Cross-cutting themes

APRIL 3-4, 2024

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
THANK YOU FOR YOUR ATTENTION!