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THE SIMPLIFIED ANALYTICAL FORM OF BALANCE OF PAYMENTS

It's well-known that external sector economy in always present export and import activities, which affects the supply and demand of the currency and the value of national currency.

For example, if Ukrainian company-exporter sells products, value of which is 30000 UAH, & exchange rate is 5 UAH per USD, a foreign firm has to pay 6000 USD. Change in banking balances is shown in Tabl. 1.

Table 1

Change in banking balances after Ukrainian export operation

Bank in a foreign country		Bank in Ukraine	
Assets	Liability	Assets	Liability
	1) - $6000 (current account of the importer)	3) + $6000 (deposit in foreign bank)	2) + $30000 (current account of the exporter)
	3) + $6000 (deposit bank in Ukraine)		

Conclusion is that export operation by Ukrainian company, promotes the growth of demand for UAH and creates a supply of foreign currency held in banks in Ukraine.

For example, Ukrainian company-importer wants to buy goods for amount of 6000 USD. If exchange rate is 5 UAH per USD, Ukrainian company-importer has to pay 30000 USD. Change in banking balances is shown in Tabl. 2.

Table 2

Changt in banking balances after Ukrainian import operation

Bank in a foreign country		Bank in Ukraine	
Assets	Liability	Assets	Liability
	2) - $6000 (deposit bank in Ukraine)	2) - $6000 (deposit in foreign bank)	1) - $30000 (current account of the importer)
	3) + $6000 (current account of the exporter)		

Conclusion: import operation by Ukrainian company creates domestic demand for foreign currency. The satisfaction of this demand becomes possible due to foreign currency in banks in Ukraine after the Ukrainian export operations [1].

In April 1992, at the request of Ukraine International Monetary Fund (IMF), International Bank for Reconstruction and Development (IBRD or World Bank) decided to Ukraine's membership in these prestigious financial institutions. On June 3, 1992 Parliament of Ukraine approved the relevant law “On Ukraine's Accession to the International Monetary Fund, the International Bank for Reconstruction and Development, International Finance Corporation, International Development Association and the Multilateral Investment Guarantee Agency” [2]. On September 3, 1992, Ukraine became a member of the IMF and the World Bank. From 1999 to present days the National Bank of Ukraine provides the IMF consolidated balance sheets – the Balance Of Payments (BOP).

BOP is the official finance document of country, which systematic collect all economic transactions between the country and the other countries.

Functions that performs the balance of payments are the next. First function is to measuring the flow of goods, services and capital between countries and the rest of the world. Second – showing results transactions of residents with non-residents of the country, including transactions related to trade, economic and non-trading between countries. Third – displays the difference between what produced in the country and the fact that consumed. Forth – shows the position of the country on the world markets of goods and capital.

Information base for the Ukrainian balance of payments is:

- monthly banking statistics (reporting on the movement of currency correspondent accounts in foreign banks; accounts of individuals and of legal persons: residents – overseas, non-residents - in national currency; the movement of cash),
- monthly information from the State Customs Service of Ukraine &the Ministry of Statistics of Ukraine [3].

The simplified analytical form of the balance of payments often use for analyze supply and demand of the currency, the value of national currency, the flow of goods, services and capital, the position of the country on the world markets of goods and capital (Table 3).

Table 3

The simplified analytical form of the balance of payments

	Items	Debit (-)	Credit (+)	Balance (+,-)
	BALANCE (1.+2.+3.)	X	X	
1.	CURRENT ACCOUNT (1.1.+1.2.+1.3.+1.4.+1.5.)	X	X	
1.1.	BALANCE OF GOODS (1.1.1.+1.1.2.)	X	X	
1.1.1.	Export of goods	X		X
1.1.2.	Imports of goods		X	X
1.2.	BALANCE OF SERVICES	X	X	
1.3.	INCOME	X	X	
1.4.	CURRENT TRANSFERS	X	X	
1.5.	Net errors and omissions	X	X	
2.	CAPITAL AND FINANCIAL ACCOUNT (2.1.+2.2.)	X	X	
2.1.	Abroad		X	X
2.2.	in Country	X		X
3.	RESERVE ASSETS (3.1.+3.2.)	X	X	
3.1.	Abroad		X	X

3.2.	in Country	X		X

For complete the simplified analytical form of the balance of payments often use Terms of classification the BOP's articles.

Debit (-);If the BOP's article, such as import operations, involves use of foreign currency, it refers to Debit.

Credit (+);If the BOP's article, such as export operations, provides foreign currencies in country, it refers to Credit.

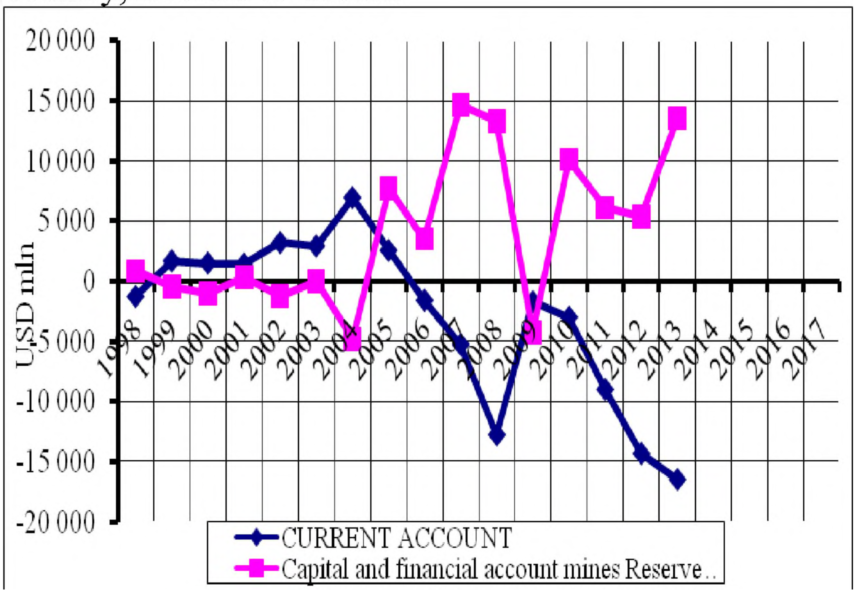

Fig. 1. Balance of payments of Ukraine as a factor of influenceon the value of Hryvnia USD [3]

In theory, the current account should balance with the capital and the financial accounts & the sum of the balance of payments statements should be zero.

However, in practice we often see deficit or surplus. For example, when Ukraine buys more goods and services than it sells (a current account deficit), it must finance the difference by borrowing, or by selling more capital assets than it buys (a capital account surplus).

References

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