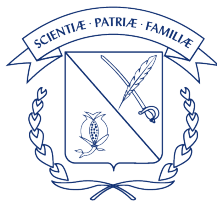


# External sector I

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NUEVA GRANADA

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- Check the message **Welcome greeting** published in the News Bulletin Board.
- Dear student please edit your profile uploading a photo where your face is clearly visible.
- The purpose of the virtual meetings is to answer questions and not to make a summary of the study material.
- If you want to participate, please fill out the following survey: Primer corte 30% > Learning Activities > Tu opinión sobre la economía colombiana
- This presentation is based on (Cardenas 2020, chap. 5)

Explain the composition and determinants of Colombian foreign trade

- Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product in a defined territory

$$Trade_t = \frac{X_t + M_t}{GDP_t} \times 100$$

- We can calculate this metric for a specific country or region and even for the World
- Also it is important so point out that  $Trade_t$  can be greater than 100. Even in some countries we have that  $\frac{X_t}{GDP_t} \times 100 \geq 100$  or  $\frac{M_t}{GDP_t} \times 100 \geq 100$



**Figure 1: Trade (% of GDP) for Colombia, USA and the World**

- The balance of payments is a “statistical statement that summarizes transactions between residents and nonresidents during a period”  
(Fund 2009, para. 2.12)
- It consist of the following accounts:
  - **Current account**
    - Goods and services account
    - Primary income account
    - Secondary income account
  - **Capital account**
  - **Financial account**
- In the case of Colombia you can find the balance of payments in
  - <https://www.banrep.gov.co/> > Estadísticas económicas > ¡Nuevo portal de estadísticas económicas! > Series de estadísticas económicas > Tablas preconstruidas > Sector externo, tasas de cambio y derivados > Sector externo > Balanza de pagos > Series recientes > Resumen



- **Current account:** “shows flows of goods, services, primary income, and secondary income between residents and nonresidents” (Fund 2009, para. 2.14)
  - **Goods and services account:** “shows transactions in items that are outcomes of production activities” (Fund 2009, para. 10.1)
  - **Primary income account:** “captures returns for the provision of labor and financial assets and renting of natural resources” (Fund 2009, para. 11.5) between resident and nonresident institutional units
  - **Secondary income account:** shows current transfers between residents and nonresidents (Fund 2009, para. 12.1)



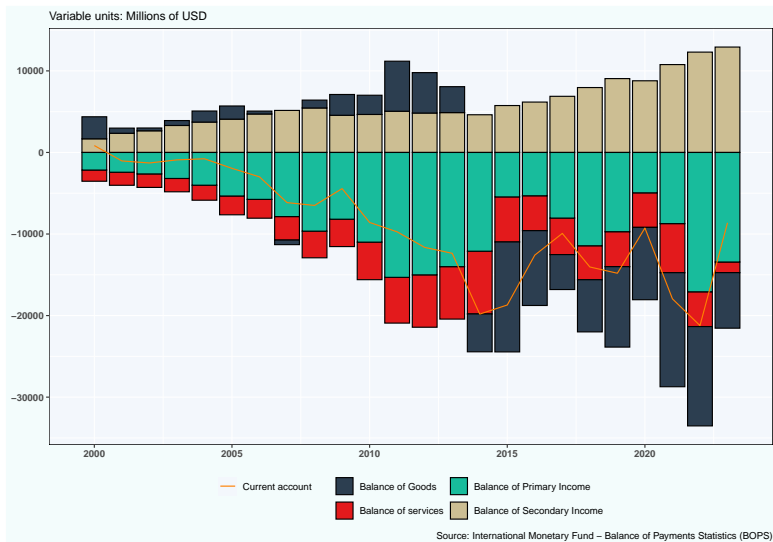
**Table 1:** Balance of payments current account Colombia (Annual summary)

Account	2022 <sup>a</sup>	2023 <sup>a</sup>	2024 <sup>b</sup>
<b>1 Cuenta corriente</b>	<b>-21224</b>	<b>-8623</b>	<b>-5325</b>
Crédito (exportaciones)	93840	91700	70597
Débito (importaciones)	115064	100323	75922
<b>1.A Bienes y servicios</b>	<b>-16439</b>	<b>-8113</b>	<b>-6748</b>
Crédito (exportaciones)	73184	68318	50648
Débito (importaciones)	89623	76431	57396
1.A.a Bienes	-12178	-6808	-6429
Crédito (exportaciones)	59473	52642	37866
Débito (importaciones)	71652	59449	44295
1.A.b Servicios	-4261	-1305	-319
Crédito (exportaciones)	13710	15676	12782
Débito (importaciones)	17971	16982	13101
<b>1.B Ingreso primario (Renta factorial)</b>	<b>-17086</b>	<b>-13432</b>	<b>-9878</b>
Crédito	6975	8970	7383
Débito	24061	22402	17261
<b>1.C Ingreso secundario (Transferencias corrientes)</b>	<b>12301</b>	<b>12922</b>	<b>11301</b>
Crédito	13681	14413	12566
Débito	1380	1490	1265

Source: Banco de la República - Colombia

Last update: 2025-02-03

<sup>1</sup> Methodology: Sixth version of the Balance of Payments Manual<sup>a</sup> Preliminar data (Millions of current USD)<sup>b</sup> Provisional data (Millions of current USD)



**Figure 2: Current account and its components for Colombia**

- **Capital account**

- The capital account shows credit and debit entries for nonproduced nonfinancial assets and capital transfers between residents and nonresidents (Fund 2009, para. 2.16)
- The Capital account does not appear in the balance of payments of Colombia because the sources of information currently available do not allow the identification and registration of capital transfers

- **Financial account:** The financial account records transactions that involve financial assets and liabilities and that take place between residents and nonresidents (Fund 2009, para. 8.1)
  - **Direct Investment:** “is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy” (Fund 2009, para. 6.8)
  - **Portfolio investment:** “is defined as cross-border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets” (Fund 2009, para. 6.54)

- **Financial account:** “records transactions that involve financial assets and liabilities and that take place between residents and nonresidents” (Fund 2009, para. 8.1)
  - **Financial Derivatives (Other Than Reserves) and Employee Stock Options:**
    - “A financial derivative contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks” ... “can be traded in their own right in financial markets” (Fund 2009, para. 5.80)
    - “Employee stock options are options to buy the equity of a company, offered to employees of the company as a form of remuneration” (Fund 2009, para. 5.96)

- **Financial account:** “records transactions that involve financial assets and liabilities and that take place between residents and nonresidents” (Fund 2009, para. 8.1)
  - **Other Investment** (Fund 2009, paras. 8.42–8.54)
  - **Reserve Assets** (Fund 2009, paras. 8.55–8.57)

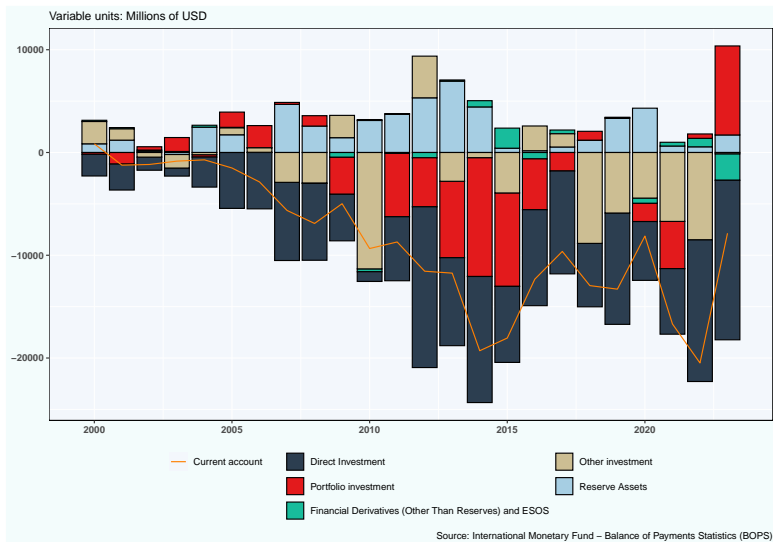
**Table 2: Balance of payments financial account Colombia (Annual summary)**

Account	2022 <sup>a</sup>	2023 <sup>a</sup>	2024 <sup>b</sup>
<b>3 Cuenta financiera</b>	<b>-20466</b>	<b>-7848</b>	<b>-3519</b>
<b>3.1 Inversión directa</b>	<b>-13799</b>	<b>-15525</b>	<b>-6906</b>
Adquisición neta de activos financieros	3384	1269	3047
3.1.1 Participaciones de capital y participaciones en fondos de inversión	2840	1704	2631
3.1.2 Instrumentos de deuda	543	-435	416
Pasivos netos incurridos	17183	16794	9953
3.1.1 Participaciones de capital y participaciones en fondos de inversión	14227	13871	9398
3.1.2 Instrumentos de deuda	2955	2923	555
<b>3.2 Inversión de cartera</b>	<b>427</b>	<b>8663</b>	<b>4827</b>
Adquisición neta de activos financieros	3307	9780	5839
3.2.1 Participaciones de capital y participaciones en fondos de inversión	1056	5169	3301
3.2.2 Títulos de deuda	2251	4610	2539
Pasivos netos incurridos	2880	1117	1013
3.2.1 Participaciones de capital y participaciones en fondos de inversión	-551	20	310
3.2.2 Títulos de deuda	3431	1097	703
<b>3.3 Derivados financieros (distintos de reservas) y opciones de compra de acciones por parte de empleados</b>	<b>823</b>	<b>-2575</b>	<b>-213</b>
Adquisición neta de activos financieros	-481	-2575	-575
Pasivos netos incurridos	-1305	0	-362
<b>3.4 Otra inversión</b>	<b>-8488</b>	<b>-129</b>	<b>-4138</b>
Adquisición neta de activos financieros	4084	4068	-2723
Pasivos netos incurridos	12573	4197	1415
<b>3.5 Activos de reserva</b>	<b>571</b>	<b>1718</b>	<b>2911</b>
<b>Errores y omisiones netos</b>	<b>758</b>	<b>775</b>	<b>1806</b>

Source: Banco de la República - Colombia

Last update: 2024-07-16

<sup>1</sup> Methodology: Sixth version of the Balance of Payments Manual<sup>a</sup> Preliminar data (Millions of current USD)<sup>b</sup> Provisional data (Millions of current USD)

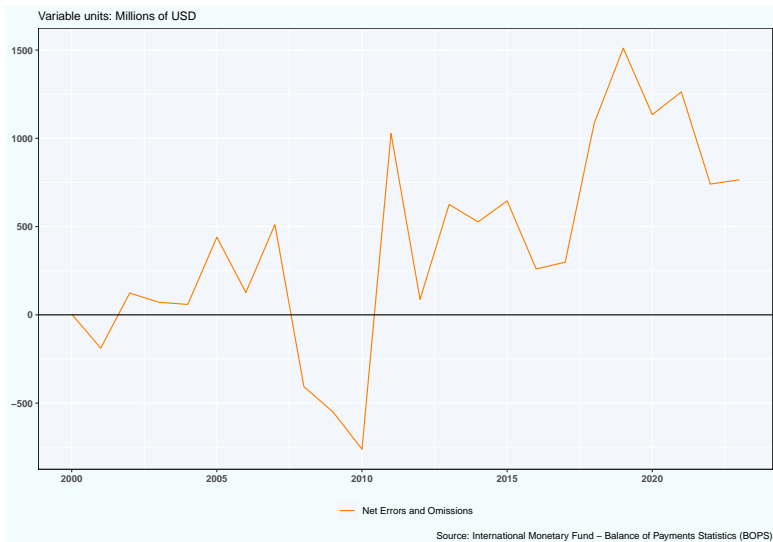


**Figure 3: Financial account and its components for Colombia**



- **Net errors and omissions**

- Financial account - (Current account + Capital account) = Net errors and omissions



**Figure 4:** Net Errors and Omissions for Colombia

- **Accounting Framework**

- **Double-entry bookkeeping**

- For every transaction between an Colombia resident and the rest of the world, the balance of payments will record two entries (**RBA 2021**)

- **Credits (+)**

- Outflows of real resources (exports)
    - Decrease in financial assest
    - Increase in liabilities

- **Debits (—)**

- Inflows of real resources (imports)
    - Increase in financial assest
    - Decrease in liabilities

- Examples taken from (RBA 2021) and adapted for Colombia
  - 1 A Colombian mining company exports \$100 million of iron ore to a private Chinese steel maker
  - 2 Colombian residents go on overseas to Panama and spend a total of \$5 million. The Colombian residents pay by using money deposited in their Colombian bank accounts
  - 3 Colombian resident, buys \$20 million of shares in a company listed on the New York Stock Exchange, equivalent to less than 10 per cent of the voting rights in that company. The shares are paid for using money from the resident's bank account in Colombia

**Table 3:** Sample of Balance of Payments

<b>Account</b>	<b>Credit</b>	<b>Debit</b>	<b>Net</b>
<b>Current account</b>	<b>100</b>	<b>-5</b>	<b>95</b>
Trade balance	100	-5	95
Goods	100 <sup>1</sup>		100
Services		-5 <sup>2</sup>	-5
<b>Financial account</b>	<b>25</b>	<b>-120</b>	<b>-95</b>
Portfolio investment		-20 <sup>3</sup>	-20
Other investment	5 <sup>2</sup>	-100 <sup>1</sup>	-75
	20 <sup>3</sup>		
<b>Balance of payments</b>	<b>125</b>	<b>-125</b>	<b>0</b>

\*The superscripts indicate the examples' transactions

- To my family that supports me
- To the taxpayers of Colombia and the **UMNG students** who pay my salary
- To the **Business Science** and **R4DS Online Learning** communities where I learn **R** and  **$\pi$ -thon**
- To the **R Core Team**, the creators of **RStudio IDE**, **Quarto** and the authors and maintainers of the packages **tidyverse**, **wbstats**, **tidyquant**, **readxl**, **knitr**, **kableExtra**, **imfr**, **janitor** and **tinytex** for allowing me to access these tools without paying for a license
- To the **Linux kernel community** for allowing me the possibility to use some **Linux distributions** as my main **OS** without paying for a license

# References I

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