IFC-ECB-Bank of Spain Conference: "External statistics in a fragmented and uncertain world"

12-13 February 2024

Introduction: BPM7 - external sector statistics address new challenges[1]

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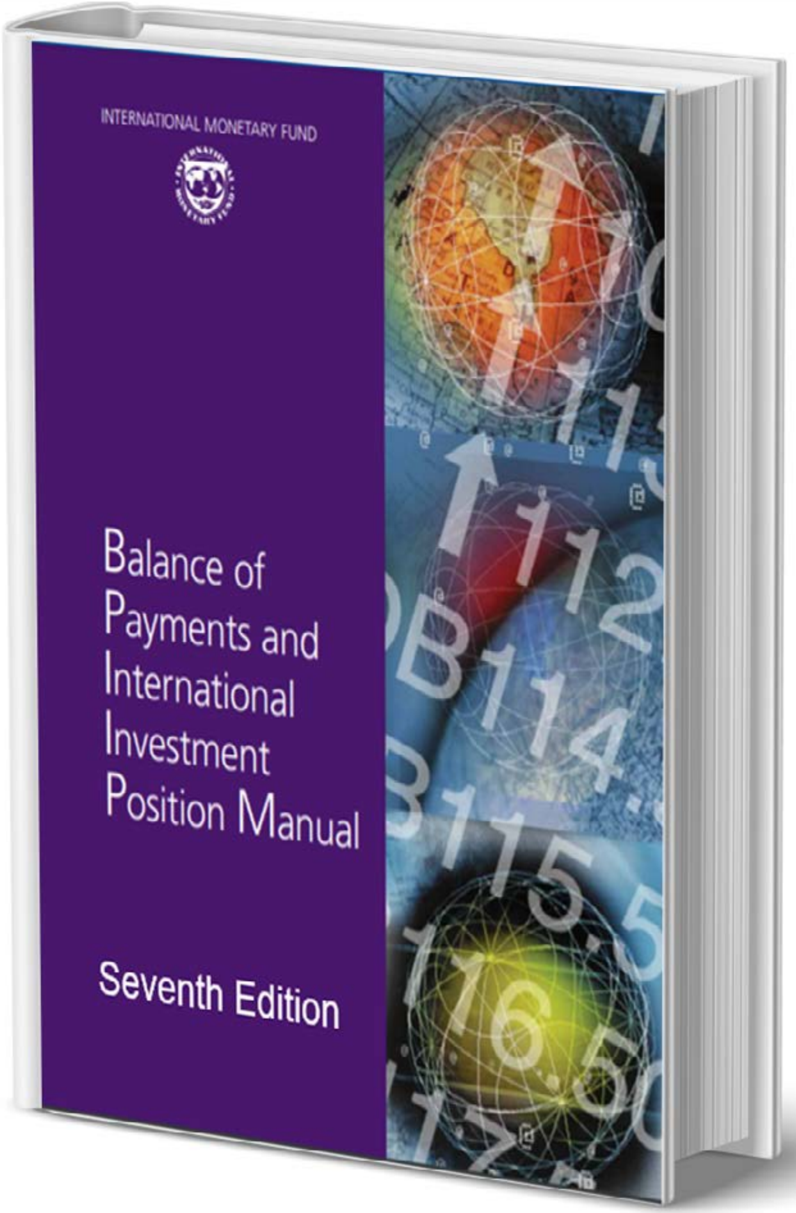
[1] This contribution was prepared for the conference. The views expressed are those of the authors and do not necessarily reflect the views of the European Central Bank, the Bank of Spain, the BIS, the IFC or the other central banks and institutions represented at the event.

STATISTICS

BPM7 – External Sector Statistics Address New Challenges



CARLOS SÁNCHEZ-MUÑOZ (*BPM7* PROJECT MANAGER)

FEBRUARY 13, 2024

Conference on *External statistics after the pandemic: Addressing novel analytical challenges*

Irving Fisher Committee on Central Bank Statistics of the Bank for International Settlements, European Central Bank, Banco de España

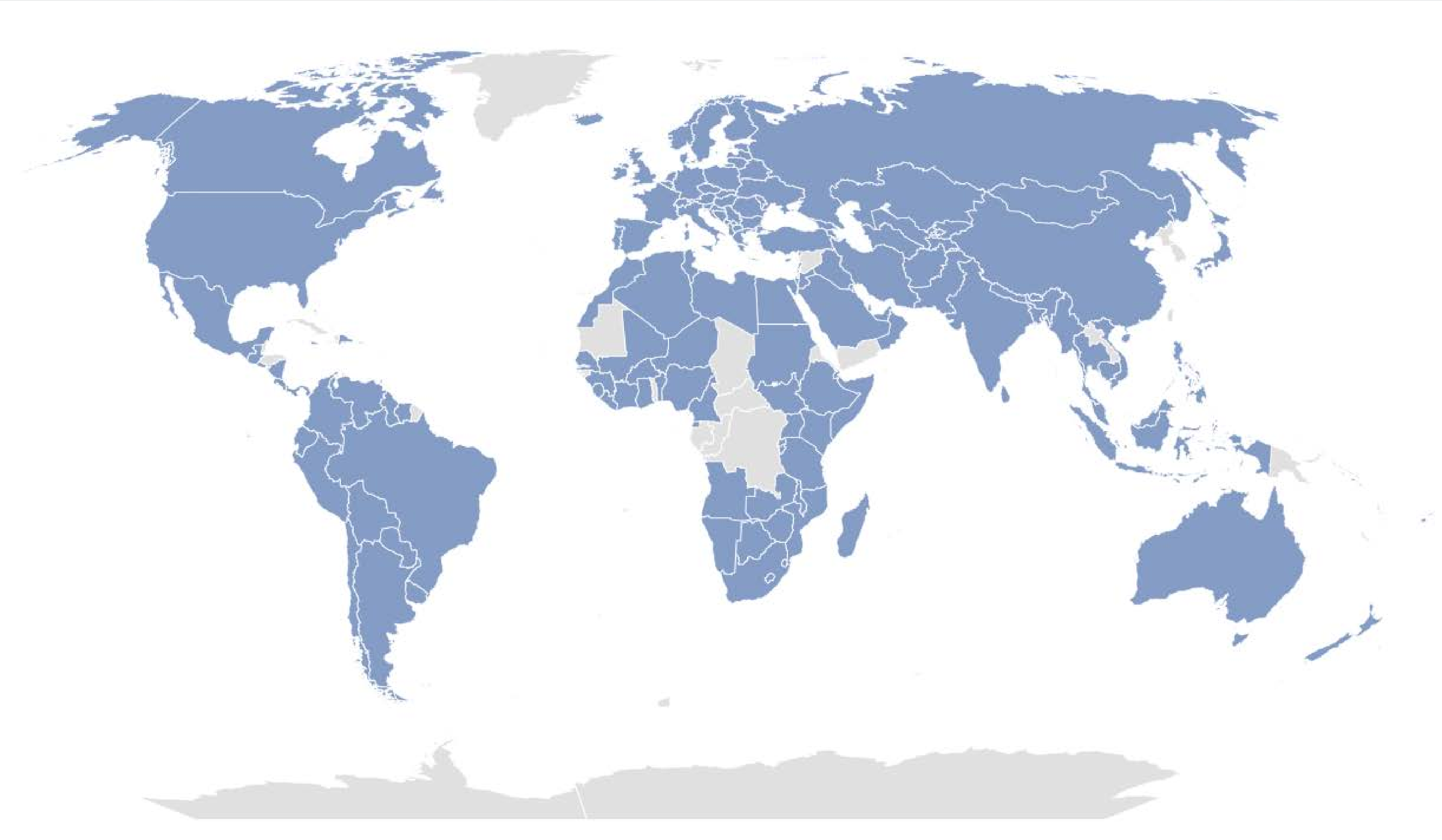
AGENDA

- *Road to BPM7:* Main Features
- Why Update the Standards?
- Key Update Themes
- Update Process and Timeline
- Support to Our Members and Outreach

Road to *BPM7*: Main Features

- Follows the **standard revision cycle** (~15 years between editions)
- First BPM update to be done in **full coordination with the SNA update**
- Increased **collaboration with other statistical domains**, including common glossary
- **Country participation**: extensive outreach and global consultations
- **Early implementation simulations and country experiences** to test some proposals before agreeing them
- The **integrated international investment position** will be at the center of the *Manual*
- **Anticipating future developments**, e.g., the use of invoice values for goods and reinvestment of earnings for portfolio investment in *BPM8*
- **Most changes** to address new developments will be handled through **supplementary presentations**.

Worldwide Participation in SNA/BPM Global Consultations



Thus far, 176 economies have participated in at least one of them

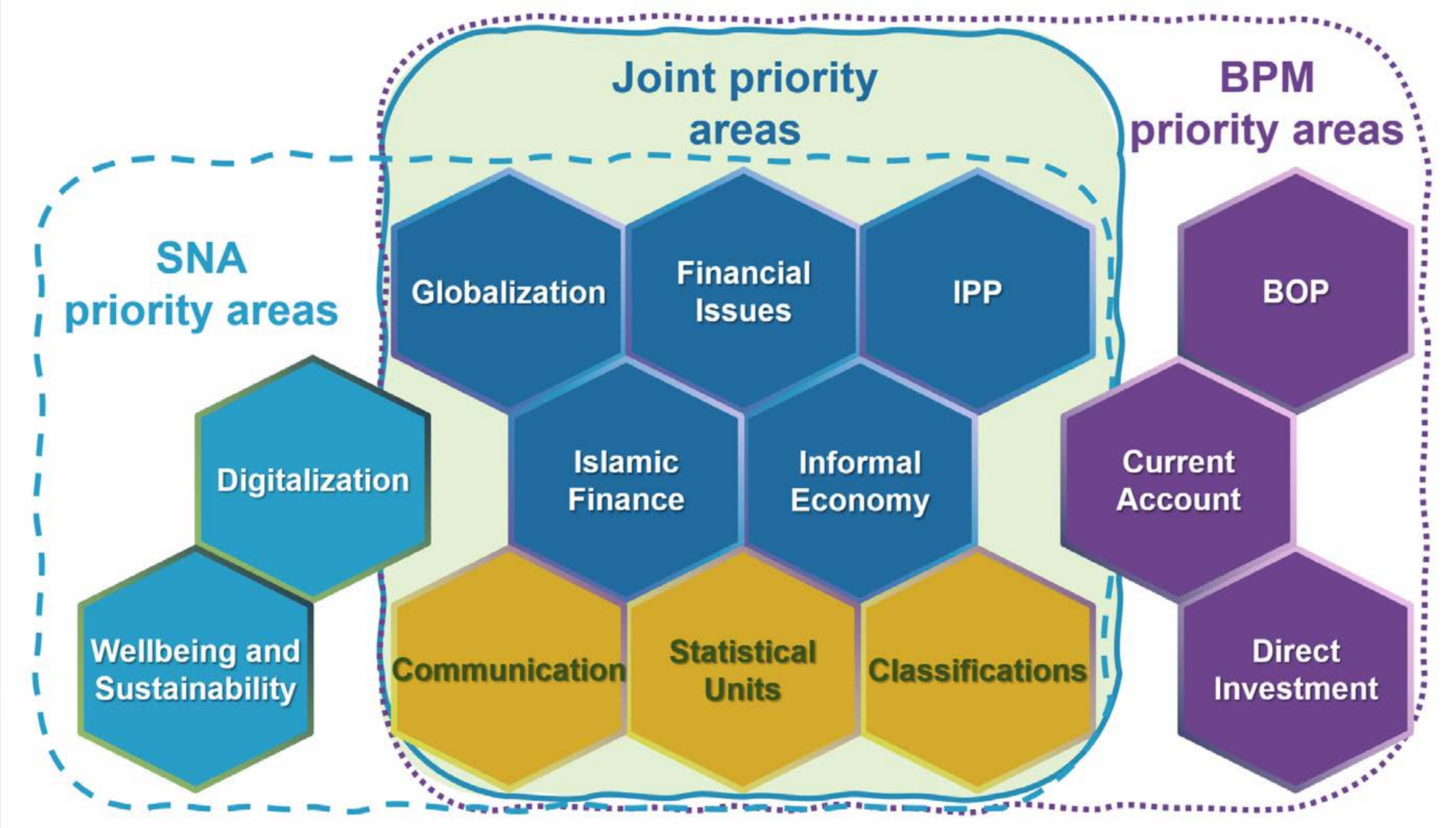
Why Update the Standards?

- **Tectonic shifts in the global economy**
  - 2008 global financial crisis highlighted data shortcomings
  - The COVID-19 pandemic showed vulnerabilities
  - Increasing demand for data to address climate change
- **The conceptual frameworks designed to be robust and resilient**
  - But shortcomings in analytical usefulness exposed
  - Digitalization and globalization posed new challenges to data compilation
- **Respond to data needs identified through global reviews**
  - The G20 Data Gaps Initiative
  - The Stiglitz-Sen-Fitoussi Commission

Ensure that policy makers' data needs and key topics for surveillance and broader policy analysis are addressed in the updated manuals

Why Update the Standards?

Key Update Themes



Key Update Themes

Digitalization and Financial Innovation

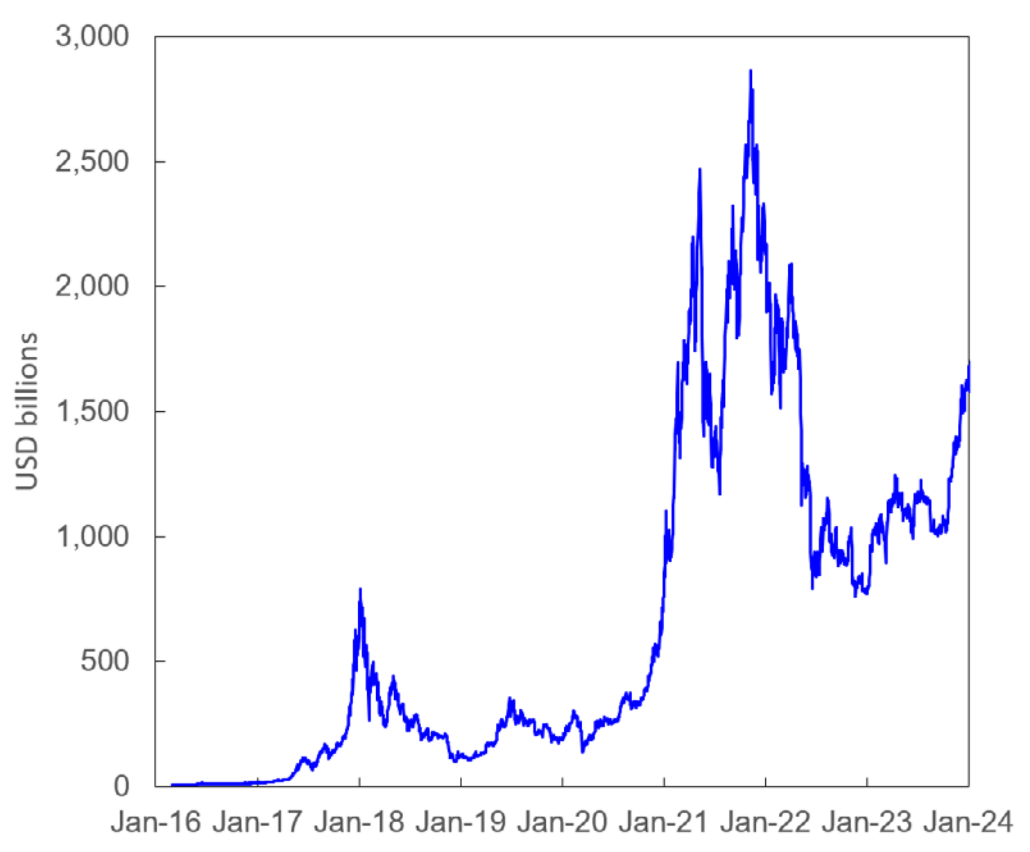
Selected Update Issues

- Recording fintech
- Recording crypto assets
- Financial derivatives by type
- Non-bank financial institutions

Related Policy Work

- Macrofinancial surveillance
- Fintech
- Digital money

Global market capitalization of crypto assets
(In USD billions)



Source: Coin Dance.

Globalization

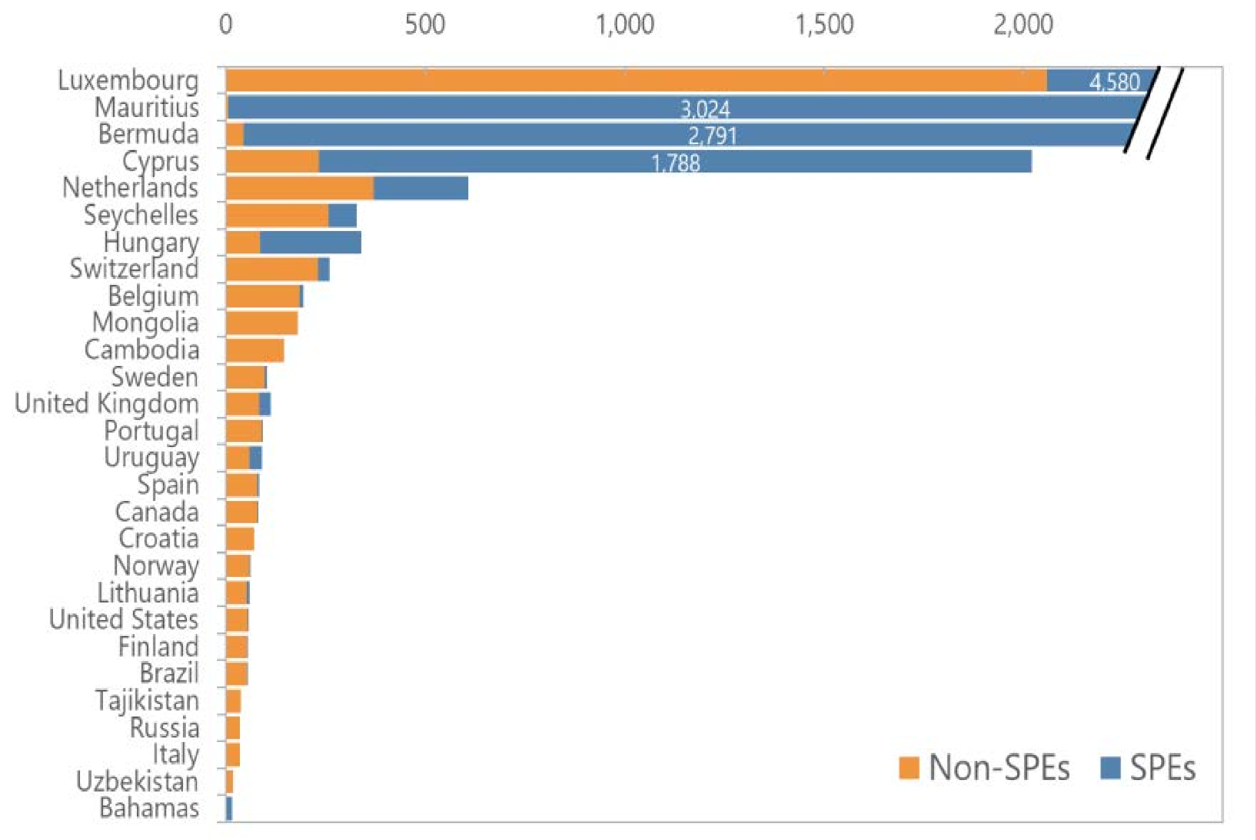
Selected Update Issues

- Global value chains
- Multinational enterprises
- Special purpose entities (SPEs)

Related Policy Work

- Trade
- International taxation
- Capital flows

Foreign Direct Investment breakdown
(Percent of GDP; end-2020)



Source: IMF staff calculations based on the IMF SPE Database.

External Sector Sustainability

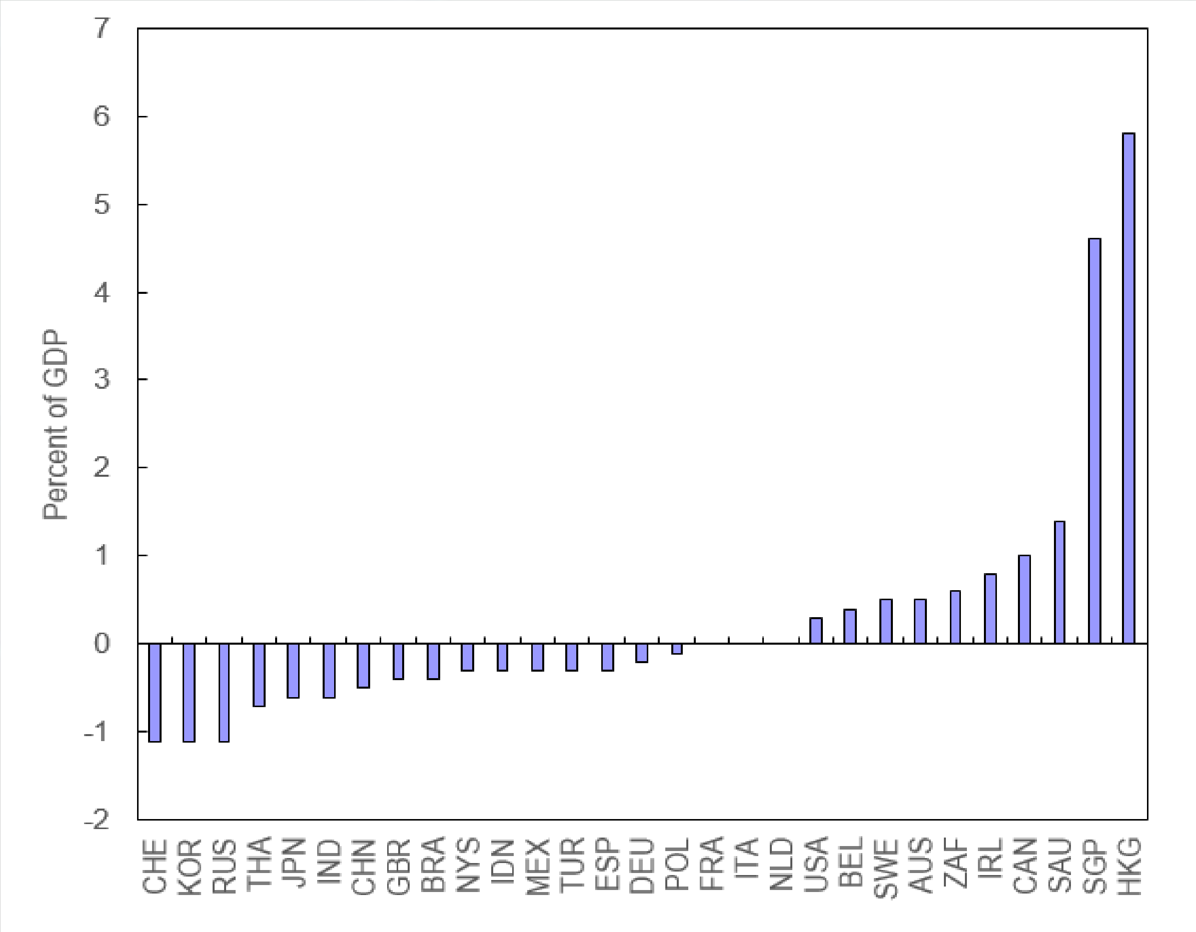
Selected Update Issues

- Stock/flow reconciliation
- Trade classified by currency
- Net international reserves
- Reinvested earnings (RIE)
- Unlisted equity

Related Policy Work

- External balance assessments

Estimated current account impact when including RIE on portfolio investment
(In percent of GDP; 5-year average)



Source: IMF, "External Sector Report," 2018.

Sustainable Finance

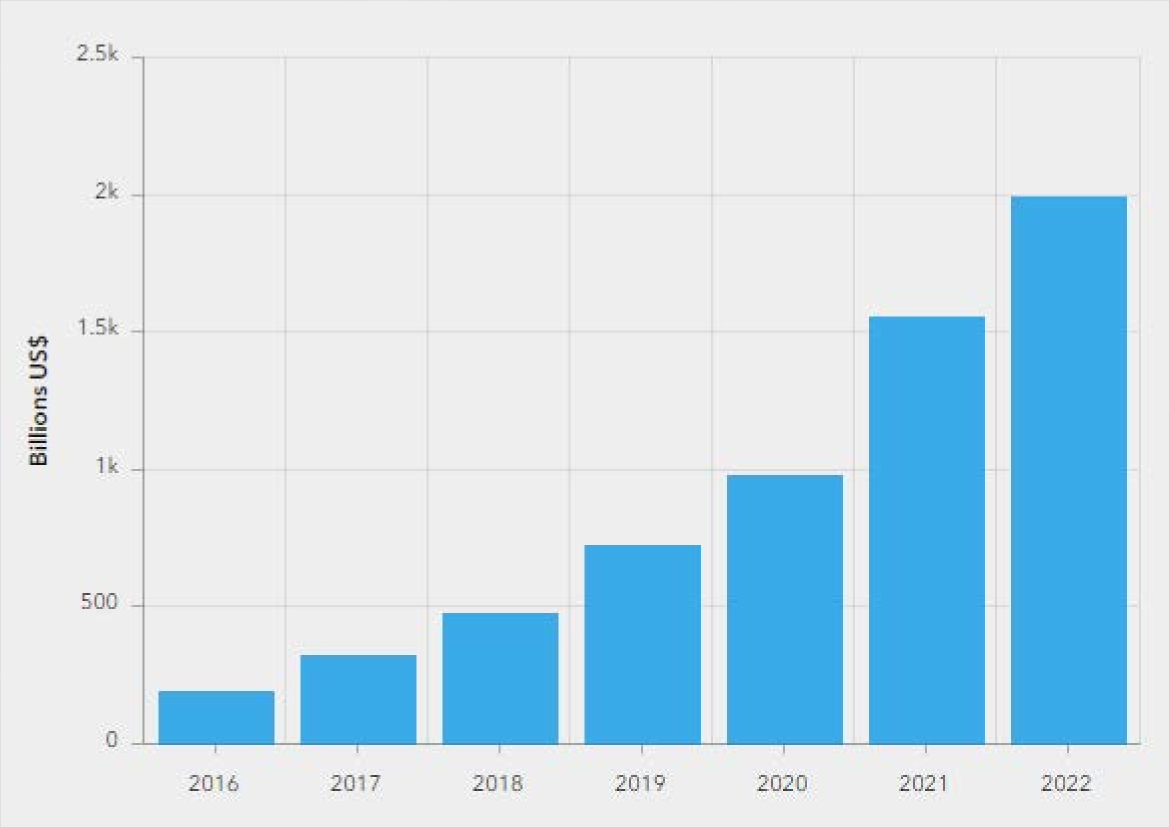
Selected Update Issues

- Type of investments (“green label”)
- Physical location of investments
- Investments in specific industries
- International cooperation grants to low-income countries

Related Policy Work

- Climate change

Green bonds outstanding
(In USD billions)



Source: IMF Climate Change Indicators Dashboard (Refinitiv; Country authorities; IMF staff calculations).

Update Process and Timeline

SNA

UNSC: Launch update process	• Guidance notes • Country consultations Recommendations drafted	UNSC: Adopt recommendations	Draft 2025 SNA	AEG and ISWGNA: Approve 2025 SNA	UNSC: Adopt 2025 SNA
Mar 2020	2020 - 2023	Mar 2024	2023 - 2024	Oct 2024	Mar 2025

Identifed common issues

BPM

BOPCOM: Launch update process	• Guidance notes • Country Consultations Annotated Outline drafted	BOPCOM: Endorse annotated outline	Draft BPM7	BOPCOM: Agree on BPM7 IMF Chief Statistician: Approve BPM7
Mar 2020	2020 - 2023	2023	2023 - 2024	Mar 2025

Support to Our Members and Outreach

- **Implement multipronged capacity development strategy**
  - Organize regional workshops
  - Provide technical assistance and training
  - Develop methodology handbooks and compilation guides
  - Coordinate capacity development with other international organizations

Tailor implementation approach considering the needs and limitations of fragile and conflict-affected states

- **Utilize new digital platform for collaboration**
  - Development of a compilers' hub to facilitate sharing of best practices
  - Transition to electronic publications
  - Share common concepts across all statistical domains, including glossary of terms and definitions
  - Host a forum for interaction between compilers and users and peer-to-peer collaboration

Thank you very much for your attention!

BACKGROUND SLIDES

Key Changes to the Core Framework

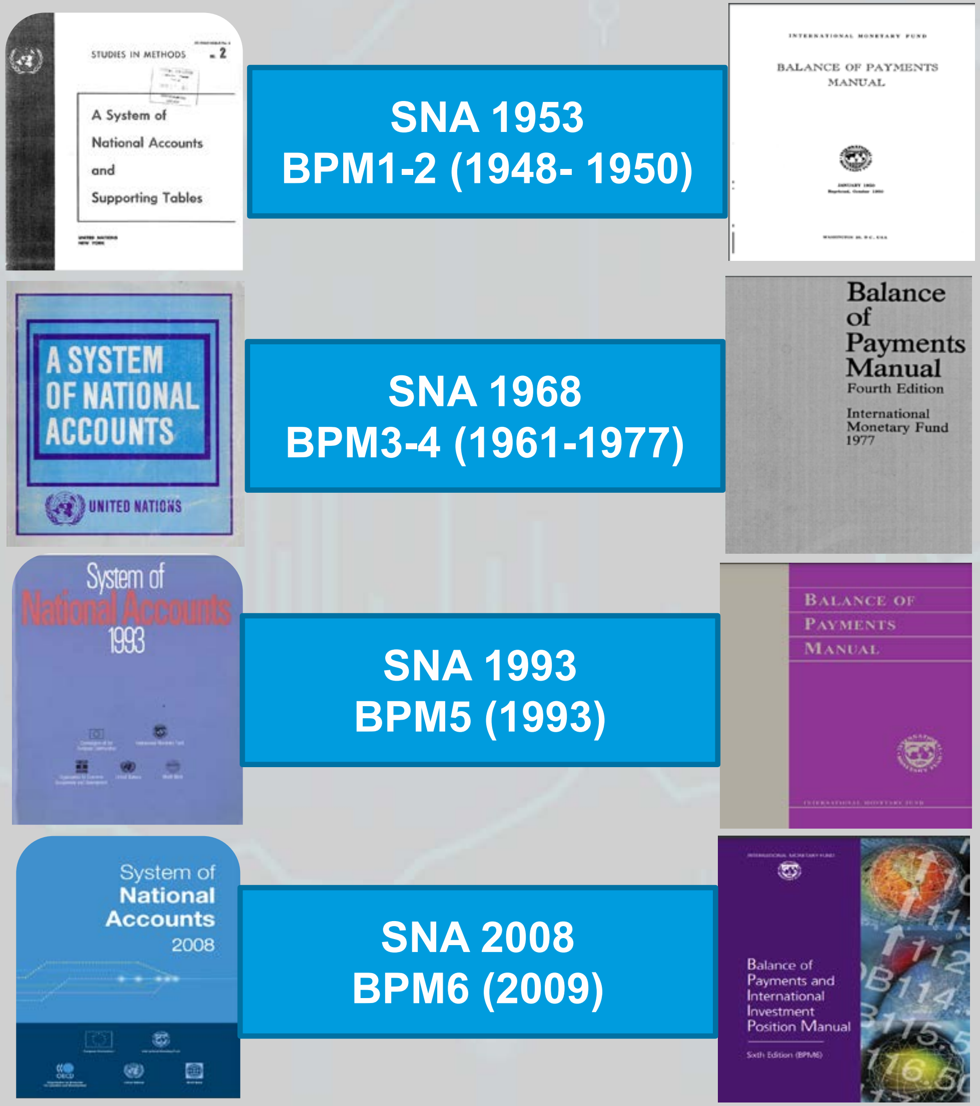
- The **integrated international investment position** will be at the center of the *Manual,* with exchange rate changes, other price changes, and other changes in volume becoming standard components.
- **Crypto assets without a counterpart liability** designed to act as a general medium of exchange (e.g., Bitcoins) will be recorded in a separate category in the capital account.
- **Marketing assets** will be treated as produced nonfinancial assets instead of nonproduced nonfincial assets (i.e., transactions should be included in the current account rather than the capital account).
- More detailed breakdowns of **services** in the standard components.
- **Direct investment** will be broken down by sector.
- **Nonfinancial corporations** will be separated from **households and nonprofit institutions serving households**.

Updating Macroeconomic Statistical Standards

- Macroeconomic statistical standards are regularly updated **to reflect changes in the economy**

- The "updates" can be categorized into three main groups:
  1. **Conceptual updates** (i.e., change in what is measured)
  2. **Methodological updates** (i.e., change in how activities are measured)
  3. **Presentational updates** (i.e., change in how the statistics are presented)

- In the past decades, more and more attention to arrive at **consistency with other standards** (e.g., GFSM and MFSM, SEEA)



Governance Arrangements—SNA and BPM

United Nations Statistical Commission (UNSC)

Provides the mandate on national accounts, endorses and monitors the work program.

Inter-Secretariat Working Group on National Accounts (ISWGNA)

Carries out the mandate and reports progress on its work program to the UNSC.

Membership comprises international agencies, including the IMF.

Engages technical expert groups to carry out the work program.

Advisory Expert Group on National Accounts (AEG)

Assists the ISWGNA in carrying out its work program. Resolves issues on the SNA research agenda.

Membership represents global community of national accounts compilers in their personal capacity.

IMF Committee on Balance of Payments Statistics (Committee)

Advises the IMF on methodological and compilation issues in external sector statistics.

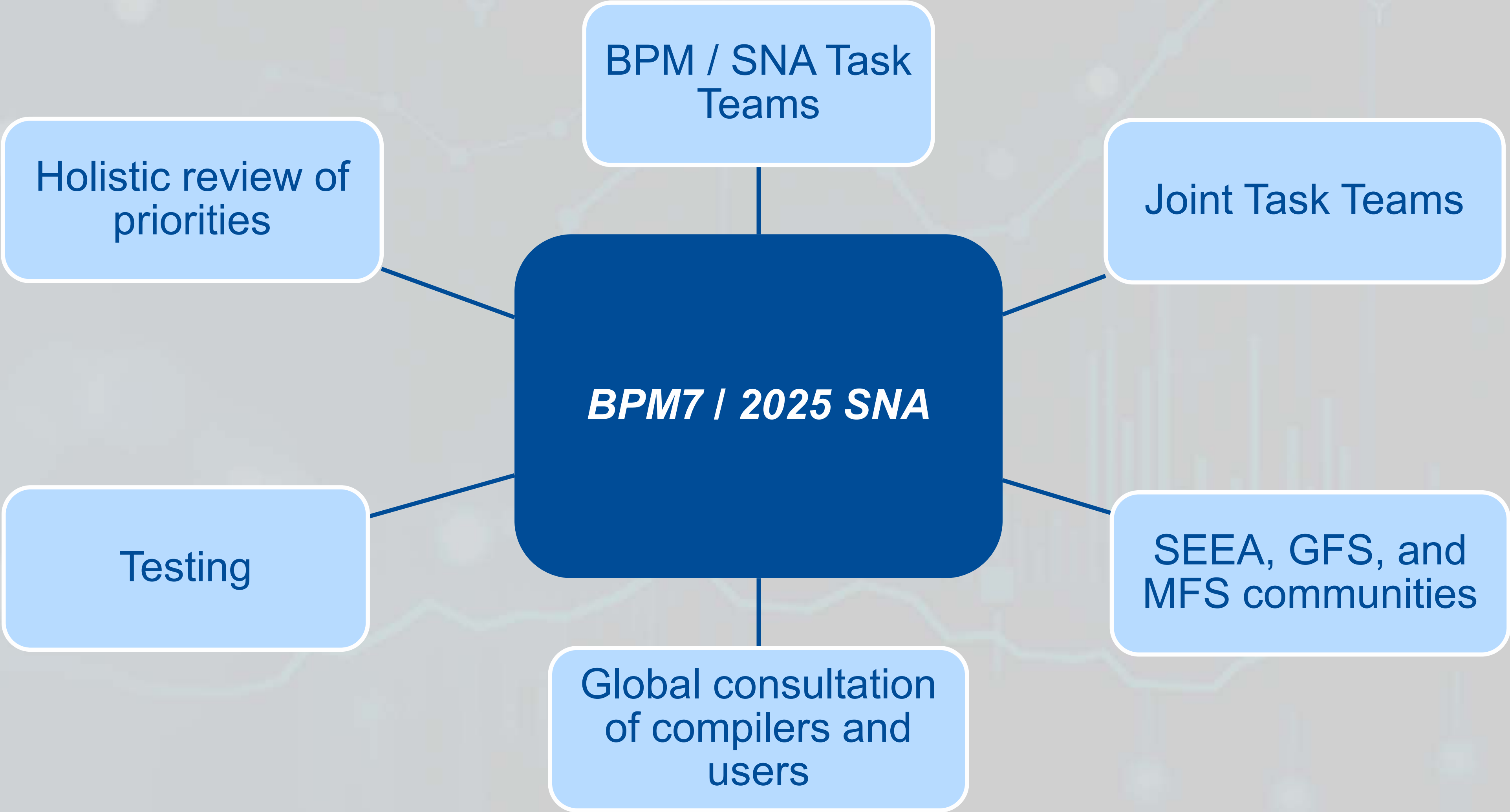
Membership represents global community of external statistics compilers in their personal capacity.

Update Process

Update Process and Cooperation between the BPM and SNA Drafting Teams

- **Research agenda: joint expert groups (Task Teams)**
  - Participation of GFS, MFS, SEEA, classification updates (ISIC, CPC), and users
- **Joint meetings of the AEG and the Committee**
  - Decisions taken together / key role of editors in the event of disagreements
- **Coordinated drafting of annotated outlines (AOs) of new / substantially revised chapters)**
  - Including four joint SNA/BPM chapters
  - AOs circulated for global consultation
  - Consolidated *BPM7* AO (English) already posted—to be made available other languages
- **Common glossary and common text for general principles**
  - Preliminary glossary of around 850 terms and definitions posted on the *BPM6*/*2008 SNA* update websites

Coordination and Involvement of Stakeholders



Implementing the updated SNA/BPM

Key ingredients to successful transition to updated standards

- Determine what's right for you!
- Develop revision process
- Ensure sufficient resource allocation
- Engage with reporters
- Engage with users
- Share tools, best practices, resources.

More Information on the Update of *BPM6*

https://www.imf.org/en/Data/Statistics/BPM

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UPDATE OF THE SIXTH EDITION OF THE BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION MANUAL (BPM6)

Compendium of Research Issues

Task Teams (BOPCOM)

- Balance of Payments Task Team (BPTT) ▸
- Current Account Task Team (CATT) ▸
- Direct Investment Task Team (DITT) ▸

Joint Task Teams (BOPCOM/ISWGNA)

- Financial and Payments Systems Task Team (FITT) ▸
- Joint Globalization Task Team (GZTT) ▸
- Informal Economy Task Team (IETT) ▸
- Islamic Finance Task Team (IFTT) ▸
- Joint Communications Task Team (CMTT) ▸

Approved Guidance Notes

Update of the sixth edition of the Balance of Payments and International Investment Position Manual (*BPM6*)

The IMF Statistics Department has launched the update of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* targeting to publish an updated version of the Manual *(BPM7)* by March 2025. The *BPM6* update is being coordinated with the update of the *System of National Accounts 2008* (*2008 SNA*), which was officially launched by the United Nations Statistical Commission (UNSC) also with a target release date of March 2025.

Key elements of the *BPM6* Update process and the timetable were endorsed by the IMF's Committee on Balance of Payments Statistics (BOPCOM) at its Thirty-Third Meeting in March 2020.

The two phases of the update process are:

- **Phase I** (March 2020–March 2022): finalization of the detailed research on the issues identified in the *Compendium of Research Issues* and discuss how they would impact the new version of the Manual *(BPM7)* and
- **Phase II** (April 2022–March 2025): finalization of the Annotated Outline and drafting of the chapters/appendixes of the *BPM7*, and extensive consultations about the proposed changes;

More Information on the Update of the 2008 SNA

https://unstats.un.org/unsd/nationalaccount/towards2025.asp

United Nations Statistics Division

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Towards the 2025 SNA

About the updating process

The Intersecretariat Working Group on National Accounts (ISWGNA), assisted by the Advisory Expert Group on National Accounts (AEG), oversees the overall 2008 SNA update programme.

The Project Management page contains all documents (workprogramme, governance arrangements, progress reports of the project manager, reports to the UNSC, minutes of ISWGNA meetings, etc.) relevant to the management of the update project.

A three-pronged approach is envisaged for the update of the 2008 SNA:

A. Undertaking technical research in prioritized and other national accounts issues and experimentation and testing of selected recommendations.

To address the issues a series of Guidance Notes are being developed. This list is based on the consolidated SNA research agenda and an initial list of issues considered for updating the 2008 SNA which was identified in July 2020.

A novel key feature within the research component of the update of the 2008 SNA work programme is the explicit inclusion of an experimental estimation / early implementation component for some recommendations in the guidance notes.

Dedicated task teams were established to undertake the technical research and draft guidance notes.

B. Engaging in a broad consultation on the issues related to the thematic areas.

The Broad Consultation component of the SNA update constitutes several rounds of interactions with various groups of stakeholders such as compilers, policymakers, academia, and the private sector. Among the instruments used to broadcast the update and collect feedback are online Global Consultations on the guidance notes and Outreach activities through global and regional webinars and forums.

C. Ensuring overall consistency with other statistical standards in the system of economic statistics.

For overlapping issues in the research agendas identified for the SNA, BPM, GFS, MFSM, SEEA, ISIC and CPC etc., the Task Teams were established consisting of subject matter experts from relevant Committees of Experts and other groups.

As of March 2022, of specific note is the historically close collaboration of the work on the update of the BPM6 and the 2008 SNA and the efforts to align the two standards, as well as the engagement of the Government Finance Statistics Community in the update programme.

List of Task Teams

- Digitalization Task Team
- Wellbeing and Sustainability Task Team
- Joint Globalization Task Team
- Joint Communication Task Team
- Joint Financial and Payment Systems Task Team
- Joint Informal Economy Task Team
- Joint Islamic Finance Task Team
- BPM Balance of Payments Task Team
- BPM Current Account Task Team
- BPM Direct Investment Task Team