

**REVISED**  
**BOPCOM-05/17A**

---

**Seventeenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
Washington DC, 2005**

**Results of Electronic Consultation  
with Committee members on various issues from the Annotated Outline for the Revision of  
the Balance of Payments Manual, fifth edition**

**Prepared by the Statistics Department  
International Monetary Fund**

**RESULTS OF ELECTRONIC CONSULTATION  
WITH COMMITTEE MEMBERS ON VARIOUS ISSUES FROM THE ANNOTATED OUTLINE FOR  
THE REVISION OF THE BALANCE OF PAYMENTS MANUAL, FIFTH EDITION**

In his e-mail of January 4, 2005, Mr. Neil Patterson requested comments by Committee members on seven issues that had not been resolved at the previous meeting. This report gives the outcome of these deliberations.

It is proposed to have this report tabled at the June 27-July 1, 2005 Committee meeting, where it will be assumed that the matters are resolved, unless members indicate that they wish to discuss the matters further.

(1) Headings and Signs

*AO para. 3.7 Do Committee members agree to the proposed presentational changes for headings and signs to bring them into line with the national accounts, IIP, and other datasets?*

Nine Committee members agreed with the proposal, while one preferred the *BPM5* approach. The main reasons given in support of the change were clarity and understandability for users and consistency with other macroeconomic data. The benefit of the existing approach was that balances could be derived readily. One of those who supported the change noted the need to educate users about the change. It was noted that this issue was a matter of presentation rather than one of conceptual implications.

(2) Order of chapters in Revised Manual

*AO para. 1.14 Which chapter order is preferred?*

Six Committee members favored the *Annotated Outline* order, five favored the *1993 SNA* order. Another Committee member who did not express an opinion stated that they did not oppose the *Annotated Outline* proposal, but the title should be consistent in mentioning the IIP first if that chapter order was adapted. The main reasons cited for the *Annotated Outline* order were to recognize the importance of financial aspects and to emphasize the IIP, while the main reasons given for supporting the *SNA* order were to have consistency with other manuals, and to emphasize the balance of payments or production. It was suggested that if the proposed order was adopted, the manual should explain why the order differed from the *SNA*.

(3) Net errors and omissions

*AO para. 2.15 Should a particular place for net errors and omissions be specified? If so, which location is preferred?*

Eleven Committee members supported specifying a particular place for the item. One member considered it should not be covered in the manual as it was a compilation issue, rather than a conceptual issue.

Nine members supported putting net errors and omissions at the end of the financial account, with the most common reasons that this was a neutral location and emphasized that it was a residual. Two members supported putting it between the capital and financial accounts, with the reason given to show that the transactions above and below the line should, conceptually, be in balance. One of the nine members who supported putting it at the end of the financial account noted that it should be made clear to the user that the residual item is not a meaningful economic aggregate (contrary to, for example, ‘balancing items’) while another wished to emphasize that it contained possibly useful information.

#### (4) Financial derivatives

*AO para. 3.22 Which recording basis is preferred for financial derivatives where transactions occur in both directions and it may not be feasible to distinguish between assets and liabilities—(i) net changes separately for transactions in assets and in liabilities or (ii) net changes of all transactions in both assets and liabilities? Or should both be allowed?*

Seven Committee members supported netting asset and liability transactions. As well as data collection aspects, it was noted that derivatives could change between assets and liabilities, so that classification would not be meaningful or consistent.

Four members supported allowing either approach, with some noting the conceptual preference for separate data but that it may not be feasible in many cases, while one member noted that it would be better to leave the issue open to allow countries to gain more understanding.

In view of the differences of view and the continuing development of derivatives and statistical understanding of them, it is proposed that the manual would raise the available options, but leave the treatments open at this stage.

One member noted that he supported separating assets and liabilities for international investment position data. The question was not raised, but it is proposed that the positions data should show assets and liabilities separately. The implications of having only net transactions data for the reconciliation between stocks and flows would be recognized in the manual.

#### (5) Economic territory

*AO para. 4.3 Should economic territory be defined in terms of institutional units under the economic control of a government (rather than in terms of an area where persons, goods, and finance circulate freely)?*

Nine members agreed with the proposed change, while one other noted that jurisdiction is now geographically determined and warned that legal jurisdiction may create a number of problems that need to be thought through properly, for example whether it is clear which laws are applicable.

(6) Long-term leases of land and notional units

*AO para. 4.24 Is the proposed treatment for long-term leases of land suitable (i.e., acquisition of long-term leases of immovable assets would be treated as investment in a notional resident unit in the same way as ownership on the basis that long-term leases approximate ownership? If so, what is the definition of "long-term"? Is it one year, as in other cases or something longer?*

Seven members supported the proposal, of whom four suggested one year as a criterion, one suggested ten years and one suggested something longer than a year. One other member suggested waiting until the Canberra II group had made a decision on leases and also suggested that according to the 1993 SNA, all owners and purchasers of land within the economic territory are deemed to have a center of economic interest in the economy. Accordingly, that member also argued that short-term leases (less than one year) can only be held by notional resident units. In short, no explicit rent payments between residents and non-residents units. Another wanted more explanation of the reasons for the proposal.

This issue was also raised in DITEG Issue Paper #15, which has been listed for discussion at this Committee meeting, so this consultation will be taken as a preliminary indication.

(7) Goods and services balances

*AO para. 9.6 Should separate balances be shown for each of goods and services?*

Eleven members who expressed an opinion all supported separate balances. In doing so, it was noted that although blurred, the distinction between goods and services was useful. One also added that this decision should not preclude a total goods and services balance. One suggested that there should be a total goods and services balance with separate "of which" lines for each of goods and services. One member noted that the goods balance should be distinguished from the balance on international merchandise trade statistics.

**References**

*Comments on the Annotated Outline for the Revision of the Balance of Payments Manual, Fifth Edition, BOPCOM 04-17*

*Headings and Signs, BOPCOM 04-35*

*Revision of the Balance of Payments Manual, Fifth Edition (Annotated Outline)*