

**Twenty-Fifth Meeting of the
IMF Committee on Balance of Payments Statistics
Washington D.C., USA
January 14–16, 2013
(Rescheduled from October 29–31, 2012)**

Strategy for Communicating to Users the Introduction of *BPM6*

**Prepared by the
Central Bank of Russia**

BANK OF RUSSIA

STRATEGY FOR COMMUNICATING TO USERS THE INTRODUCTION OF *BPM6*

INTRODUCTION

1. Generally, as the Russian balance of payments compilation system from its inception in 1992 was built on the *BPM5* methodology, breaks and discontinuities in Russia's BOP component time series simply did not exist. While practical experience in the Bank of Russia with transition from one methodology to another was lacking, the whole exercise with *BPM6* implementation had to be carefully crafted by BOP compilers almost from "ground zero".

PRESS-RELEASES

2. In accordance with the overall BOP communications policy, on October 26, 2009 the Bank of Russia posted on its official website a public information notice announcing the decision in principle to accomplish by the end of 2012 a gradual transition from *BPM5* to the *BPM6* compilation methodology of Russia's balance of payments and international investment position data. The announcement followed closely the IMF's decision setting 2012 as the target year for converting the BOP data to the *BPM6* standard.

3. The press-release was devoted to explaining to the public the most crucial points of conceptual nature maintained in the new methodology, underscoring expected broad continuity between previously published and revised Russia's aggregate BOP indicators. The press-release outlined the *BPM6* improvements as mainly relating to broader scope and more detailed assessment of some indicators and processes linked to globalization of the world economy.

4. The general notice was intended as the first one in a series of further press-releases on significant *BPM6*-related changes and data revisions of Russia's external sector statistics.

5. On June 27 earlier this year the Bank of Russia devoted a special public information notice (*see the copy attached*) to the publication of Russia's first quarter of 2012 BOP data under the new methodology, which took place on June 29.

PRACTICAL STEPS AND DECISIONS

6. With the objective to limit the overlapping period and avoid breaks in time series, it has been decided to revise by the end of 2012 complete Bank of Russia's time series of all external sector statistics of the Russian Federation from the beginning of its new history, i.e. for the period since 1992.

7. When Russia's first quarter BOP data for 2012 were being compiled under *BPM6*, revised component time series for previous reference periods were not available yet, as much data revisions' work remained to be done. For that reason, to avoid confusion between the old and the new data-sets, a separate interim subsection for *BPM6*-based data and materials has been created for users within the External Sector Statistics section on the official Internet website of the Bank of Russia.

8. In order to help data users assess the impact of adopting the updated *BPM6* standard and address crosscutting conversion issues, "pilot" estimates and conversion matrixes have been

prepared for two or three years covering the most important areas (notably, items within balance on trade in goods).

9. The BOP Department has produced a paper on personal transfers outlining the implications of adopting the BPM6 guidelines for remittances. On the basis of the feedback received from the users, including Russia's partner countries' authorities, a special data conversion table has been developed by the Bank of Russia which allows further data comparability discussions on remittances among regional BOP compilers.

10. It is noteworthy that parts of the BPM6 methodology have been adopted by the Bank of Russia in data publications for 2010 and 2011 to reflect the improved methodology, new terminology and reclassification of certain components which have been explained to the public in press releases, methodological comments and footnotes to BOP and IIP statistical tables. For example, as recommended by BPM6, more profound approach was applied to R&D and insurance services. Investment fund shares have been identified as a separate instrument category in the financial account with a corresponding improvement of the income measurement.

11. Quite unexpectedly, a BPM6-recommended change of the sign convention turned out to be problematic. Over the years Russian macroeconomic policy-makers, government economists and analysts got used to the BPM5 signs, and so the transition to BPM6 sign convention was met with confusion, particularly within the financial account. As a temporary solution to this rather psychological than technical problem, in addition to the new BPM6 presentation, it has been decided to also maintain the previous BPM5 presentation with "+" for credits and "-" for debits. For that reason, a special footnote has been added to each published BOP data table with an explanation of the mathematical signs' use.

12. In Russia private capital flows have become both a prominent subject of public debate and a target indicator for macroeconomic policy-makers, comparable in significance to GDP and inflation indicators, and overshadowing current account items. Since capital flows data are derived exclusively from the BOP financial account, the possibility of presenting private capital *outflows* with both minus and plus signs under BPM6 standard came to many as a surprise, even within the Bank of Russia. That appeared to be a reasonable argument in favor of keeping the old signs convention for the transition period.

QUANTITATIVE CHANGES

13. In BOP data publications for 2010 and 2011 preliminary BPM6-based estimates of trade in goods were prepared using indirect data sources, which gave rise to expectations of considerable changes in the balance on trade in goods data. However, with the introduction since the beginning of 2012 of a new special reporting form developed by the Bank of Russia to cover different types of goods related to processing and other goods sold without crossing the border of Russia, the quality of balance on trade in goods data according to BPM6 standard has markedly improved yielding 2012 results for two quarters with an insignificant difference from the results under the previous methodology (*see the attached table*).

14. With regard to direct investment, change from the directional principle to the asset/liability principle under BPM6 has not led in Russia to a collapse in financial account data because the Bank of Russia has always used the assets/liabilities principle for direct investment data compilation. In line with the BPM6 methodology, only new breakdowns and structural changes have been introduced, whereas the aggregate data time series have remained broadly unchanged.

COMMUNICATIONS WITH ROSSTAT

15. Russia's Federal Statistics Service (Rosstat) was duly informed by the Bank of Russia well in advance (on November 11, 2010) about the transition to BPM6 methodology, allowing statisticians time to prepare for the change.

16. The Bank of Russia has agreed to provide quarterly goods and services account data conversion matrixes to Rosstat, which would enable the government agency to make interim BPM6-to-BPM5 data conversions during 2012, if necessary.

MEDIA COVERAGE AND COMMENTS

17. The information about Russia's transition to BPM6 standard has received wide coverage in the national press.

18. Widely-circulated and well-known in Russia business newspaper the *Kommersant daily* on June 28 published first comments on the expected BPM6-based quarterly BOP data release by the Bank of Russia. The journalist voiced concerns with regard to the unpredictability of the outcome of specific BOP components' historical data-sets' revisions and welcomed the additional sectoral breakdown of the financial account transactions.

19. Interestingly, a professional BOP user quoted in the same article asked questions about the method used by the Bank of Russia for compiling rent payable and receivable items now included under BPM6 within primary income account and about the significance of the new items. That was before the release of data. As a matter of fact, the bulk of transactions recorded by the Bank of Russia under the rent receivable are presently related to non-resident air carriers' overflight fees charged for flying over Russia's territory which are relatively insignificant.

20. As a result of the Bank of Russia's information campaign, the Russian media comments on new BOP data releases in September and October 2012 by the Bank of Russia have evidenced the users' general recognition of the new methodology named BPM6.

QUESTIONS RECEIVED FROM USERS

21. One positive side effect of the Bank of Russia's strategy for communicating to users the introduction of BPM6 was that the first release of new BPM6-consistent data generated considerable public response and interest with regard to the general issues of Russia's BOP and IIP data collection, information sources, revisions policy, interagency data comparability, methodological consistency, and other BOP data compilation, estimation and projection matters.

22. A valuable channel of two-way communications with information users has been an External Sector Statistics Questionnaire launched by the Bank of Russia on its website long before the introduction of BPM6 with the objective of receiving more detailed and direct feedback from them on how to improve the serviceability of published BOP and IIP data.

23. Among commonly asked BPM6-specific questions received by the Bank of Russia from the users were those related to the extent to which the new international methodology had been implemented by the BOP compilers, with further requests to provide information on notable exemptions and/or special approaches, if any, adopted by the Bank of Russia in certain cases.

24. Given the perceived loyalty to BPM5 data presentation format of the country's macroeconomic policy-makers, the question from one user about the methodology to be applied for future official BOP projections in Russia was not a simple one for the Bank of Russia to answer.

25. Although the Bank of Russia will do its best in answering in a timely manner all BPM6-related and other questions that it receives from the information users, one question the BOP compilers have been recently asked by an information user in Russia will remain unanswered for some time. The question is: Are there deficiencies in the BPM6 methodology, and what are they?

26. The BOP Department of the Bank of Russia will share with BOPCOM members our further experience and findings in trying to answer that particular question. Nevertheless, it is our hope that the flaws in the methodology would not be significant, and we wish BOP and IIP data compilers in all IMF member countries good luck and success with the orderly BPM6 implementation in the period ahead.



Центральный
банк
Российской
Федерации

The Central Bank of the Russian Federation (Bank of Russia)

External and Public Relations Department

*12 Neglinnaya Street, Moscow, 107016 Russia; tel: (495) 771 4417, 771 4669; fax: (495) 924 9216;
<http://www.cbr.ru/>*

Information Notice

About forthcoming publication of the balance of payments of the Russian Federation data under new methodology

The External and Public Relations Department of the Bank of Russia informs about the forthcoming transition by the Bank of Russia toward disseminating the balance of payments of the Russian Federation data on the basis of the methodology set out in the 6th edition of the IMF's Balance of Payments and International Investment Position Manual (*BPM6*) beginning with the first quarter of 2012.

Conceptually, *BPM6* maintains the overall framework of the methodology of the previous (fifth) edition of the *Manual (BPM5)*. *BPM6* deepens the harmonization of the IMF's external sector statistics' recommendations with the update of the *System of National Accounts*, and the international standards in the area of direct investment statistics and other macroeconomic statistics.

The main changes in the accounts of the balance of payments include the following: within *balance on trade in goods – goods for and after processing* are excluded and *net exports of goods under merchanting* are included; within *balance on trade in services – manufacturing services on physical imports owned by the others* and *financial intermediation services indirectly measured (FISIM)* items are added; within *balance on income – rent* is included; within *capital account – migrants' transfers* are excluded; within *financial account – transactions of other sectors'* are further broken down into *other financial corporations* and *nonfinancial corporations, households, and nonprofit institutions serving households (NPISHs)*. *Balance on income* and *balance on current transfers* have been respectively renamed as *primary income* and *secondary income* accounts.

Calculations of some of the balance of payments items and data aggregations have been adjusted in many other instances to reflect the improved methodology and reclassification of certain components in accordance with *BPM6*, which was done by the Bank of Russia in earlier data publications for 2010 and 2011.

Earlier balance of payments statistical data compiled in accordance with *BPM5* recommendations remain overall relevant for comparisons with the aggregates compiled under the new methodology. Nevertheless, for methodological consistency and better comparability between new and previously published time series of detailed statistical datasets, the Bank of Russia intends to revise by the end of 2012 time series of all external sector statistics of the Russian Federation for the period since 1992.

The Bank of Russia will continue to publish its balance of payments statistics data in the previously used presentation form which is based on the use of credit (plus) and debit (minus) entries. The transition to the *BPM6*-recommended system of data presentation is postponed until the database revisions' work is completed. Eventually, adoption of the new presentation format by the Bank of Russia will result in better understanding of the *financial account* items by most public information users, as a commonly accepted use of the mathematical signs will be employed. According to the new presentation design, within the *financial account* an increase of *financial assets* and *liabilities* will be reflected with a plus sign while a decrease – with a minus; within the *current account* further use

of a minus sign for *imports of goods and services* as well as for recording of *primary* and *secondary income payable* will be precluded.

First publication of quarterly data under the improved international methodology is scheduled for June 29 (the full text of *BPM6* in English is available on the IMF's official website at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>).

27.06.2012

The reference to the External and Public Relations Department is binding if you intend to use this material.

**Reconciliation of Merchandise Trade Data of the Russian Federation in January-June of 2012 Compiled
under Balance of Payments Methodology in Accordance with
the 6th Edition of the Balance of Payments and International Investment Position Manual (BPM6)
vis-à-vis the 5th Edition of the Balance of Payments Manual (BPM5) Data
(millions of US dollars)**

	Q1 2012			QII 2012			January-June 2012		
	BPM6	BPM5	change	BPM6	BPM5	change	BPM6	BPM5	change
<i>Balance on trade in goods</i>	59181	59853	-672	50058	50695	-637	109239	110548	-1309
Exports of goods (FOB)	131767	133280	-1513	131918	132939	-1021	263684	266219	-2535
General exports on balance of payments basis	131753	133052	-1299	131892	132736	-844	263645	265789	-2144
Exports, customs statistics data	131595	131595	0	129961	129961	0	261556	261556	0
Adjustments, balance of payments methodology	158	1457	-1299	1930	2775	-845	2089	4233	-2144
Goods procured in ports by carriers	1072	1072	0	1349	1349	0	2422	2422	0
Fish and other sea products caught on the high seas and sold abroad directly	472	472	0	483	483	0	955	955	0
FOB adjustment	-2019	-2019	0	-1773	-1773	0	-3792	-3792	0
Goods sent abroad for processing in other economies *	-571		-571	-126		-126	-697		-697
Goods returned after processing in Russia *	-1172		-1172	-1219		-1219	-2391		-2391
Goods sold abroad after processing in other economies	22	x	22	34	x	34	56	x	56
Goods sold to nonresidents for processing in Russia	29	x	29	21	x	21	49	x	49
Humanitarian aid (other than recorded in customs statistics)	13	13	0	12	12	0	25	25	0
Migrants' property	x	23	-23	x	31	-31	x	55	-55
Other	2312	1896	416	3149	2671	478	5461	4567	894
other goods sold without crossing the border of Russia	416	x	416	478	x	478	894	x	894
Repairs on goods	x	228	-228	x	203	-203	x	430	-430
Net exports of goods under merchanting	13	x	13	26	x	26	40	x	40
Goods acquired under merchanting	-3154	x	-3154	-4626	x	-4626	-7779	x	-7779
Goods sold under merchanting	3167	x	3167	4652	x	4652	7819	x	7819
Imports of goods (FOB)	72586	73427	-841	81859	82244	-385	154446	155671	-1225
General imports on balance of payments basis	72586	73259	-673	81859	82037	-178	154446	155296	-850
Imports, customs statistics data	68472	68472	0	76694	76694	0	145166	145166	0
Adjustments, balance of payments methodology	4114	4787	-673	5165	5343	-178	9280	10130	-850
Goods procured in ports by carriers	534	534	0	679	679	0	1213	1213	0
CIF / FOB adjustment	-2601	-2601	0	-3063	-3063	0	-5663	-5663	0
Goods received for processing in Russia *	-399		-399	-617		-617	-1016		-1016
Goods returned after processing in other economies *	-823		-823	-248		-248	-1071		-1071
Goods acquired from other economies for processing abroad	55	x	55	71	x	71	126	x	126
Goods acquired from nonresidents after processing in Russia	2	x	2	5	x	5	7	x	7
Vehicles imported by individuals (other than recorded in customs statistics)	498	448	50	812	731	81	1310	1179	131
Humanitarian aid (other than recorded in customs statistics)	0	0	0	0	0	0	0	0	0
Migrants' property	x	64	-64	x	67	-67	x	131	-131
Other	6848	6342	506	7526	6929	597	14374	13271	1103
other goods acquired without crossing the border of Russia	506	x	506	597	x	597	1103	x	1103
Repairs on goods	x	168	-168	x	207	-207	x	375	-375

X - Items which are to be included or excluded from *the balance on trade in goods* with the transfer from BPM5 to BPM6 methodology.

* As the Reconciliation Table shows, *goods sent/returned for/after processing in Russia/abroad*, which have been reported by the customs, are excluded from merchandise exports/imports under BPM6. Under BPM5, such goods were reclassified from one exports/imports sub-category to the other, remaining within exports/imports totals.