

Consistency between National Accounts and International Accounts

Introduction to *BPM6*

**Regional Seminar on the Implementation of 2008 SNA
and Supporting Statistics in the Arab Region**



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Overview

- ❑ Why a new Manual?
- ❑ History
- ❑ Key influences
- ❑ Underlying themes
- ❑ Structure of the Manual
- ❑ Main changes aiming to ensure consistency with the *SNA*



Why a new Manual?

- ❑ Take into account economic developments associated with globalization;
- ❑ Increase emphasis on the international investment position and related development of the balance sheet approach;
- ❑ Take into account financial and technological innovation;
- ❑ Strengthen the integration between international accounts statistics and other macroeconomic statistics;
- ❑ Take account of specialized manuals and classification systems.



History

- Previous editions:
1948, 1950, 1961, 1977, and 1993.
- In 2001, the IMF Committee on Balance of Payments Statistics (BOPCOM) asked the IMF to begin the process of planning for an update of the Manual.
- In 2003, the Inter-Secretariat Working Group on National Accounts (ISWGNA) decided to update the *1993 System of National Accounts (SNA)*.
- Updates were coordinated



History

- In March 2007, the first complete public draft of *BPM6* was posted on the IMF website. Compilers in all IMF member countries were informed and invited to comment.
- Several rounds of consultation and further updates
- Final *BPM6* – end 2009
 - <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>
 - PDF is searchable
- *System of National Accounts 2008 (2008 SNA)* published 2009



Key Influences: Continuity with *BPM5*

- The basic framework in *BPM6* is unchanged from *BPM5*.
 - The presentation of current, capital, and financial accounts is maintained.
 - Overall changes to implement *BPM6* less structural than those for *BPM5*.



Key Influences: Links with the *SNA*

- ❑ Terminology, style, and text are closer
- ❑ Classification of goods and services in line with *SNA*
- ❑ The sectorization is consistent with *SNA*
- ❑ *BPM6* has full *SNA/MFSM* classification, but allows for an ease of transition by identifying the old sectors and using their ordering.
- ❑ In line with the *SNA*, *BPM6* replaces monetary authorities by a central bank sector (however, monetary authorities is a supplementary item),
- ❑ Other financial corporations sector given a higher profile (previously combined with nonfinancial corporations and households in “other sectors”)
- ❑ Relationship with *SNA* accounting framework shown in Chapter 2 of *BPM6*.
- ❑ Consistency between international accounts and other datasets



Key Influences: Links Other Manuals

- Advances in thinking in other guides and manuals produced since 1993 are incorporated. These include:
 - The *External Debt Guide*, such as its definition and identification of debt as a grouping of financial instruments.
 - The *Guidelines for the Reserve Data Template*, such as the expanded description of what constitutes reserve assets.
 - The *Manual on Statistics of International Trade in Services*, drawing on the more detailed discussion than in *BPM5*.
 - The *Government Finance Statistics Manual* (2001), the *Monetary and Financial Statistics Manual* (2000), and *Financial Soundness Indicators Guide* (2005) are also drawn upon.
- Later on - updates of these related manuals and guides



Some Underlying Themes

- ❑ Globalization
- ❑ Increased Focus on Balance Sheets
- ❑ Financial and Technological Innovation



Some Underlying Themes: Globalization

- Residence-related issues
 - Predominant center of economic interest
 - Special purpose entities
- Outsourcing
 - Manufacturing services on physical inputs owned by others – to be treated as a service
- Revised treatment of merchanting.
- Elaboration on currency unions and other regional arrangements
- Migrant workers - remittances.



Some Underlying Themes: Increased Focus on Balance Sheets

- The international investment position (IIP) has a far more prominent position in *BPM6* than in *BPM5*. Linked to trends in analysis - “balance sheet approach” and concern about balance sheet vulnerability issues
- Revised title of the Manual includes IIP
- More guidance on IIP issues, based on experience since *BPM5*
- More emphasis on *other changes account* (revaluation accounts in *SNA*) to explain changes in IIP, with a separate chapter
 - Highlights for instance, the increased importance of analyzing holding gains and losses.



Some Underlying Themes: Increased Focus on Balance Sheets

- ❑ Further breakdown of the IIP by remaining maturity and particularly currency are emphasized.
- ❑ *SNA/MFSM* financial instrument classification now explicit , whereas in *BPM5* mixed in with functional categories.
- ❑ Reserve-related liabilities identified (memorandum and supplementary items)
- ❑ Balance sheet aspects added to the chapter on analysis of international accounts



Some Underlying Themes: Financial and Technological Innovation

- Financial market developments:
 - Investment fund shares or units
 - Index-linked securities
 - Fees on security lending and gold loans
 - Employee stock options
 - Allocated and unallocated gold accounts
- Elaborated cross-border services:
 - FISIM (financial services indirectly measured)
 - More sophisticated calculation of insurance services



Some Underlying Themes: Financial and Technological Innovation

- Information technology and intellectual property:
 - Grouping of telecommunications (including Internet), computer, and information services
 - Treatment of computer software clarified
 - Research and development (patents etc.) are to be treated as a produced asset, so are included in services (previously nonproduced assets, so were included in the capital account)
 - Intellectual property grouping in services



Structure of the Manual

- Ch 1 Section B explains the *structure* of *BPM6*:
 - Ch 2 IIP and BOP are part of broader system of *SNA*;
 - Ch 3-6 Cross-cutting concepts and classifications;
 - Ch 7-13 Account-by-account:
 - Ch 14 Introduction on uses/analysis/selected issues:
 - Appendices 1-9

- Note:
- Appendix 8 very useful
- List of changes with paragraph references

Appendix 8. Changes from *BPM5*

A detailed list of individual changes made in this edition of the manual is provided below. The comparison is with *BPM5*, as amended by *Recommended Treatment of Selected Direct Investment Transactions* (1999), *Financial Derivatives, a Supplement to the Balance of Payments Manual* (2000), and *IMF Committee on Balance of Payments Statistics Annual Report* (2001).

As discussed in paragraphs 1.32-1.35, the main themes behind the changes in *BPM6* are to deal with globalization and financial innovation, support the increased focus on balance sheet analysis, and to incorporate changes made to the *1993 System of National Accounts Rev. 1* and other manuals and guidelines. In addition, there are many changes to provide clarifications or further detail on particular topics.

Chapter 1. Introduction

The title of the manual is changed to *Balance of Payments and International Investment Position Manual* (paragraph 1.1).

Procedures are introduced for updating the manual (paragraphs 1.37-1.41).

A research agenda for future work is identified (paragraph 1.43).

Chapter 2. Overview of the Framework

The definition of balance of payments statistics is limited to transactions between

residents and nonresidents (paragraph 2.2; however, practical dimensions are discussed in paragraphs 3.7-3.8 and 4.144-4.145).

The Data Quality Assessment Framework and dissemination issues are introduced (paragraphs 2.33-2.35).

Time series issues are discussed explicitly (paragraphs 2.36-2.37).

Explicit recognition is given to the satellite account approach (paragraphs 2.38-2.39).

Chapter 3. Accounting Principles

Transactions in a transferable external asset between two resident institutional units are transactions between residents while transactions in a transferable external liability between two nonresidents are transactions between nonresidents. It is clarified that these transactions between residents, however, can affect sectoral positions, which are reflected through reclassification (paragraphs 3.7-3.8).

Imputed transactions are clarified and specified (paragraph 3.18).

Changes in financial assets and liabilities due to change in residence of individuals are treated as other changes in the volume of assets (reclassifications) rather than as transactions (paragraph 3.21).

Bookkeeping conventions (vertical double-entry bookkeeping, horizontal



Revisions to *BPM6*

□ Research agenda

■ Possible future work:

- ultimate investing economy and ultimate host economy in direct investment;
- whether direct investment relationships can be achieved other than by economic ownership of equity (e.g., through warrants and repos);
- pass-through funds;
- reverse transactions;
- extended use of fair value of loans;
- risk and maturity structure of financial assts and liabilities;
- investment income;
- debt concessionality;
- emission permits.

Key Influences: Links with the SNA-Terminology

- ❑ “Goods for processing” replaced with “Manufacturing services on physical inputs owned by others”
- ❑ “Merchanting of goods” renamed “Net exports of goods under merchanting”
- ❑ The categories “income” and “current transfers” in *BPM5* replaced with “primary income” and “secondary income” in *BPM6*
- ❑ “Net lending/net borrowing” as balancing item, instead of “Financial account, net”
- ❑ Headings of the financial account become “Net acquisitions of assets” and “Net incurrence of liabilities”, instead of “Debits” and “Credits” (change of sign convention)
- ❑ “Monetary authorities” renamed “Central bank”
- ❑ “Banks” renamed “Deposit-taking corporations except the central bank”



Key Influences: Links with the *SNA*-Classification

- ❑ “Goods for processing” moved to Services and become “Manufacturing services on physical inputs owned by others”
- ❑ “Merchanting of goods” moved from Services to Goods and renamed “Net exports of goods under merchanting”
- ❑ Migrants’ personal effects are no longer included in Goods
- ❑ “Repairs on goods” renamed “Maintenance and repair services n.i.e.” and moved to Services
- ❑ FISIM to be calculated, removed from (primary) income and included under “Financial services”

Key Influences: Links with the *SNA* - *Sectors*

Central bank
Deposit-taking corporations except the central bank
General government
Other sectors
Other financial corporations
Money market funds (MMFs)
Non-MM Investment funds
Other financial intermediaries except insurance corporations and pension funds (ICPFs)
Financial auxiliaries
Captive financial institutions and money lenders
Insurance corporations
Pension funds
Nonfinancial corporations, households, and NPISHs
Nonfinancial corporations
Households
NPISHs (nonprofit institutions serving households; may be combined with households)
<i>Additional sectors for counterpart data:</i>
<i>International organizations</i>
<i>International financial organizations</i>
<i>Central bank of currency union</i>
<i>Other international organizations</i>