

**STATISTICS**

# **BL -3 Current and Capital Accounts**

**MARCH 6-7, 2024**

**IMF Statistics Department – United Nations  
Economic Commission for Europe  
SNA / BPM Joint Virtual Outreach Seminar**

# AGENDA



*BPM7*  
Chapter 10  
Goods  
Account



*BPM7*  
Chapter 11  
Services  
Account

# AGENDA



*BPM7*  
Chapter 12  
Earned  
Income  
Account



*BPM7*  
Chapter 13  
Transfer  
Income  
Account



*BPM7*  
Chapter 14  
Capital  
Account

# Chapter 10 - Goods Account

## Headlines

- In *BPM7*, there will be two chapters Ch 10 (The Goods Account) and Ch 11 (The Services Account) replacing a single chapter in *BPM6*
- Global manufacturing arrangements discussed in Chapter
- Emphasis on publishing Table 10.2, Reconciliation between merchandise trade source data and total goods on a balance of payments basis
- The new manual will follow the structure of *BPM6* 10.13 to 10.40
- Note: Crypto assets (CAWLM) no longer recommended to be classified in goods account

Table 10.1 Overview of the Goods Account	Exports / Revenue	Imports / Expenditure
General merchandise on a balance of payments basis		
<i>Of which: Re-exports</i>		<i>n.a.</i>
<i>Of which: Goods traded within a global manufacturing arrangement</i>		
Net exports of goods under merchanting		<i>n.a.</i>
Goods acquired under merchanting (negative exports)		<i>n.a.</i>
<i>Of which: Material Inputs acquired abroad from third parties by the principal within a global manufacturing arrangement</i>		<i>n.a.</i>
Goods sold under merchanting (exports)		<i>n.a.</i>
<i>Of which: Material Inputs sold to Contractor abroad within a global manufacturing arrangement</i>		<i>n.a.</i>
Nonmonetary gold		
Total goods		
Balance on trade in goods		

# Overview of Chapter 10 - Goods Account

## Sections with no significant change

- General merchandise
  - Items included
  - Items excluded
  - General and special trade
  - Time of recording
  - Valuation
  - Re-exports
- Other goods
  - Merchanting
  - Nonmonetary gold

## New Sections

- Global manufacturing –Processing-type arrangements and factoryless goods production (FGP)
  - Adjustments to source data
  - Providing information to users
  - Valuation
  - Diagrams
  - Decision tree distinguishing
    - (traditional) merchandise trade
    - Re-exports
    - Processing arrangement
    - FGP arrangement



# Chapter 10 - General Merchandise

- Some new items under *inclusions*
  - Inverse merchanting
  - Trade of finished goods under an FGP arrangement (*new treatment*).
- FOB valuation for exports/imports will be maintained in *BPM7*.
  - It will be noted that the valuation of imports and exports at the observed transaction value is conceptually preferred and, subject to further testing, will be introduced as the standard in the next version of the manuals



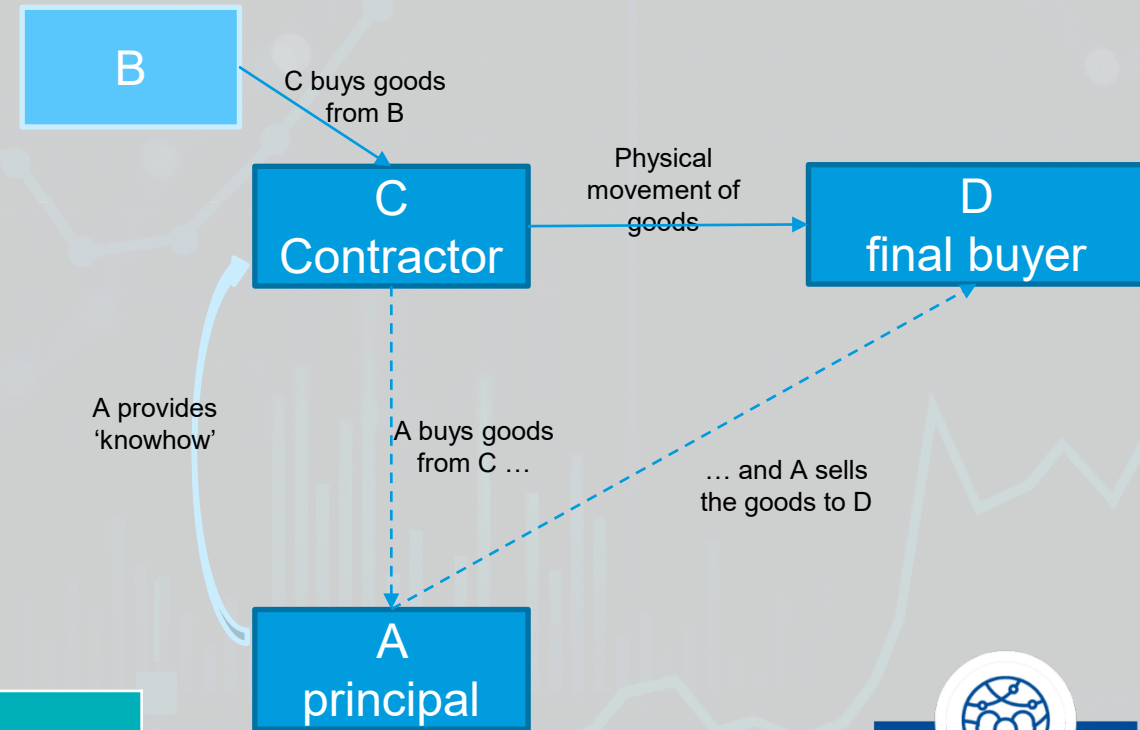
# Chapter 10 - Global Manufacturing Arrangements - Factoryless Goods Production

Example of FGP

A principal in country A outsources the manufacture of a product to a contractor but controls the design process and the final sale. This principal is a producer but does not have a factory:

The contractor in country C builds the product

- The contractor (in country C) sources the input materials e.g. from country B
- The contractor makes the product
- The principal provides the design specifications (the “knowhow” or IPP)
- Principal buys the finished product from contractor and sells to country D



Country	IMTS	BOP goods	BOP services	Adjustment
C	Imports from B, exports to D	Imports from B, exports to A	none	Change D to A (exports)
A	None	imports, exports	none	Positive adjustment to IMTS

## Chapter 10 New emphasis on

### Table 10.2. Reconciliation between Merchandise Source Data and Total Goods on a Balance of Payments Basis

	Exports	Imports
<b>Valuation adjustments</b>		
– CIF/FOB adjustment	<i>n.a.</i>	
± High-value capital goods, if delivery differs from change of ownership		
<b>Adjustments arising from the change of economic ownership principle</b>		
± Goods lost or destroyed in transit		
± Goods changing ownership in customs warehouses or other special zones		
- Migrants' personal effects		
- Returned goods		
- Goods for repair or storage without change of ownership		
<b>Valuation adjustments and adjustments arising from the change of economic ownership within merchanting or global manufacturing arrangements</b>		
+ Net exports of goods under merchanting		<i>n.a.</i>
+ Exports to and imports from a merchant in an economy of inverse merchanting		
- Dispatches of goods from, or arrivals of goods to, either the economy of the principal or the economy of the processor without change of ownership in a processing arrangement		
+ Goods acquired from other economies for processing abroad, and goods sold abroad after processing, without the goods passing through the economy of the resident principal		
+ Acquisition and sale to other economies of finished goods by a factoryless goods producer without the goods passing through the economy of the factoryless goods producer		
± Adjustment to the contractor's valuation of exports of finished goods to a factoryless goods producer if different from IMTS valuation of dispatches to final buyer		<i>n.a.</i>
<b>Other conceptual adjustments</b>		
- Goods imported for construction projects by nonresident enterprises		
+ Goods changing ownership entering / leaving territory illegally		
+ Nonmonetary gold		
<b>= Total goods on a balance of payments basis</b>		

#### Types of adjustments

- Valuation adjustment
- Arising from change of ownership
  - *of which,*

within a global manufacturing arrangement
- Other conceptual adjustments





# Chapter 11 – The Services Account

Table 11.1 Overview of Services Account (17 main standard service categories)

Manufacturing services on physical inputs owned by others

Maintenance and repair services n.i.e.

Transport

Travel

Construction

Insurance and Pension services

Financial services

Charges for the use of intellectual property n.i.e.

Telecommunication services

Computer and information services

Research and development services

Professional and management consulting services

Trade-related services

Operating leasing services

Technical and other business services

Personal, cultural and recreational services

Government goods and services n.i.e.

Classification is mainly product based, but is transactor based for travel, construction, and government goods and services n.i.e.—**no change from *BPM6***

Improves correspondence between BOP services classification and CPC

## Marketing assets

- 1<sup>st</sup>/2<sup>nd</sup> level
- Treatment of licenses to use, license to reproduce and distribute and outright sale of marketing assets



**BPM7**  
Chapter 11  
Services  
Account

# Chapter 11 – Services, changes from BPM6

## Telecommunication, computer, and information services (*BPM6*)

1.A.b.9 Telecommunications services
1.A.b.10 Computer, and information services
1.A.b.10.1 Computer services
1.A.b.10.2 Information services

- Computer and information services—to include cloud computing services and data and databases (incl. data as an asset)

## Other business services (*BPM6*)

1.A.b.11 Research and development services
1.A.b.12 Professional and management consulting services
1.A.b.13 Trade-related services
1.A.b.14 Operating leasing services
1.A.b.15 Technical and other business services

## Manufacturing services on physical inputs owned by others

- Manufacturing services that are part of a global manufacturing arrangement also in Chapter 10
- The service element is defined in Chapter 11; and
- Supplementary recording of related goods movements discussed in Chapter 11

## Charges for the Use of Intellectual Property n.i.e.

- Definition of intellectual property products introduced
- Clarification on outright sale/purchase and other transaction related to IPPs provided

## Marketing assets (new in services)

- Outright sales will now be in services rather than capital account, as a new services category.
- Treatment of licenses – no major changes.



# Chapter 11 – Services

## Travel

- Treatment of package tours clarified: as a basket of at least three major services
  - The services themselves (for example, transport, accommodation)
  - The services provided by the tour operator
  - The margin of the travel agency (usually different from the tour operator) selling the tour
- Clarification on health and education related travel
  - Scope of “medical reasons” follows the definition of “health and medical care” from *IRTS 2008*
  - Travel expenses of patients’ companions to be included under “other personal travel” treating them as “travelers”
  - Treatment of companions of education-related travelers-classified as “other personal travel” for consistency with companions of traveling patients

## Transport

- CIF to FOB treatment clarified for insurance premiums and insurance services



# Chapter 11 – Services

## Financial services

- Financial services provided by fintech (e.g., payment services/peer-to-peer lending services/other financial services such as capital raising/investment management enabled by fintech) are classified in the financial services—no new service categories introduced
- Margins on buying and selling transactions—further elaboration on the relevant concepts including practical challenges in compiling this item

## Insurance

- Hybrid insurance products are classified into life (financial account) or nonlife insurance (current transfers) depending on which features are predominant
- Insurance services through fintech (i.e., InsurTech) are covered under insurance and pension services



# Chapter 11 – Services

## Intermediation services (including digital intermediation)

- Reference to services merchanting in *BPM6* (10.160) to be deleted
- Fee-based digital intermediation platform (DIP) services defined - *intermediation services enabling transactions between multiple buyers and multiple sellers, without the intermediation platform taking economic ownership of the goods or rendering-services that are being sold*
- Fee for services intermediated by third party (including DIPs) — record under trade-related services

## Personal, Cultural, and Recreational Services

- Tele-health/tele-education are included under Other personal, cultural, and recreational services

## Government Goods and Services n.i.e.

- Additional specific products to be included under other services supplied by and to governments—along the lines of the CPC divisions 91 and 99

## Construction services

- Add construction, add construction services (supplementary)



# Goods and services topics to be covered elsewhere

- Digital economy covered in more detail in Chapter 16 - Digitalization)
- Price and volume data discussed in Annex 5 –Selected issues on cross-border trade
- MNEs and globalization (in Chapter 15 - Globalization)
- Trade by enterprise characteristics (in Chapter 15 - Globalization)
- Additional breakdowns Annexes 5 & 11 (data by partner economy)
- Trade by invoice currency (Annex 5)
- Informal trade (Chapter 18)



# Chapter 12 – Earned Income Account

- **New:** *BPM6* Primary Income Account is called the Chapter 12 - **Earned Income Account** in *BPM7*
- **New items**
  - New treatment of superdividends
  - Supplementary information on portfolio investment
  - Direct investment relationship will be de-empazised (i.e. income broken down by direct investment in DIE, reverse investment, between fellows), and is a memorandum item of the standard components



# Types of earned income 1

Structure as in the *BPM6 Ch 11*.

- A. Compensation of Employees** – no significant changes except to be renamed “*remuneration of employees*” throughout BPM and SNA
- B. Dividends and Withdrawals of Quasi-Corporations**
  - The concept of superdividends for DI to be discarded
  - Income includes distributions of earnings from the current period or accumulated from earnings in previous periods
    - This does not hold for PI - dividends paid on PI such as to IF shareholders or domestic dividends received are up to the amount of current earnings
- C. Reinvested Earnings**
  - Supplementary recording of portfolio share of retained earnings of enterprises and other reinvested earnings on PI
    - This gives a complete picture of nonresident claims
  - Clarification of calculation of RIE of collective investment funds (IFs)
    - Expenses of IFs are treated as being paid by the unit shareholders



# Types of earned income 2

## D. Interest and Similar Returns

- ‘Interest’ to be replaced by “interest and similar returns” to include the broader interest-like returns on Islamic instruments.
  - A sub-category within interest and similar returns showing investment income for Islamic finance where this is significant.
- Negative interest payable on financial instruments is recorded as a negative expenditure and negative interest receivable is recorded as a negative revenue
- Reverse transactions and Repos
  - legal but no economic change of ownership
  - On-selling of securities as a negative asset is recorded when on-selling takes place and results in the recording of negative interest and dividend credit/revenue

# Chapter 13 Transfer Income Account

- **New:** *BPM6* Secondary Income Account is called - **Transfer Income Account** in *BPM7*
- The structure will be maintained as in the *BPM6 Ch 12*
- The chapter will include some further clarifications and examples with no major changes.
  - Distinction between current and capital transfers
  - Fine/penalty transactions time of recording:
    - is when a legal and unconditional claim to the funds is established
  - Treatment of licenses
    - record as taxes compulsory payments for non-transferable licenses



## Chapter 13 Transfer Income Account

- Distinction between current and capital transfers for insurance and compensation payments
  - Major catastrophic events determining if nonlife insurance claims are capital
  - compensation payments are capital if they are intended to recover losses incurred over a multi-year period or to replace an asset
- Treatment of hybrid insurance
- Nonrefundable contributions to government under citizen-by-investment (CBI) programs are either current or capital transfers based on the specific features of the program
- Concessional lending and transfer element – only as a supplementary item

# Capital Account 1

The structure will be maintained as in the *BPM6 Ch 12*

## ***New items***

- Crypto assets without a corresponding liability recorded as nonproduced, nonfinancial assets
- Non-fungible tokens (NFTs) that convey limited commercial rights recorded under contracts, leases, and licenses
- Marketing assets are removed from Capital Account, they are now treated as produced nonfinancial assets (in the services account)
- Table 13.1, Overview of the Capital Account
  - will be updated to reflect the new category of Crypto Assets under acquisitions and disposals of nonproduced, nonfinancial assets



The background features a light blue and white color scheme with various financial data visualizations. There are several line graphs with circular markers, some showing an upward trend. A bar chart is visible in the lower right quadrant. Faint numerical values like '18.36', '20.94', and '37.93' are scattered across the background. The overall aesthetic is clean and professional, typical of a financial or economic report.

**THANK YOU FOR YOUR ATTENTION!**