

**Twenty-Fourth Meeting of the
IMF Committee on Balance of Payments Statistics
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**Conversion of Statistics in IMF Publications to a *BPM6*
Presentational Format**

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I. BACKGROUND

1. This paper updates the Committee on recent work for advancing the implementation of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*. In particular, it discusses the progress in conversion of balance of payments and international investment position (IIP) statistics; progress in developing the *BPM6* report forms for submission of the balance of payments and IIP data to the IMF Statistics Department (STA) through the Integrated Correspondence System (ICS) and the software for processing and maintaining the *BPM6* data series; and the results from the meetings undertaken by STA with other IMF departments on the implications for external sector statistics from changes introduced in the *BPM6*.

2. For many decades, the IMF has published data for its membership on a basis that is consistent across countries and across time periods. Such data consistency is required to perform cross country data comparisons, track growth rates across time, and produce regional or global data aggregates. The challenge is that, as with the adoption of earlier versions of the IMF's *Balance of Payments Manual*, countries are adopting *BPM6* at different times.

II. THE 2009 AND 2010 COMMITTEE MEETINGS

3. At its 2009 meeting, the IMF Committee on Balance of Payments Statistics (Committee) agreed that data should be presented in IMF statistical publications solely on a *BPM5* basis until 2012, at which date the featured presentational basis would change over from *BPM5* to *BPM6*. For the change over to *BPM6* in 2012, some issues remained. In March 2010, the *Working Group-BPM6 Conversion* was established to advise the IMF Statistics Department (STA) and the Committee on these issues. Also, the IMF prepared a questionnaire that was completed by all Committee members.

4. At its 2010 meeting, the Committee was informed of the results of the questionnaire (see BOPCOM-10/04). The issues covered in the questionnaire that were discussed during the 2010 Committee meeting included:

- (i) *Conversion of BPM5 data to BPM6 basis*: Detailed *BPM5-to-BPM6* bridging tables were endorsed by the Committee members.
- (ii) *Length of an historical time series on a BPM6 basis*: Most members of the Committee supported having at least five years of historical data, but a longer time period was considered desirable.
- (iii) *Whether to have an overlapping period on a BPM5 basis going forward*: The Committee generally was in favor of presenting the data solely on a *BPM6* basis. However, if countries had not converted by 2012, the Committee supported a suggestion that the IMF consider posting both *BPM6*-basis and *BPM5*-basis data on its website.

- (iv) *Data dissemination*: The Committee unanimously agreed that a single hardcopy on a *BPM5* or *BPM6* presentational basis be released. Supplementary data based on the other standard, as mentioned above, might be posted on the IMF website, resources permitting. In its data releases, the IMF would clearly indicate on which basis (*BPM5* or *BPM6*) the underlying data were reported to the IMF.
- (v) *Increasing user awareness*: The Committee emphasized the need for the IMF to engage in discussions and training activities with data compilers and users (including other IMF departments) to promote and explain the major changes incorporated in *BPM6*.

III. CONVERSION OF BALANCE OF PAYMENTS AND IIP STATISTICS TO *BPM6*

5. Drawing from the consultation with Committee members and based on information gathered from member countries, three groups of countries have been indentified for the conversion to *BPM6*: (i) countries that will report data to STA based on *BPM6* by 2012; (ii) countries that will still report data to STA based on *BPM5* in 2012 and who opt for a “generic” conversion of their data to a *BPM6* basis using standard rules that are broadly applicable to a large number of countries and over time; and (iii) countries that will still report data to STA based on *BPM5* in 2012 and who opt for a “customized” conversion of their data, by adjusting the results from the generic conversion in consultation with the IMF.

6. STA developed a bridging table that showed the conceptual correspondence between *BPM5* and *BPM6* items for each group of countries. To facilitate the timely release of data according to *BPM6* in 2012, the master conversion file – an Excel file with a number of formulas based on the bridging table – was designed as part of the effort to derive generic converted estimates from the data that countries reported to STA on a *BPM5* basis. The estimates began with data for the first quarter of 2005. The selected main rules for the generic conversion were (i) no changes in the balances on Current account, Capital account, Financial account, and Reserves, or in Net errors and omissions; (ii) “Merchanting” was reclassified from Services to Goods; (iii) “Manufacturing services on physical inputs owned by others” (“Goods for processing” in *BPM5*) and “Maintenance and repair services n.i.e.” (“Repairs on goods” in *BPM5*) were reclassified from Goods to Services; (iv) “Migrants’ transfers” was included in “Other capital transfers—financial corporation, nonfinancial corporations, households, and NPISHs” (although migrants transfers should not be included in the balance of payments accounts under *BPM6*, the IMF could not eliminate this account without impacting net errors and omissions, which it has avoided)¹; and (v) “Reverse investment” in “Direct investment” was reclassified according to the asset/liability basis.

¹ See the *Questions to the Committee*, at the end of this document.

7. After a thorough review of converted data by the economists assigned for each country, the “generic” balance of payments and IIP estimates on a *BPM6* basis were shared with countries for the changeover to *BPM6*. Countries were asked to indicate which option they prefer, i.e., they intend to provide their own current and historic estimates on a *BPM6* basis; they accept the estimates produced by generic conversion without adjustment; or they wish to customize the results from the conversion, by adjusting the generic estimates in consultations with STA. Countries were asked to give STA their initial feedback within six weeks after they received the generic converted estimates. As of end–September 2011, 22 countries accepted the generic estimates without adjustment, 17 countries opted for customizing the conversion results, and 11 expressed their intention to implement *BPM6* by 2012. Follow-up correspondence has been sent to countries who have not replied to the initial correspondence from STA on a timely basis.

8. It is hoped that the consultations between countries and the IMF will be completed by end–January 2012. Some additional time can be taken to address matters related to metadata or country notes. STA will publish data on a *BPM6* basis starting with the August 2012 releases of the *International Financial Statistics* and *Balance of Payments Statistics*. The releases will include the converted data starting with data for the first quarter of 2005. Data reported on a *BPM6* basis prior to the August 2012 release will be redisseminated by the IMF starting with the August 2012 releases.

A. Developing the *BPM6* Report Forms and the Software for Processing and Maintaining the *BPM6* Data Series

9. The Balance of Payments Division and the Statistical Information Division of STA are finalizing the report forms on a *BPM6* basis that will allow for submitting the balance of payments and IIP data to STA through ICS. STA is also collaborating with other international organizations to develop a Data Structure Definition (DSD) for submitting data in Statistical Data and Metadata Exchange (SDMX). The report forms include validation and aggregation formulas. The report forms have been tested by the National Bank of Moldova.

10. A separate module was built for generating the analytical presentation of balance of payments. The presentational format of the analytical balance of payments is the same as on the *BPM5* basis, except for other investment, where other equity and SDR allocation are presented without sectoral breakdowns. The other financial instruments are grouped under the heading “other debt instruments” with a sectoral breakdown. Formulas for generating the balance of payments in analytical format were built to accommodate the treatment of exceptional financing transactions related to the accumulation of arrears (in the standard presentation of balance of payments, the accumulation of arrears is not separately recorded as transactions).

11. In 2010, STA in coordination with the ECB DG-Statistics and Eurostat began work on the creation of a conceptual framework for an international standard data exchange model

for external statistics. This data model aims to cover a number of data sets including the balance of payments and IIP in accordance with the *BPM6*. When the data model is applied to the *BPM6* data set, it includes the following dimensions: reference area, flow and stock entries, balance of payments item, functional classification, instrument classification, accounting entries, resident sector, and maturity. The dimensions under the proposed SDMX DSD are further defined below:

Reference area	The country of origin
Flow and stock entries	Transaction flows, Other flows, Positions
Balance of payments item	The financial account or current account item
Functional classification	Direct investment, Portfolio investment, Financial derivatives and ESOs, Other investment, Reserve assets
Instrument classification	Equity and investment fund shares, Debt instruments
Accounting entries	Credit, Debit, Balance, Assets, Liabilities, Net
Resident sector	Central bank, Deposit-taking corporations except the central bank, General government, Other sectors
Maturity	Long-term, Short-term, or All

12. The combination of the instrument classification and balance of payments item surfaces the relationship between investment income and the underlying financial instrument. For example, the financial transaction on debt securities and the interest type income generated can be linked using the same instrument classification item (e.g., debt securities) with the balance of payments item (e.g., financial account transaction or interest). This also decreases the number of codes by allowing them to be used for multiple types of transactions.

B. Results from the Meetings Undertaken by STA with Other IMF Departments

13. In 2010, STA organized and conducted a series of outreach meetings with other IMF departments on the implications for external sector statistics from changes introduced in *BPM6*. STA met individually during October–December 2010 with each of eight departments that were main users of external sector statistics: African (AFR), Asian and Pacific (APD), European (EUR), Finance (FIN), Middle East and Central Asia (MCD), Research (RES), Strategy, Policy, and Review (SPR), and Western Hemisphere (WHD). Prior to the meetings, and in consultation with each department, STA identified their main points of interest and prepared presentations customized to each department’s needs. Half of the outreach meetings were conducted in early October, prior to the 2010 meeting of the Committee.

14. The total number of attendees from the above departments was about 125. The targeted audience was desk economists and other country team members from Area Departments; SPR economists with mission assignments or those who are charged with reviewing work from economists with mission assignments; RES staff working on World Economic Outlook and research papers; and FIN economists involved in quota calculation. For some departments, senior staff also attended the meetings.

15. The meetings were well-received and allowed participants to ask many questions about the main *BPM6* changes and the impact of these changes on key indicators used in their analysis, policy papers, and research. The main issues raised by participants were concentrated in the following areas: treatment of goods for processing, and its impact on trade and current account balances; underlying economic concept for their reclassification to services; treatment of merchanting; treatment of reinvested earnings of mutual funds; clarifications to the treatment of reserve assets; new remittances aggregates; exclusion of migrants' transfers from the standard components of the balance of payments accounts; presentational bases for direct investment (directional principle and gross asset/liability basis of presentation); treatment of arrears; exceptional financing; treatment of SDR allocations in balance of payments analytical presentation; and availability of information on currency composition and remaining maturity.

16. Different departments expressed different concerns. For example, FIN expressed concerns related to its quota calculation work. In particular, FIN's initial view was that the impact of the new treatment of goods for processing, migrants' transfers, and direct investment could be important considerations in its quota work.

Questions for the Committee:

1. Do Committee members have information on their experiences with the conversion project that they wish to share?

2. Have Committee members become aware of any new or unanticipated conversion problems that they wish to highlight?

3. As noted in paragraph 6, migrants transfers should be excluded from the balance of payments accounts under BPM6, but migrants transfers are included in the BPM6 basis "generic" converted estimates, because the IMF could not eliminate this account without impacting net errors and omissions. To improve capital account cross country data consistency, STA is considering revising the generic estimates (not before 2014, when most countries are expected to have converted their data to a BPM6 basis), to eliminate migrants transfers from the capital account (this would have an impact on net errors and omissions). Do Committee members agree that STA should consider this revision at that time?