

# Balance of payments and international investment position manual (BPM6)

Statistics Explained

Compiling and disseminating consistent and timely balance of payments and international investment position statistics is possible only by using international agreed methodological standards. One of the main priorities of the [International Monetary Fund \(IMF\)](#), is providing sound methodological guidelines in fulfilling this purpose. Starting with the first edition of the Balance of Payments Manual released by the Fund in January 1948, and continuing towards the latest edition of the Balance of Payments and International Investment Position Manual ([BPM6](#)), released in 2009, the guidelines have evolved to meet changing circumstances.

The Manual serves as a base by the member countries for preparing balance of payments and international investment position statistics according to internationally accepted standards. The end result is achieving comparable statistics between countries and producing high quality data which would reflect the economic reality. The Balance of Payments and International Investment Position Compilation Guide, as a companion document to the Manual, was published in 2014 to further assist the compilers with providing practical advice on source data.

## Background

The fifth edition of the manual was published in 1993 and it has been used as a methodological guidance for more than two decades. Even though the overall framework of the fifth edition is still adequate, publishing a new manual was essential in order to adapt to the fast growing financial innovations, and to adjust to the newly developed economic circumstances and increased globalisation.

The latest manual is a result of several years of work by the IMF's Statistics Department in collaboration with national compilers, data users and other interested parties. The project was initiated in 2001 by the IMF Committee on Balance of Payments Statistics (Committee), due to the growing need for emphasising the linkages it has with other macroeconomic statistical manuals, to maintain overall statistical consistency, and to incorporate better coverage, definitions and further clarifications of data in order to ensure international comparability.

The main need for a change was recognised with the increased movement of capital, financial and technological innovation since 1993, and the need for production of more detailed data and analyses to explain the economic reality. Furthermore, greater prominence is given to the position data, emphasising the importance of international investment position data and the "other flows". With the new Manual it stipulates the need for clear distinction of the nature of the flows, providing guidance to separately identify transactions, valuation changes and other changes in volume that give explanation of the position data changes.

As mentioned, increased focus was also placed on strengthening the linkages between different manuals, which was first introduced with BPM5, as the System of National Accounts, the Monetary and Financial Statistics Manual, the External Debt Guide, the Benchmark definition of foreign direct investments, the Government Finance Statistics Manual and the Guidelines for a Data Template, are all updated within close proximity. In addition, the need for further clarification and detail on specific cases was addressed, which made the manual almost double the length of the previous, providing many explanations, examples and definitions, which were acknowledged as insufficiently covered in BPM5.

## Presentation of BPM6

BPM6 has 14 chapters and 9 appendices, and includes a series of tables and figures with explanation on specific cases, some of which have been identified as cases requiring additional guidance.

The first few chapters include introduction, overview of the framework, accounting principles and detailed definitions of economic territory, units, institutional sectors and residence. After these general chapters, BPM6 continues with a separate chapter devoted to elaborating the classification of financial instruments, and chapters for functional categories and their role in international investment position and balance of payments framework. With this, unlike in BPM5, the emphasis is given to the increased importance of financial flows and stocks in analysing external stability. This is evident even in the title of the Manual itself.

Before continuing with explanations of the current account transactions, chapter 9 is devoted to the “other flows”, making the connection between positions and transactions data.

The current account is covered in Chapters 10 to 12, and the capital account is covered in Chapter 13. Chapter 14 discusses selected issues in the analysis of balance of payments and international investment position.

In this version of the manual more importance is given to the appendices, covering several different issues. Exceptional financing and debt reorganisation are elaborated more in detail in appendices 1 and 2, and regional arrangements and multinational enterprises are covered in appendices 3 and 4.

The appendix on “remittances” relates to the largely recognised importance of this dataset which is also part of the balance of payments set, and introduces the new concept of “personal transfers” that is replacing “workers’ remittances” in the balance of payments.

Appendices 6a, 6b and 6c cover specific issues that usually need further attention, like direct investment, financial leases and insurance and pension schemes. The connection with the SNA is elaborated in appendix 7, and the changes between BPM6 and BPM5 in appendix 8.

The last appendix is devoted to the standard components and additional position data tables.

## Main changes from the previous manual

Even though the main methodological concept remains unchanged, BPM6 encompasses several changes that should be elaborated and that largely reflect the changes in the economic reality.

Unlike BPM5, which uses the principle of “change in ownership”, BPM6 introduces the principle of “change in economic ownership”, which is the moment when all risks and rewards arising from the ownership transfer from one entity to another. This principle is introduced as a main condition in defining every transaction.

Furthermore, it defines in more detail the differences between transactions and other reclassifications. For instance, cross-border movements of personal effects during migration are no longer to be recorded as transactions but as reclassifications, since it does not entail change in ownership. The same treatment is given to write-offs of loans. In addition, more emphasis is placed on the international investment position (IIP) and more statistical explanation is given to changes that arise outside of transactions, such as exchange rate changes and other price changes, which recognise the increased interest in balance sheet analysis.

Other than introducing more detailed defining and distinguishing between types of flows, it also introduces a modified standard presentation of the balance of payments and international investment position, including the renaming of several components, a change in the convention of the use of signs in the balance of payments, as well as the introduction of new items, such as SDR allocations, which are recognised as a liability.

The “income” and “current transfers” categories were renamed to “primary income” and “secondary income”, “bonds and notes” and “money-market instruments” were renamed to “long-term debt securities” and “short-term debt securities”, while the monetary authorities sector was replaced with the central bank sector. Some of these changes were made to bring BPM6 closer to the SNA.

The emphasised treatment of change in the economic ownership, together with the implications of globalisation on

the economic transactions, resulted in revised treatment of several types of transactions. One of the changes that has larger effects, especially for economies actively involved in outsourced processing, is the changed treatment of goods for processing. According to BPM6, the fee for processing is classified as services, unlike in BPM5 where they are classified on a gross basis as goods. The same treatment is recognised for repairs on goods, while merchanting activities are classified under goods transactions within exports, with imports of goods being classified as negative exports. In BPM5 merchanting is recorded as a service transaction.

Direct investments are elaborated and presented in more detail in order to capture the complex structure of multi-country companies. The 10 percent level for establishing a direct investment relationship is maintained, but more selective definition is provided for capturing the intercompany lending. Also, a new presentation of direct investments on a gross basis, which is more aligned with the IIP, was introduced, using the principle of assets and liabilities. In BPM5 direct investments were presented on a directional principle.

The financial innovation in the last two decades resulted in a need for more detailed elaboration of certain transactions. FISIM is introduced as a separate component, special purpose entities and similar corporate structures with little or no physical presence are dealt with in detail, financial derivatives and employee stock options are included as a separate category, better clarification is given of the scope of financial services, and guidance is provided on the treatment of short positions when a trader sells a borrowed security, and on the related fees for borrowing the security.

BPM6 also provides additional supplementary tables, such as breakdowns of debt instruments by remaining maturity, currency composition, detail presentation of financial derivatives and reserve related liabilities.

## Other articles

- [Balance of payment statistics](#)
- [Remittances according to the BPM6 manual](#)

## Database

- [Balance of payments \(bop\)](#)

## Legislation

- [Regulation \(EC\) No 184/2005 of 12 January 2005](#) on Community statistics concerning balance of payments, international trade in services and foreign direct investment.
- [Summaries of EU Legislation: EU statistics — balance of payments, trade in services and foreign direct investment](#)
- [Regulation \(EU\) No 555/2012 of 22 June 2012](#) amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment, as regards the update of data requirements and definitions.
- [Regulation \(EU\) No 1013/2016 of 8 June 2016](#) of the European Parliament and of the Council amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment.

## External links

- [IMF database](#)
- [Balance of Payments and International Investment Position Manual \(BPM6\), Sixth Edition \(IMF\)](#)
- [Balance of Payments and International Investment Position Compilation Guide \(IMF\)](#)