Malaysia's Balance of Payments (BOP) - Compilation of BOP Statistics in Accordance with the Sixth Edition of Balance of Payments and International Investment Position Manual (BPM6) of the International Monetary Fund

Beginning from the first quarter of 2013, the Department of Statistics, Malaysia (DOSM) will compile and disseminate Malaysia's balance of payments (BOP) statistics based on the guidelines set forth in the Sixth Edition of Balance of Payments and International Investment Position Manual (BPM6) of the International Monetary Fund (IMF). The BOP statistics from 2005 have been reclassified in accordance with the BPM6 format to ensure comparability of time series data.

BPM6 provides a standard compilation framework for statistics on the transactions and positions between a resident of the compiling economy and the rest of the world (or non-resident). National compilers are responsible for applying these guidelines based on the availability of necessary data systems and reporting frameworks, and to incorporate enhancements to the compilation whenever necessary.

New editions of the Manual are introduced to address global developments and issues that have an ensuing impact on the compilation of BOP and related external sector statistics. The revised statistical standard in BOP is also in response to changes in the analytical approach of BOP data, and to further enhance the BOP compilation framework following the sharing of experiences by compilers worldwide.

For the sixth edition, the IMF revised the Manual by taking into account the economic developments associated with globalisation, financial and technological innovations, as well as the increasing emphasis on the use of balance sheets in examining vulnerabilities. In view of the inter-linkages between external and domestic economic developments, the revisions in BPM6 were undertaken in tandem with the review of the System of National Accounts 2008 (SNA 2008) to ensure consistency between the two compilation systems.

Major Changes in the Current and Financial Accounts under BPM6

In the **current account**, the major changes in BPM6 are based on three main rationales:

i. Any transaction between a resident and non-resident must adhere to the underlying BOP principle, that is, changes of ownership between a resident and non-resident.

ii. Besides the parallel review with SNA 2008, the revision in BPM6 is also harmonised with the practice in other international manuals, namely, the Government Finance Statistics (GFS) Manual, Monetary and Financial Statistics (MFS) Manual and International Standard Industrial Classification Revision 4 to support consistency and interlinkages among different macroeconomic statistics.

iii. The coverage of the services account has been broadened and the compilation methods have been enhanced for selected categories of trade in services.

The presentation format for the current account will remain largely similar to that in BPM5[1], as the major changes in the account mainly involve the reclassification and renaming of standard

[1] Please refer to Balance of Payments Manual (Fifth Edition), International Monetary Fund (1993), http://www.imf.org/external/pubs/ft/bopman/bopman.pdf for further details.

categories of data within the account. In the goods account, trade transactions that involve a change of ownership between residents and non-residents would be recorded. In this regard, merchanting and other trade-related services are reclassified from the services account to the goods account. Similarly, maintenance and repair services which do not involve change of ownership are reclassified from the goods account to the services account.

In the services account, the coverage has also been expanded further with improvements in compilation methods for several categories of trade in services. Selected components in the services account have also been renamed or reclassified to better reflect the type of services provided. Meanwhile, the income account and current transfers are renamed to primary and secondary income respectively to distinguish between returns for the provision of labour and financial assets (primary income) and the distribution of income through current transfers (secondary income). The renaming of these two items is also to harmonise the terminology of BOP components with SNA 2008.

In the **financial account**, changes mainly affect the reporting format for direct investment, following the shift in reclassifying direct investment flows from a directional basis to an asset-liability basis, in line with the presentation of the International Investment Position data.

Accordingly, the terms of Direct Investment Abroad (DIA) and Foreign Direct Investment (FDI) will be reclassified as "'Direct Investment Assets" and "Direct Investment Liabilities" respectively, reflecting the acquisition of foreign assets by residents in the former, and the incurrence of foreign liabilities in the latter. Nonetheless, the balance on the Direct Investment account remains unchanged.

Other components in the financial account, such as Portfolio Investment and Other Investment, remain unchanged as the balance sheet approach for these two components has been in place since the adoption of BPM5.

Balance of Payments in BPM5 and BPM6 Formats

BPM 5	BPM 6
CURRENT ACCOUNT BALANCE	**CURRENT ACCOUNT BALANCE**
Goods	**Goods**
Exports	Exports
Imports	Imports
Services	**Services**
	Maintenance and repair services
Transportation	Transport
Travel	Travel
Construction services	Construction
Insurance services	Insurance and pension services
Financial services	Financial services
Computer and information services	Telecommunications, computer and information services
Communication services	
Royalties and license fees	Charges for the use of intellectual property
Other business services	Other business services
Personal, cultural and recreational services	Personal, cultural and recreational services
Government transactions n.i.e.	Government goods and services
Income	**Primary income**
Compensation of employee	Compensation of employee
Investment income	Investment income
Current transfers	**Secondary income**
CAPITAL ACCOUNT BALANCE	**CAPITAL ACCOUNT BALANCE**
Capital transfers	**Capital transfers**
Acquisition/Disposal of Nonproduced Nonfinancial Assets	**Acquisition/Disposal of Nonproduced Nonfinancial Assets**
FINANCIAL ACCOUNT BALANCE	**FINANCIAL ACCOUNT BALANCE**
Direct Investment	**Direct Investment**
Abroad	*Direct investment assets*
In Malaysia	*Direct investment liabilities*
Portfolio Investment	**Portfolio Investment**
Financial Derivatives	**Financial Derivatives**
Other Investment	**Other Investment**
OVERALL BALANCE	**OVERALL BALANCE**

Conclusion

The adoption of BPM6 would ensure that Malaysia's BOP statistics reflect the latest changes in economic cross-border transactions, while improvements in concepts and methodology that are in line with the latest international standards will place Malaysia on par with the best international practice.

Additional material

1) Balance of Payments and International Investment Position Manual (Sixth Edition), *International Monetary Fund (2011)*
http://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf

2) Explanatory Notes on the adoption of BPM6 for Malaysia's BOP, Quarterly Balance of Payments Report, Malaysia (First Quarter 2013), *Department of Statistics, Malaysia*