

Appendix

Explanatory notes on the conversion to BPM6 and the difference in Taiwan's balance of payments before and after the adoption of BPM6

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I. Foreword

In order to maintain consistency with international statistical standards and practice, the Bank has adopted the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6) since its first quarter of 2016 BOP release. The time series data from 1984 have been converted to conform with BPM6. However, components with new definitions are available from the first quarter of 2012 because of source constraints.

II. Change in sign convention for BOP statistics

In BPM6, numbers with a positive sign refer to proceeds or payments in the cases of the current account and the capital account, to an increase in financial assets or liabilities. Numbers with a negative sign denote a decrease in the aforesaid items. In the balances of the current account and the capital account, numbers with a positive sign indicate surpluses, and numbers with a negative sign indicate deficits, while in the balances of the financial account and reserve assets, numbers with a positive sign represent an increase in net assets, and numbers with a negative sign represent a decrease in net assets.

If errors and omissions are not taken into account, the sum of the current account (CA) and capital account (KA) should equal the sum of the financial account (FA) and changes in reserve assets (RV), which can be represented by the BOP identity, that is, $CA+KA=FA+RV$.

III. Comparison of items before and after adopting BPM6

Table 1 compares the pre after standard components of the current and capital accounts, while the major change in the financial account involves disaggregation rather than reclassification of the components.

IV. Major Changes in the Taiwan's BOP based on BPM6

1. Current account

(1) Merchanting is reclassified as goods, and broken down into goods for processing and goods under merchanting

Purchases and sales of goods for processing abroad without customs clearance are identified as export and import of the merchandise, of which the gross values are recorded in “general merchandise,” and the fees charged for the processing services rendered are included in “manufacturing services on physical inputs owned by others.” On the other hand, goods acquired abroad by a resident and then resold, without charging the processing fee, to a nonresident as raw material or finished goods are recorded on a net basis in “net exports of goods under merchanting”, which now comes under services rather than goods. As a result, the scale and the surplus on trade in goods both increased, whereas trade in services ran a deficit instead.

(2) Outsourced processing is treated as service provision with fees recorded under services trade, and no general merchandise transaction is recorded for cross-border goods that do not change ownership

BPM6 gives more specific definition of goods and services for processing. Considering that outsourced processing entails service provision by entities that do not own the goods, the activity is classified in services trade as a fee for the rendering of processing services, instead

of the old treatment wherein the values of goods received and sent abroad were recorded under goods trade.

Goods supplied for processing (raw material and semi-finished goods sent by the owner) and goods dispatched after processing (finished goods returned to the owner) are cleared through customs with no change of ownership, hence not included in exports and imports of “general merchandise.”

(3) FISIM is included in financial services

Actual interest is now considered as containing two components, namely “financial intermediation services charges indirectly measured” (FISIM) and pure interest (excluding FISIM). Previously recorded on the income account, FISIM is reclassified to services trade. Therefore, after conversion to BPM6, banks saw their receipts from financial services and interest payable on deposits both increase and interest receivable on lending decrease, whereas non-banks registered increases in payment for financial services and interest receivable on deposits and a decrease in interest payable on borrowing.

(4) Reclassification or renaming categories

- A. Construction work for nonresidents by resident enterprises is recorded under “construction” (credit). Goods and services acquired locally are reclassified from other business services to “construction” (debit).
- B. To be consistent with the System of National Accounts 2008 (2008 SNA), BPM6 no longer treats patents, copyrights, and industrial processes and designs as nonproduced, nonfinancial intangible assets but produced assets instead. Transactions associated with these assets are thus reclassified from the capital account to the item “research and development services” under other business services.

- C. Postal & courier services and telecommunications, which were both included in communications services in BPM5, are reclassified as “transport” under services and “telecommunications, computer, and information services” under other services, respectively.
- D. In line with the 2008 SNA, the categories “income” and “current transfers” are replaced by “primary income” and “secondary income,” respectively.

2. Capital account

- (1) In line with the 2008 SNA, the acquisition and disposal of patents, copyrights, and industrial processes and designs, previously recorded in the capital account, are reclassified under “research and development services.”
- (2) Migrants’ transfers are no longer included in the capital account, because BPM6 considers the transfer of assets by persons changing residency not a transaction between two entities but rather a change in the residency status of a single entity.

3. Financial account

- (1) Reflecting the rise of financial innovation, BPM6 disaggregates nonmonetary gold accounts into allocated (physical gold possession) and unallocated (financial investment) gold accounts, which are included in “general merchandise” and “currency and deposits,” respectively.
- (2) Other sector is split into “other financial corporations” and “nonfinancial corporations, households, and NPISHs.”

4. The goods trade surplus widened and the services account registered a deficit

The most significant change in the overall structure of the BOP after the adoption of BPM6 involves sub-categories in the current account. Take data for 2015 as an example. As a result of the conversion, the goods trade surplus widened from US\$53.34 billion to US\$72.60 billion, an increase of US\$19.26 billion, while the services account recorded a deficit of US\$10.38 billion, down by US\$19.78 billion from a surplus of US\$9.41 billion. The main reason is that purchases and sales of goods for outsourced processing and merchanting are reclassified to be recorded under the goods account instead of the services account. By contrast, the figures of the primary income, secondary income and financial accounts do not show major differences (Table 2).

Table 1 BPM5-to-BPM6 Conversion Matrix

BPM6		BPM5
Current account		Current account
Goods and services		Goods
Goods		General merchandise: exports f.o.b
General merchandise: export	←	Goods for processing: exports f.o.b
Net exports of goods under merchanting	←	Repairs on goods
	←	Goods procured in ports by carriers.
	←	Nonmonetary gold
Non-monetary gold: export	←	
Services		Services
Manufacturing services	←	Transportation services
Maintenance and repair services n.i.e.	←	Passenger
Transport	←	Freight
Passenger	←	Other
Freight	←	Travel
Other (including postal and courier)	←	Business travel
Travel	←	Personal travel
Business	←	Other services
Personal	←	Communications (incl. postal and telecom.)
Other services	←	Construction
	←	Insurance
Construction	←	Financial
Insurance and pension services	←	Computer and information
Financial services (incl. FISIM)	←	Royalties and license fees
Charges for the use of intel. property n.i.e.	←	Other business services
Telecom., computer, and information services	←	Personal, cultural, and recreational
Other business services	←	Government, n.i.e
Personal, cultural, and recreational services	←	
Government goods and services n.i.e.	←	
Primary income		Income
Compensation of employees		Compensation of employees
Investment income		Investment income
Direct investment income	←	Direct investment
Income on equity and investment fund shares	←	Dividends and distributed branch profits
Divid. and withdr. from income of quasi-corp.	←	Reinvested earnings and undistributed branch profits
Reinvested earnings	←	Income on debt (Interest)
Interest	←	Portfolio investment
Portfolio investment income	←	Income on equity (Dividends)
Inv. income on equity and invest. fund shares	←	Bonds and notes
Interest	←	Money market instruments
	←	Other investment
Other investment income (excl. FISIM)	←	
Other primary income		
Secondary income		Current transfers
General government	←	General government
Other sectors	←	Other sectors
Personal transfers	←	Workers' remittances
Other current transfers	←	Other current transfers
Capital account		Capital account
Gross dispos. of nonprod. nonfin. assets		Capital transfers
Capital transfers		General government
General government	←	Debt forgiveness
	←	Other capital transfers
Other sectors	←	Other sectors
	←	Migrants' transfers
	←	Debt forgiveness
	←	Other capital transfers
	←	Nonproduced nonfinancial assets

Note: The blue color represents a partially shift of the item.

Table 2 Pre after comparison of Taiwan's BOP implemented BPM6 in 2015

Unit: billions of US dollars

	BPM6 (1)	BPM5 (2)	(1)-(2)
Current account	75.54	76.17	-0.63
Goods	72.60	53.34	19.26
Credit	335.51	284.93	50.58
Debit	262.92	231.59	31.32
Services	-10.38	9.41	-19.78
Credit	41.14	56.78	-15.64
Debit	51.51	47.37	4.14
Primary income	16.69	16.79	-0.10
Credit	29.78	29.75	0.02
Debit	13.09	12.96	0.12
Secondary income	-3.38	-3.37	0.00
Credit	6.62	6.61	0.01
Debit	10.00	9.99	0.01
Capital account	-0.01	-0.08	0.08
Credit	0.02	0.10	-0.08
Credit	0.02	0.18	-0.16
Financial account	68.55	68.04	0.51
Direct investment	12.28	12.36	-0.08
Net Acquisition of Financial Assets	14.70	14.77	-0.08
Net Incurrence of Liabilities	2.41	2.42	0.00
Portfolio investment	57.20	57.72	-0.52
Net Acquisition of Financial Assets	56.34	56.54	-0.19
Net Incurrence of Liabilities	-0.86	-1.18	0.32
Financial derivatives and employee stock option	1.18	1.25	-0.07
Net Acquisition of Financial Assets	-11.23	-10.68	-0.55
Net Incurrence of Liabilities	-12.41	-11.93	-0.49
Other investment	-2.12	-3.28	1.17
Net Acquisition of Financial Assets	-14.04	-15.38	1.33
Net Incurrence of Liabilities	-11.93	-12.09	0.17
Reserve assets	15.01	15.01	0.00
Net errors and omissions	8.03	6.97	1.06