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NET ERRORS AND OMISSIONS IN THE BALANCE OF PAYMENTS OF TRINIDAD AND TOBAGO

This Note explains the concept of 'net errors and omissions' in the balance of payments of Trinidad and Tobago. It is the first in a new Series by the Central Bank of Trinidad and Tobago aimed at explaining important economic concepts and monetary policy actions to a broad public audience in non-technical terms. The Central Bank looks forward to comments and feedback on these Notes at info@central-bank.org.tt.

In simple terms, 'net errors and omissions' represent a balancing item in the balance of payments of a country.

The **balance of payments** itself is a statistical statement that summarises financial transactions between residents of an economy and non-residents (or the rest of the world) during a period. It consists of the current account, the capital account, the financial account and the overall balance. For Trinidad and Tobago, the balance of payments is compiled in accordance with the latest international statistical standard – the International Monetary Fund (IMF), Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).

The **current account** shows flows of goods, services, primary income and secondary income between residents and non-residents. In 2023, Trinidad and Tobago's current account recorded a surplus of US\$3,396.7 million as exports of goods and services and income receivable outweighed imports of goods and services and income payable. The capital account shows capital transfers receivable and payable between residents and non-residents and the acquisition and disposal of non-produced, non-financial assets between residents and non-residents. For Trinidad and Tobago these transactions are relatively small.

The **financial account** shows transactions with non-residents that involve financial assets and liabilities. In 2023, the financial account recorded a net outflow of US\$1,605.8 million as direct investment outflows outweighed inflows recorded on the portfolio and other investment sub-accounts.

The **overall balance** represents the change in international reserves managed by the Central Bank over the period. In 2023, the change in international reserves was -US\$736.1 million.

Now, it should be emphasized that in principle **‘the balance of payments must balance’**, meaning that the overall balance must be equal to the components, i.e. the current account, capital account and financial account. In practice, in all countries, it is not possible to get exact figures for all of the thousands or millions of individual transactions of a country with the rest of the world. This gives rise to the concept of ‘net errors and omissions’ which is a balancing item that represents the information that may not have been covered due to errors by reporting entities or omissions, meaning information that was not received.

For Trinidad and Tobago, over the past five years, the **net errors and omissions were recorded as, 2019: -US\$1,101.9 million; 2020: -US\$132.6 million; 2021: -US\$90.5 million; 2022: -US\$2,075.2 million; and 2023: -US\$2,365.8 million.**

The Central Bank of Trinidad and Tobago compiles and publishes this country’s balance of payments. **The Central Bank assembles data from a variety of primary sources**, such as the Central Statistical Office, Ministry of Energy, Customs Department, financial institutions etc. **and also conducts specific surveys involving private and public institutions.** As noted earlier, errors by reporting agencies and moreso incomplete coverage of transactions constitute the errors and omissions in the balance of payments.

Two particular issues in the sphere of incomplete coverage for Trinidad and Tobago are:

(i) **measurement of travel expenses**—for example: on the credit side, the Central Bank relies on historical averages of spending by visitors/tourists in building the estimates of travel income to Trinidad and Tobago but this pattern may have changed over the years; while on the debit side, there are no complete sources of information on how much residents spend on travel abroad.

(ii) **the response rate of companies to the Central Bank’s surveys for balance of payments purposes is just around 50 per cent**, posing a difficulty in getting broader coverage of firms’ financial transactions with the rest of the world.

The Central Bank is continuously improving and updating its balance of payments data and adherence to global statistical standards. Close collaboration continues with the International Monetary Fund's Statistics Department and the IMF's Caribbean Technical Assistance Center (CARTAC) in this area.

Additional details on the balance of payments are available on the Central Bank's website <https://www.central-bank.org.tt/statistics/data-centre>.

Sources: Central Bank of Trinidad and Tobago and International Monetary Fund, [Balance of Payments and International Investment Position Manual, Sixth Edition \(BPM6\)](#).

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