

Measuring international trade in services - from BPM5 to BPM6

Statistics Explained

This article presents the impact of the implementation of the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) on international trade in services statistics. Although the updated manual has a certain degree of continuity with the previous version (BPM5), there are a number of significant methodological amendments that require users' attention.

Therefore, the next sections present an overview of the most important changes in international trade in services statistics under the new methodology.

The background of the transition

The methodology that was used until 2013 (reference year 2012) in order to measure international trade in services was based on the 5th edition of the [IMF](#) Balance of Payments and International Investment Position Manual (BPM5) and the Extended Balance of Payments Classification (EBOPS 2002).

However, new international standards such as the 6th edition of the IMF Balance of Payments and International Investment Position Manual (BPM6), as well as the 2010 edition of the Manual on Statistics of International Trade in Services of the [United Nations](#), together with the need to coordinate with the implementation of the [System of National Accounts](#) 2008 and ESA2010 transmission programme led to an essential update of the methodology used for measuring trade in services (in the general context of BoP). This update was reflected in the [European Commission \(EC\)](#) Regulation 555/2012 which amended the existing BoP EC Regulation 184/2005 and proposed new data requirements aligned with the BPM6 methodology, taking into account economic and technical challenges.

The new methodology provides enhanced clarification, elaboration, and level of detail for the measurement of international trade in services. Although the overall balance of goods and services is not expected to change substantially, there are some changes in the individual account of services that require the attention of users of these statistics.

In the next sections, we go through the most important changes introduced by the new methodology, especially for certain services categories. Moreover, we explain to users what kind of data will be disseminated in Eurostat's reference database. Finally, after a brief conclusion we propose some external links for those readers interested in finding out more about the methodological changes and their impact on the measurement of international trade in services.

From 11 BPM5 to 12 BPM6 standard services categories

The first main change introduced by the new methodology is that we move from 11 main BPM5 standard services components to 12 main BPM6 standard services components, as seen in the following table:

From a first look at the new services categories, it can be seen that some categories have been dropped, others added and some renamed to reflect new ways of measuring the services involved. In any case, the transition from

BPM5 standard services	BPM6 standard services
Transport	Manufacturing services on physical inputs owned by others
Travel	Maintenance and repair services, not included elsewhere
Communication services	Transport
Construction services	Travel
Insurance services	Construction services
Financial services	Insurance and pension services
Computer and information services	Financial services
Royalties and license services	Charges for the use of Intellectual Property, not included elsewhere
Other business services	Telecommunication, computer and information services
Personal, cultural and recreational services	Other business services
Government services, not included elsewhere	Personal, cultural and recreational services
	Government goods and services, not included elsewhere

the one system to the other entails some complexity, as often one BPM5 service category might be split into two new BPM6 service categories or a new BPM6 category might include elements that were previously reported under two different BPM5 service categories.

A closer look at the impact of the methodological change for certain services categories

The most important changes in certain services categories can be summarized as follows¹:

"Manufacturing services on physical inputs owned by others" reflects the "Goods for processing" of BPM5 classification. In BPM6, these services include processing, assembly, labelling and packing undertaken by enterprises that do not own the goods, but are paid a fee by the owner. As the ownership of the goods does not change, no general merchandise transaction is recorded and it is only the fee charged by the processor that is included under this item.

"Maintenance and repair services" are no longer reported under goods, but under services. The BPM5 item Repairs on goods has been renamed to "Maintenance and repair services not included elsewhere".

"Transport" (renamed from transportation in BPM5) now includes postal and courier services (previously under BPM5 Communication services).

"Insurance and Pension Services" are compiled in a more sophisticated way, under BPM6, entailing a more refined compilation of financial assets and liabilities. Moreover, non-life insurance and reinsurance are treated consistently, in contrast to BPM5 methodology.

"Financial Services" now include "Financial Intermediation Services Indirectly Measured" (FISIM), with a specific method of calculation based on reference rates. In BPM5, FISIM was not a part of financial services.

¹Please note that the following information is a synthesis of the information provided in IMF's and ECB's website on the implementation of the new methodology, as well as relevant Eurostat internal documentation

"Charges for the use of Intellectual Property not included elsewhere" replaces the term "Royalties and License fees" and includes charges for the use of: (i) the outcomes of R&D; and (ii) franchises and trademarks (as in BPM5,) as well as charges for licenses to reproduce and/or distribute: (i) software; and (ii) audio-visual and related services.

"Telecommunications computer and information services" were grouped together in BPM6 and they include the following BPM5 items: (i) Communications services (except "Postal and Courier services", which are recorded under "Transport" in BPM6), as well as (ii) Computer services and Information services.

"Other business services" in BPM6 include (i) professional and management consulting services, (ii) technical, trade-related and other business services and (iii) Research and Development (R&D) services (as in BPM5). Under BPM5 though, the results of R&D were recorded in the capital account – non produced financial assets whilst, under BPM6 the results of R&D are considered to be produced assets and are recorded under R&D services.

"Merchanting" used to be a part of "Services - other business services" under BPM5, but under BPM6 it is reclassified from services to goods. "Merchanting" is defined as the purchase of a good by a resident of the compiling economy from a non-resident and the subsequent resale of the good to another non-resident; without the good entering or leaving the compiling economy.

Furthermore, a new item, Services not allocated (SN), has been introduced. This item was created due to the fact that some Member States had difficulties in allocating certain amounts under specific services categories; only services whose origin is undetermined should be included in this item. Please note that this is not a standard category among the twelve categories listed in Table 1.

Dissemination of annual International Trade in Services data

The new methodology is to be implemented from 2014 (reference year 2013), thus Eurostat's reference database will only include BPM6 based data (in newly created tables), both for national data and EU aggregates for annual International Trade in Services, as from reference year 2013 onwards. For reference years 2010 to 2012, Eurostat's reference database will include both BPM5 and BPM6 data (in separate tables), as far as EU aggregates are concerned, while national data will be disseminated under BPM5 and/or BPM6 methodology, according to Member States' preferences. For reference years prior to 2010, annual International Trade in Services data, both as far as national figures and EU aggregates are concerned, will only be available under the BPM5 methodology.

Conclusions

To conclude, this article sets out some of the most important changes in the different services categories, under BPM6 methodology. We acknowledge that for certain economies the most important change is that for "goods for processing" (and, to a lesser extent, for "merchanting"), which may have a significant impact on estimates of goods and services trade. The treatment of goods for processing under the BPM6 methodology is expected to result in increases in imports and/or exports of services and larger reductions in gross goods imports and exports, although net goods and services trade may stay unaffected. We invite those readers who are interested in more detailed information about specific services categories to follow the external links below.

Other articles

- [Balance of payments and international investment position manual \(BPM6\)](#)
- [Balance of payment statistics](#)
- [International trade in services](#)

Database

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

International trade in services, geographical breakdown (bop_its)

Dedicated section

- [Balance of payments - introduction - international trade in services](#)

Legislation

- [Commission Regulation \(EU\) 555/2012](#)

External links

- [“Changes from BPM5”](#) The full range of changes is explained in Appendix 8 of the Balance of Payments manual
- [BPM5-BPM6 Conversion Matrix](#) (available on the IMF website) matches the standard components and additional details of BPM5 to the standard components and selected other items of BPM6
- [IMF's Balance of Payments and International Investment Position Manual \(BPM6\)](#) Sixth Edition
- [IMF FAQs on the conversion](#)

- [Frequently Asked Questions on the Introduction of BPM6](#) from the ECB website
- [Implementing the new Balance of Payments Manual \(BPM6\)](#) from the ECB website

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