Cross-cutting themes

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IMF Statistics Department – UNESCAP
SNA / BPM Joint Virtual Outreach Seminar
Outline

• Introduction
• Sector breakdowns
• Data by partner economy
• Special Purpose Entities (SPEs)
• Other cross-cutting issues
• Supplementary items
Introduction (1/2)

- **BPM7** provides flexibility for compilers to provide further information on selected topics for analytic value

- Some recommendations are extensions from **BPM6** within the core framework; some extend beyond the core framework

- Guidance on various topics are presented in new chapters and annexes (such as on the *informal activities (new Chapter 18)* and *data by partner economy (new Annex 11)* as well as references to supplementary items

- **BPM7** encourages compilers to use this guidance to fill important information gaps

- Compilers would choose topics based on their importance within the economy’s structure, key policy issues, and data availability
Introduction (2/2)

• **Standard Items**
  - **Standard components** are items that are fully part of the framework and contribute to the totals and balancing items.
  - **Memorandum items** are part of the standard presentation but are not used in deriving totals and balancing items (e.g., interest before FISIM or implicit financial services).

• **Supplementary Items**
  - Items outside the standard presentation that are compiled depending on circumstances in the particular economy (e.g., total remittances and transfers to NIPISHs).

*BPM7 will mostly introduce new supplementary items.*

New standard items are **highlighted in blue** throughout this presentation.
Sector breakdowns - New in the standard components, supplementary items

- Split nonfinancial corporations, households, and nonprofit institutions serving households into: (two separate standard components)
  - Nonfinancial corporations
  - Households and nonprofit institutions serving households

- Breakdown of other financial corporations into:
  - Money market funds (MMFs)
  - Non-MMF investment funds
  - Insurance corporations
  - Pension funds
  - Other financial intermediaries
    - Of which central clearing counterparties
    - Captive financial institutions and money lenders, and financial auxiliaries
Sectoral breakdown for DI

- **De-emphasizes** the breakdown by investment relationship (direct investor in direct investment enterprise; direct investment enterprises in direct investor (reverse investment); and between fellow enterprises) in favor of sectoral breakdown

- **Aligns** DI with other functional categories

- **Applies** to financial account transactions and IIP

Direct investment **standard components**

**Equity and investment fund shares**

- By residential sector
  - Central Bank
  - Deposit-taking corporations, except the central bank
  - General government
  - Other sectors
    - Other financial corporations
    - Nonfinancial corporations
    - Households and NPISHs

**Direct investment memorandum and supplementary items**

- Direct investment
  - (m.) Direct investor in direct investment enterprises
  - (m.) Direct investment enterprises in direct investor (reverse inv.)
  - (m.) Between fellow enterprises
  - (s.) if ultimate controlling parent is resident
  - (s.) if ultimate controlling parent is nonresident
  - (s.) if ultimate controlling parent is unknown
Data by partner economy (1/2)

- **BPM7** will encourage compilers to enhance analytical value by publishing data by partner economy for specific balance of payments components:
  - Goods (with reference as before other sources such as IMTS)
  - Services
  - Direct investment
  - Remittances
    - closely related to migration between two economies, and
    - may often require estimations

- Supplementary data on DI based on the ultimate investing economy (UIE) and the ultimate host economy (UHE) as well as identification of pass-through funds
Data by partner economy (2/2)

- BPM7 will elaborate on some cases where data by partner economy may be challenging such as:
  - Goods on consignment and economy of origin
  - Merchanting and other Global manufacturing arrangements where the physical movement of the goods differs from the change of ownership
  - Adjustments to bring source data that exhibits physical cross border flow of goods to a change of economic ownership basis may also require adjustments to the partner economy
  - Intermediation services and contracting
  - Securities
    - transactor vs debtor for assets held
    - Securities under reverse transactions (legal versus economic owner)
Special Purpose Entities (SPEs)

- A separate “of which” identification of SPEs within the institutional sector accounts
- Nationality-based SPE statistics (i.e., organized according to the location of the entity that ultimately controls the SPEs rather than by the residency of the SPEs)
  - DI statistics that look through SPEs to the first operating unit as a first step in presenting data ultimate host economy
- Intellectual Property Products (IPP) owned by SPEs - how they are treated
Other cross cutting issues

Fintech

- Introduce “of which” category for instruments or services classifications where necessary to separate out fintech-related instruments and services.
  - For example, the activities are classified as financial services or insurance services with a further “of which”

Crypto

- Record crypto assets without a counterpart liability designed to act as a general medium of exchange (e.g., Bitcoins) in a separate category in the capital account. (new standard component)
- Record crypto assets with a counterpart liability as a financial asset
  - The functional category would depend on the nature of the underlying claim
Supplementary presentation of trade and investment income

- Goods trade by enterprise characteristics (TEC)
- Services trade by enterprise characteristics (STEC)
- Investment income by enterprise characteristics
  - Data linkage with business register
  - These supplementary tables are recommended in the context of globalization. The characteristics recommended are
    - Industry
    - Ownership (domestic/foreign control)
    - Firm size
Supplementary Items - Presentation of trade

• **Currency Breakdowns**
  - Total Goods by the currency of denomination.
  - Total Services by the currency of denomination.
    - Domestic / foreign
    - Domestic and SDR basket
    - Domestic, SDR basket and other currencies
  - An unallocated item can also be included to address currency allocation difficulties
Supplementary Items - New

- **Sustainable Finance**
  - Geographical and industrial sector breakdowns of DI
  - Introduce a separate table for the ESG related ‘of which’ categories of the IIP and BOP as part of Annex 14 of the *BPM7*
  - International cooperation grants to low-income countries
  - Aligned with the work by the DGI-3 Recommendation 4 in terms of labelling, taxonomy, classification
  - Countries are encouraged to compile data as relevant
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