 **Insured catastrophic losses.—**Transfers related to insured catastrophic losses—losses recovered from foreign insurers on both reinsurance and primary insurance contracts—are currently the largest capital transfer for which source data are available; these transfers are separated from other insurance transactions to assure that insured catastrophic losses do not affect measures of income and savings in the GDP accounts.[1] By their nature, entries for catastrophic events are infrequent; a single entry for the entire amount of the catastrophic loss recovered from foreign reinsurance and primary insurance companies is made in the quarter in which the catastrophic event occurs. No catastrophic losses occurred in 2009; therefore, the entry in table 17 is zero. The decision as to what constitutes a catastrophic loss is made on a case-by-case evaluation of each major event or loss.

1. Eugene P. Seskin and Shelly Smith, "Preview of the 2009 Comprehensive Revision of the NIPAs: Changes in Definitions and Classifications," Survey of Current Business 89 (March 2009): 10–27. For more information on earlier changes, see Brent R. Moulton and Eugene P. Seskin, "Preview of the 2003 Comprehensive Revision on the National Income and Product Accounts: Changes in Definitions and Classifications," Survey 83 (June 2003): 19–23; Baoline Chen and Dennis J. Fixler, "Measuring the Services of Property-Casualty Insurance in the NIPAs," Survey 83 (October 2003): 10–26.

1.2.2 **Debt forgiveness.—**Debt forgiveness is the voluntary cancellation of all or part of a debt obligation within a contractual agreement between a creditor and debtor. With debt forgiveness, the contractual arrangement cancels or forgives all or part of the principal amount outstanding, including interest arrears and other interest costs that have accrued. Debt forgiveness does not arise from the cancellation of future interest payments that have not yet fallen due and have not yet accrued. Currently, data are available only for forgiveness of debt owed to the U.S. government (see table 17). Debt forgiveness is included in the capital account to avoid distorting measures of income and savings in the GDP accounts.

1.2.3 **Panama Canal.—**Capital transfers also include the December 1999 transfer to the Republic of Panama of the U.S. government's assets in the Panama Canal Commission.

Table 17. Capital Account Transactions, Net, 2009 (Line 39)

[Millions of dollars; credits +, debits –]

Total	**–140**
Receipts	**0**
Disposals of nonproduced nonfinancial assets	0
Sales of rights to natural resources	0
Capital transfers	0
Insured catastrophic losses	0
Payments	**–140**
Acquisitions of nonproduced nonfinancial assets	0
Purchases of rights to natural resources	0
Capital transfers	–140
Debt forgiveness	–140