

# Bank of Albania

## Publication of external sector tables according to BPM6

June 2014

**BPM6 is the sixth edition of the Balance of Payments and International Investment Position Manual, published by IMF.**

In response to financial and economic developments, the users' need for more analytic information, and the accumulated experience of the compilers, IMF publishes revisions of the Manual.

More specifically, the last revision was made due to the process of extension of relationships among economies, stimulated by migration and the global manufacturing processes (globalization); the creation and diversification of the new financial instruments (financial innovations); and the need to distinguish the influence of international transactions on the balance sheet of participating subjects, offering a better consistency with *the System of National Accounts and with the Monetary and Financial Statistics*.

BPM6 ensures continuity with the preceding standard, BPM5. Although the general framework remains the same, BPM6 offers more specifications and clarifications identified from the application of BPM5. Also, BPM6 offers a stronger theoretical bond and support with other macroeconomic statistics.

Bank of Albania (Financial Stability and Statistics Department) will publish the Balance of Payments (BOP), International Investment Position (IIP), Gross External Debt (GED) and Reserve Assets (RA) tables on a BPM6 presentational basis, starting with June 2014 publications.

Users of external sector statistics should take into consideration that, in June 2014, only the external sector statistics for the first quarter of 2014<sup>1</sup> will be published according to BPM6, in a quarterly basis and in euro.<sup>2</sup> For an adequate base of comparison for different analysis, starting from 2014 Q2 publications, the Bank of Albania will also convert the four quarters of 2013 to BPM6.

For statistics interpretation, their users should take into consideration that, in comparison to BPM5, the compilation according to the new standard has the following main characteristics:

1. There are no changes in the balances of current account, capital account, or financial account, levels of reserves, and "net errors and omissions".

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<sup>1</sup> Except for the stock statistics, for which the publication of two periods is necessary (2013 Q4 and 2014 Q1).

<sup>2</sup> Considering the importance of economic relationships and external sector transactions with the Euro Area and EU' countries, balance of payments' statistics are published in euro. For their convenience, users of external sector statistics may convert the values of these statistics in ALL, USD or other currencies, using the average exchange rate (for flows) and the end of the period exchange rate (for stocks) published in [http://www.bankofalbania.org/web/Time\\_series\\_22\\_2.php?evn=agregate\\_parent\\_sel&evb=agregate&Cgroups=28&periodha\\_id=1](http://www.bankofalbania.org/web/Time_series_22_2.php?evn=agregate_parent_sel&evb=agregate&Cgroups=28&periodha_id=1) ).

2. The use of “sign” changes, as described in the following table.

	BPM5 (before)	BPM6 (new compilation)
Current and capital account	Credit with positive sign and debit with negative sign.	Both credit and debit are registered with positive sign.
Financial account	Increase in assets and decrease in liabilities with negative sign, and decrease in assets and increase in liabilities with positive signs.	Increase in assets and liabilities with positive signs, and decrease in assets and liabilities with negative signs.
Financial account balance	Is calculated as change in assets plus change in liabilities.	Is calculated as change in assets minus change in liabilities.

3. BPM6 offers a synthetic version of classification as regards the BOP items, something that the SNA does for the institutional sectors. BPM6 classifies the external sector accounts into four main institutional sectors:
- “central bank”, replaces (in BPM5) “monetary authority” as an institutional sector (although “monetary authority” remains an essential concept for defining reserve assets);
  - “deposit taking corporations, except the central bank”, replaces “banks”
  - “general government”, does not change from BPM5; and
  - “other sectors”, is detailed in “other financial corporations” and “non-financial corporations, households and NPISHs”.
4. In BPM6, in the current account:
- “Merchanting” and other services related to trade were reclassified from “services” to “goods”;
  - “Manufacturing services on physical inputs owned by others” (“goods for processing” in BPM5) and “maintenance and repair services n.i.e.” (“repairs on goods” in BPM5) were reclassified from “goods” to “services”;
  - The terms “primary income” and “secondary income” replace “income” and “current transfers” respectively, to be consistent with the 2008 SNA.
  - Personal transfers in the secondary income include workers’ remittances<sup>3</sup>, but are not confined to transfers within families and income from employment only. They include all transfers between households, in cash or in kind.

<sup>3</sup> Starting from 2014 Q1, worker’s remittances are calculated based on a survey on emigrants conducted by the Bank of Albania and worker’s remittances channelled through official agents (money transfer operators and banking system).

## Commentary for changes in the publication of external sector statistics according to BPM6

Current account	BPM5 (before)		BPM6 (new compilation)
<b>Goods</b>	General merchandise	→	General merchandise
	Goods for processing	→	Net exports of goods under merchanting (Credit)
	Repairs on goods	→	-
	Goods procured in ports by carriers	→	-
	Nonmonetary gold	→	Nonmonetary gold
<b>Services</b>	Transportation	→	Manufacturing services on physical inputs owned by others
	Travel	→	Maintenance and repair services n.i.e.
	Construction services	→	Transport
	Insurance services	→	Travel
	Financial services	→	Construction
	Royalties and license fees	→	Insurance and pension services
	Computer and information services	→	Financial services
	Telecommunications services	→	Charges for the use of intellectual property n.i.e.
	Merchanting and other trade-related services	→	Telecommunications, computer, and information services
	Other business services	→	Other business services
	Government services, n.i.e.	→	Government goods and services n.i.e.
<b>Primary income</b>	Income	→	Primary income
<b>Secondary income</b>	Current transfers	→	Secondary income

### 5. In BPM6, in the capital and financial account:

- a. Financial assets and liabilities of persons changing their economic territory of residence (migrants' transfers) are no longer included in the balance of payments as capital transfers.
- b. Direct investment is detailed according to the relationship and transactions between the investor and the entity receiving the investment, specifically:
  - i. The investment of the direct investor in its direct investment enterprise – when a subject or a related group of subjects is able to control or have a significant degree of influence on a direct investment enterprise;
  - ii. Reverse investment – when a direct investment enterprise gives a loan or owns shares in its direct investor, provided it does not own 10% or more of the voting powers in that direct investor;
  - iii. Investment between fellow enterprises – when the enterprises are under the control or the influence of the same immediate or indirect investor, but neither of them has the control or the influence over each-other.

This direct investment presentation is used to record DI assets and liabilities on a gross basis, i.e; rather than presenting the net position of direct investment. Thus, the BPM6 is consistent with OECD benchmark definition 4 of FDI.

BPM5 (directional principle) <sup>4</sup>	Mio Eur		BPM6 (assets/ liabilities) <sup>5</sup>	Mio Eur
Net direct investment (-29.95+923)=893.05	893.05		Net direct investment(220.58-1113.63)=-893.05	-893.05
Direct investment abroad (A+B+C+D+E)	-29.95		Direct investment (Assets) (A+F+C+D+I)	220.58
Equity capital, net (A+B)	-27.42		Equity other than reinvestment of earnings (A+F)	125.56
A.Claims on affiliated enterprises	-27.5		A.Direct investor in direct investment enterprise	27.5
B.Liabilities to affiliated enterprises (reverse investment)	0.07		F.Direct investment enterprise in direct investor (reverse investment)	98.06
C.Reinvested earnings	-0.12		C.Reinvestment of earnings	0.12
Other capital, net (D+E)	-2.41		Debt instruments (D+I)	94.9
D.Claims on affiliated enterprises	-2.42		D.Direct investor in direct investment enterprise	2.42
E.Liabilities to affiliated enterprises (reverse investment)	0.02		J.Direct investment enterprise in direct investor (reverse investment)	92.48
Direct investment in Albania (F+G+H+I+J)	923		Direct investment (Liabilities) (G+B+H+J+E)	1113.63
Equity capital, net (F+G)	860.6		Equity other than reinvestment of earnings (G+B)	958.73
F.Claims on direct investors (reverse investment)	-98.06		G.Direct investor in direct investment enterprise	958.66
G.Liabilities to direct investors	958.66		B.Direct investment enterprise in direct investor (reverse investment)	0.07
H.Reinvested earnings	57.01		H.Reinvestment of earnings	57.01
Other capital, net (I+J)	5.39		Debt instruments (J+E)	97.89
I.Claims on direct investors (reverse investment)	-92.48		J.Direct investor in direct investment enterprise	97.87
J.Liabilities to direct investors	97.87		E.Direct investment enterprise in direct investor (reverse investment)	0.02

- c. In BPM6, new allocations of SDRs to participants in the IMF's SDR Department are recorded as increases in gross reserve assets (holdings of SDRs) and, at the same time, in long-term debt liabilities of the authorities (allocations of SDRs).
- d. BPM6 includes unallocated gold accounts in addition to gold bullion in monetary gold and reserve assets.

<sup>4</sup> In BPM5, DI is presented in the standard components on a directional basis, i.e direct investment in the reporting economy (on the liability side of the IIP statement) includes claims and liabilities between a resident direct investment enterprise and its non-resident direct investor.

<sup>5</sup> In BPM6, DI is presented in the standard components on a gross assets and liabilities basis, i.e., direct investment in the reporting economy (on the liability side of the IIP statement) does not include claims between a resident direct investment enterprise and its non-resident direct investor, which are now, part of direct investment abroad (reverse investment/ on the assets side of the IIP statement).