Twenty-Third Meeting of the
IMF Committee on Balance of Payments Statistics
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Prepared by the Statistics Department
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I. BACKGROUND

1. The IMF Committee on Balance of Payments Statistics (Committee) endorsed the establishment of the Working Group on the Conversion of Statistics in IMF Publications to the BPM6 Presentational Format (Working Group) at its twenty-second meeting during November 2–4, 2009. The objective of the Working Group was to advise the Committee and the IMF’s Statistics Department (STA) on selected issues relating to the conversion of the statistics in IMF publications from the format of the fifth edition of the Balance of Payments Manual (BPM5) to the sixth edition (BPM6).

2. STA established the Working Group and conducted a survey of its members, to solicit their views on outstanding issues. This note summarizes the results of this survey, and gives initial IMF views, for discussion at the 2010 Committee meeting.

3. The Working Group considered a number of related questions, such as whether to convert historical data from the BPM5 to the BPM6 presentational basis, whether to publish hard copies of statistical releases on both presentational bases, whether to maintain a time series on both a BPM5 and a BPM6 presentational basis going forward, how to increase data user awareness, and other related questions. STA is grateful for the very useful feedback provided by the members of the Working Group.1

II. HISTORICAL TIME SERIES ON A BPM6 BASIS

4. At the 2009 Committee meeting, several Committee members noted the importance of providing an historical time series. They noted that, if users did not have an historical series on a consistent basis, then they would likely develop their own time series by combining BPM5 basis data with BPM6 basis data, which would be misleading. Committee members were generally undecided as to the length of the historical series. In addition, some members noted that there were constraints in some countries that could restrict their ability to construct a long historical time series on a BPM6 basis.

5. There was broad support from the members of the Working Group for converting historical BPM5 data to a BPM6 presentational basis – four Working Group members fully supported historical data conversion, and one member mildly supported it. Members agreed that the length of the historical series should be “reasonable”, but their views varied on the length – suggestions ranged from 5 years (i.e., 2007 – 2011, assuming the first IMF release of

1 The Working Group is chaired by Ralph Kozlow (STA), and Thomas Alexander and Cornelia Hammer serve as its Secretariat. Its members are Tatsuhiko Hagitani (Japan; Mr. Hagitani succeeded Joji Ishikawa, who recently was seconded to the IMF), Loida Cruz (Philippines), Lydia Troshina (Russian Federation), Obie Whichard (United States), and Werner Bier (with Carmen Picon-Aguilar, European Central Bank).
BPM6 basis data occurs in 2012), to starting the BPM6 series in 1975. One member suggested that historical data conversion should not include the years that data were converted from BPM4 to BPM5. Converting the data in these years to a BPM6 basis would mean that data were first produced on a BPM4 basis were converted to a BPM5 basis and then to a BPM6 basis. In his view, “double conversion” may lead to inaccuracies. He also noted that BPM5 was introduced in his country in 1996, and that is the earliest year for which his country might introduce BPM6 basis estimates.

6. The ECB member noted that the length of series for the European aggregates (European Union and euro area) will be decided in due course, and possibly could vary among member countries. The member also noted that it would be desirable to have a BPM6 basis for European aggregates from 1999 onwards, to support the compilation of the rest of the world account in national accounts.

7. The US member indicated that conversion of historical BPM5 basis time series data could prove resource intensive for countries, and that there would no doubt be cases where the lack of robust source data will make accurate conversions difficult. The US member’s opinion was that the conversion process would be more consistent if the IMF performed it. Further, if the IMF performed the conversions, he noted that countries would not need to devote their own resources to producing statistics of somewhat limited and inconsistent quality, allowing these resources to be devoted to other priorities.

8. In her comments, the Working Group member from the Philippines noted that most of the substantive changes from BPM5 to BPM6 reflect the results of globalization and financial and technological innovations. These innovations (e.g., in the scale of goods for processing, FISIM, etc.) are probably not very significant in very many economies in the 1970s through mid 1990s. Therefore, adequate quality BPM6 basis estimates for the early 1970s through mid 1990s perhaps could be developed mainly through automated techniques. Further, she noted that it would be useful to have at least 15 years of past annual data to facilitate econometric analysis, but that a time series beginning earlier would be even more useful.

- Initial STA view: STA’s views are quite close to those of the member from the Philippines. STA considers it desirable for the historical time series of data on a BPM6 basis to begin in 1975 to facilitate econometric analysis. Because the impacts of globalization and financial and technological innovation are not very significant for most countries for the early 1970s to mid 1990s, data conversion for this period probably could be accomplished primarily through automated techniques. Conversion for later years would benefit from knowledge of countries, information available from

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2 The online BOP database contains time series data for a different number of years for different countries (http://www2.imfstatistics.org/BOP/).
reporters in the region that are able to provide data on both a BPM5 and a BPM6 basis, and detailed knowledge of the methodological changes in BPM6.

III. Overlapping Period on a BPM5 Basis Going Forward

9. At its 2009 meeting, a large majority of Committee members were in favor of developing an overlapping period of data on both a BPM5 and BPM6 basis, but no consensus was reached on the length of the overlapping period. Some members supported an overlapping period of one year whereas others noted that a three-year overlapping period would be appropriate. Some Committee members indicated that they were willing to help the IMF develop overlapping series for their countries.

10. The Working Group members from the ECB, Japan, Russian Federation, and the Philippines did not endorse any overlapping period of estimates after the date of conversion of IMF publications to a BPM6 basis. The US member on the Working Group did endorse an overlapping period of 3 years, with the IMF using automated procedures (based on formulae, knowledge of countries, and other information) to generate these estimates if countries did not provide them. However, maintaining overlapping periods of estimates has implications for IMF budget and staff resources at a time when there are many competing demands. The Philippines member noted that it is imperative that a cut-off date be established when data will be presented on a single basis. In her view, if possible, it would be good to target 2012 as the starting year for presenting data on a BPM6 basis (for 2011 and beyond). This would send a clear signal that the BPM6 is the more appropriate framework. She noted that publication of two sets of data after 2012 may lead to confusion among users and would impose burdens on compilers.

11. The ECB emphasized that the European Union will implement BPM6 from 2014 and will stop publishing BPM5 basis at the same time. Thus, there will be no double compilation of BPM5 and BPM6 basis data after 2014 and no double revision of data on BPM5 and BPM6 bases for previous periods, should there be a need to revise the historic data. (That is, the historic data on a BPM6 basis would be revised if necessary, but the BPM5 basis would not, starting with adoption of the BPM6 in Europe in 2014.)

• Initial STA view: STA agrees with the majority opinion of the Working Group. In STA’s view, data should be presented solely on a BPM6 basis starting in 2012 (when STA plans to convert its statistical publications from a BPM5 to a BPM6 basis), so that compilers do not have the added burden of maintaining their BPM5 basis data.

3 It also was not explicitly stated whether the overlapping period should cover any years after the IMF (or an individual country) converts its featured releases to a BPM6 basis.

4 However, see section D below on “Whether the IMF should develop procedures to derive data on the preferred basis.”
into the future. This is consistent with the approach taken for the *BPM4/BPM5* conversion in 1995.

**IV. WHETHER THE IMF SHOULD DEVELOP PROCEDURES TO DERIVE DATA ON THE PREFERRED BASIS**

12. Although the members of the Working Group unanimously supported creation of an historical time series of data on a *BPM6* basis, they were split on whether the IMF should develop procedures to derive the historical time series if the countries do not provide the data. Three members (Philippines, Russian Federation, and United States) supported the IMF developing procedures, and two (ECB and Japan) did not. (The ECB member noted that European countries could, on an exceptional basis, request that the IMF undertake the conversion.) The members from Japan and the United States noted that, if the IMF does produce these series, then the data should be clearly identified as IMF estimates (STA agrees).

13. Two potential concerns have recently been raised regarding the potential IMF development of estimates on the preferred basis\(^5\) from data that countries provide on the other basis. The first concern is that data users may become confused if more than one set of estimates exist for a given year. The second concern is that the converted (derived) estimates may be of lower quality than the official estimates. These concerns are discussed below.

- **Initial STA view:** In regard to the first concern (user confusion), we note that data users, including most IMF member countries, have overwhelmingly indicated that they are dependent on the availability of comprehensive comparable data across countries and across time. The IMF has always provided such data, and as a consequence the IMF has often released data that are not identical to those released by country authorities directly. For example, the IMF currently provides time series data on a *BPM5* basis for some countries beginning in 1948 and even earlier for a number of countries. Few countries have such a long time series of *BPM5* basis data. In more recent time periods, the IMF has adjusted the data submitted to it by its members, to consistently record allocations of SDRs as debt liabilities across countries (in line with the *BPM6* recommended treatment). There is a conflict between the goal of fulfilling data user needs by providing comprehensive comparable data for cross country and time series analyses, and the concern that has recently been raised about the longstanding IMF practice of adjusting data provided by country authorities to be consistent.

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\(^5\) Until the IMF converts its statistical publications to *BPM6* in 2012, its preferred basis is the *BPM5* basis, and afterwards it is the *BPM6* basis.
Regarding the second concern (low data quality), it should be emphasized that the changes introduced in BPM6 are not especially large compared to earlier updates of the standards. Indeed, in many cases, the aggregates that are presented in IMF statistical publications would be unaffected, or only slightly affected, by the adoption of BPM6 methodologies. Also, with member country help in producing the converted estimates, the IMF is confident that the estimates will be of at least adequate quality.

For the above reasons, STA’s view is that it must continue providing data that are comprehensive and comparable across countries. This means that it will need to convert data that are provided on the non-preferred basis (whether that is a BPM5 or a BPM6 basis) to the preferred basis. In the circumstance where STA produces historical estimates for an individual country, STA will share the estimates with the country before they are published.

V. DATA DISSEMINATION

14. The Working Group unanimously agreed that the IMF should provide data on only one basis in hardcopy. Working Group members also agreed that data on the other basis could be made available electronically.

• Initial STA view: STA agrees with the consensus view of the Working Group on both points. That is, data released by the IMF in hardcopy should be provided only on one basis—either on a BPM5 basis or on a BPM6 basis, as appropriate. Data on the other basis could be made available electronically.

VI. INCREASING USER AWARENESS OF BPM6 DATA

15. Some members emphasized the need for user information campaigns to increase user awareness before the publication of BPM6 basis data.

16. The member from the Russian Federation noted that a broad range of media and forums should be used to reach users. The consultation process should describe the main changes and their impact on the statistics and it should also be emphasized that the revision to international standards is a routine process that enhances the usefulness of the statistics. Further, this work should be started as soon as possible. If data that are fully aligned with BPM6 are unavailable, data on selected components measured in accordance with the updated standards could be disseminated with the appropriate explanations and comparisons.

6 At present, only Australia is reporting data to STA on a BPM6 basis (Tonga has informed STA that it will do so soon). However, Australia has recently informed STA that it will resume reporting data to STA on a BPM5 presentational basis as well, starting with 3Q 2010 data. STA has not released any BPM6 basis estimates, because it does not have plans to release any BPM6 basis estimates until 2012.
17. The US member suggested that tables be clearly labeled according to the version on which they are based and, for any given year, emphasis should be given to one version as the principal version, with statistics compiled on the other basis being labeled as secondary or supplemental.

- Initial STA view: STA agrees. STA is engaged in discussions and training activities with data compilers and users (including country authorities and other IMF departments) to promote and explain major changes in statistical standards.

VII. ENSURING THE QUALITY OF CONVERTED ESTIMATES

18. The Russian Federation member noted that data conversion may in fact enhance data quality because the new standards are more advanced and the compilers may use the conversion process as an opportunity to revise and improve historical data. Further, trends in “errors and omissions” for the converted series should be analyzed to gauge problems in the data. The member also indicated that national compilers could endeavor to undertake the conversion themselves.

19. The US member suggested that the IMF ask countries to provide information on the components on which it is particularly difficult to provide reliable statistics on one basis or the other. This might occur, for example, in cases where new source data, not required for statistics on a BPM5 basis, are required for statistics on a BPM6 basis, but are not available for some years. This may be the case for manufacturing services on physical inputs owned by others, which presently may not be separately identifiable. To produce separate estimates, new source data would be required, but these would be unavailable for earlier years. Thus any estimates for these years would at best be only rough approximations.

- Initial STA view: STA appreciates all of the suggestions that it has received on how to ensure adequate data quality for converted estimates. The highest quality estimates would be obtained through collaboration between experts in STA and country authorities.

VIII. OTHER SUGGESTIONS

20. The Philippines member advised that the balance of payment statistics compilers should be very mindful of the need to coordinate with national accounts compilers, so that changes that affect both sets of accounts are synchronized to the extent possible. It is also important that deviation of balance of payments goods account from foreign trade statistics be made very clear to users and compilers of both sets of data. In addition, it may be useful for the IMF to constantly monitor the progress of countries in their preparatory activities and data-gathering initiatives to implement the BPM6. The monitoring will help ensure that the implementation process is on track across countries, and that problem areas are identified and addressed appropriately.
21. The ECB member suggested that the adoption of BPM6 in IMF publications would take place after a critical mass of countries has started producing data on BPM6 basis, which he considered to be 2014.

**Questions for the Committee**

1. **Historical time series on a BPM6 basis:** The IMF has previously stated its intention to convert to a BPM6 presentational basis in 2012, for 2011 data. *The question for the Committee is whether BPM5 basis historical data should be converted to a BPM6 basis, and if yes, in what year should the BPM6 basis data begin?*

   The views of the Working Group ranged from starting in 2007 (5 years of historical data on both a BPM5 and BPM6 basis), to starting in 1975 (or 37 years of historical data on both bases).

   STA’s view is to begin the BPM6 basis time series in 1975. The impacts of globalization and financial and technological innovation are not very significant for most countries for the early 1970s to mid 1990s, and so data conversion for this period probably could be accomplished primarily through automated techniques.

2. **Overlapping period on a BPM5 basis going forward:** *The Committee is asked whether the BPM5 time series should continue for some number of years (i.e., for data year 2011 and later) and, if yes, when should the BPM5 time series finally terminate?*

   In STA’s view, data should be presented solely on a BPM6 basis starting in 2012 (when STA plans to convert its statistical publications from a BPM5 to a BPM6 basis).

3. **Should the IMF Develop Procedures to Derive Time Series Data (if not provided by an individual country):** The members of the Working Group were divided on the question of whether STA should develop estimates on the preferred basis, if estimates on (only) the non-preferred basis are provided by country authorities.

   STA’s view is that it must continue providing data that are comprehensive and comparable across countries. This means that it will need to convert data that are provided on the non-preferred basis (whether that is a BPM5 or a BPM6 basis) to the preferred basis.

4. **Data dissemination:** *The question here is whether the IMF should provide data on only one basis in hardcopy. Data on the other basis could be made available electronically.*

   STA’s view is that no more than a single hardcopy publication (on either a BPM5 or a BPM6 basis) should be released. (Although STA has no immediate plans to discontinue hardcopy publications, there is the possibility that, at some future date, this could be considered.)
5. **Increasing user awareness of BPM6 data; Ensuring the quality of converted estimates; and Other suggestions**: Do members of the Committee have any additional suggestions on these topics?