



**Note on the Changeover to the 6th Edition of the  
Balance of Payments and International  
Investment Position Manual (BPM6)**

**Statistics Department  
Balance of Payments Division**

**August 2014**

## Contents

I. BPM6 AND PRACTICE IN TURKEY .....	3
1. Transition Method .....	3
2. Changes .....	3
a. Current Account .....	4
b. Capital Account .....	5
c. Financial Account .....	5
II. COMMUNICATION .....	7
III. COMPARISON OF BPM6 WITH BPM5 .....	8
ANNEX: CHANGES INTRODUCED BY BPM6 .....	14
1. Presentational Changes .....	14
2. Methodological Changes .....	14
a. Goods and Services Accounts .....	15
b. Primary and Secondary Income Accounts .....	16
c. Capital Account .....	16
d. Financial Account .....	16

## I. BPM6 AND PRACTICE IN TURKEY

The international standards for compiling Balance of Payments Statistics in Turkey has been updated with the “Balance of Payments and International Investment Position Manual, 6<sup>th</sup> Edition (BPM6)” prepared by International Monetary Fund (IMF) Statistics Department with the consultation of the IMF Balance of Payments Committee, which includes experts from several member countries and international and regional organizations.<sup>1</sup>

Although there is no deadline for reporting balance of payments statistics in BPM6 format to IMF, the year that the ECB and the Eurostat set for their members is 2014. Central Bank of the Republic of Turkey (CBRT) is also planning to publish Balance of Payments statistics in BPM6 format on November 13, 2014 (with September 2014 data).

This note aims to give information in advance about the changes that CBRT is planning for the transition from Balance of Payments Manual, 5<sup>th</sup> Edition (BPM5) format to BPM6 format.

### 1. Transition Method

It is aimed to assess the usability of existing data and then to identify the needs for the new data necessary for compiling statistics in accordance with the new standards. To this end, initially, existing BPM5 data will be mapped to BPM6 format. Afterwards, the new data to be compiled will be reflected in time in the balance of payments statistics upon evaluating data collection, processing and compilation processes, as well as the economic and statistical significance of the changes. Also, besides transition to BPM6, new data estimated with contributions of the Turkish Statistical Institute (TURKSTAT) will also be reflected to the Balance of Payments Statistics. The changes that are planned to be implemented in this framework are given below.

### 2. Changes

While updating the compilation standards of Balance of Payments and International Investment Position, the concepts about compilation method basically remain the same. Within this framework, there will be no value changes in “current account”, “capital account”, “financial account” and “net errors and omissions” items.

In the new presentation, the most important change occurred in sign convention. The system where a negative sign indicates an increase in assets and a decrease in liabilities and a positive sign indicates a decrease in assets and an increase in liabilities is abandoned. The new sign convention by main items is as follows.

---

<sup>1</sup> Please see annex for changes introduced by BPM6.

## Current Account Balance and Capital Account

Both credit and debit items will be recorded with a positive (+) sign. Other than a few exceptions<sup>2</sup>, only the account balances under which items are netted out may carry a negative (-) sign. Account balances will be calculated by subtracting "debit" from "credit" and may take a positive (+) or a negative (-) value.

## Financial Account

The sign convention of Balance of Payments Financial Account will be consistent with the International Investment Position, with a positive sign showing an increase in assets or liabilities and a negative sign showing a decrease in assets or liabilities.

The account balances, under which asset and liability transactions are netted out, can be positive or negative.

Balance of the Financial Account in BPM6 format will have the exact opposite sign of the BPM5 Financial Account net balance. So, while in BPM5 net inflows are shown with positive sign, in BPM6 net inflows in Financial Account will have a negative sign.

Below are the changes that will be made regarding the main accounts.

### **a. Current Account**

The main change in the current account is the elimination of exceptions to the "change-in-ownership" principle, namely, recording all transactions in compliance with this principle. As a result, some items will be reclassified and moved between "Goods" and "Services". Accordingly;

- While a separate item under "Goods" account in BPM5 format, "Goods procured in ports by carriers" item will be included under "General Merchandise" through the "Adjustment" item, hence will not be presented as a separate item.
- The studies conducted by TURKSTAT on "Goods for processing" and "Goods for repair" items under "Goods" in BPM5, make it possible to reflect these items in the Balance of Payments. As transactions that are recorded under these items do not involve change-in-ownership in accordance with the new BPM6 standards, these items will be renamed and recorded under "Services" account respectively as "Manufacturing services on physical inputs owned by others" and "Maintenance and repair services n.i.e".
- "Net exports of goods under merchanting" item that was recorded under "Services"/ "Other Trade Services" will be moved to "Goods".
- "Postal and courier services", previously recorded under "Other Services", will be moved to "Transport"/ "Other transport" item.

---

<sup>2</sup> Reinvested earnings under direct investment income, net exports of goods under merchanting, and etc. may take negative values.

- “Investment Income Balance” and “Current Transfers” items will be renamed as “Primary Income” and “Secondary Income”, respectively. The content of the mentioned items will be basically the same. The main methodological change, as explained below in the “Financial Account” item, is the reflection of balance sheet based “Asset/Liabilities” presentation of “Direct Investment” item to the “Primary Income” item.
- “Workers’ Remittances” under “Current Transfers” will leave its place to “Personal Transfers” that records all transfers between residents and non-residents including workers’ remittances.

There will be no change in the Current Account Balance as a result of BPM6 conversion, since reclassifications take place between “Goods” and “Services” accounts. However the newly compiled items “Manufacturing services on physical inputs owned by others”, “Maintenance and repair services n.i.e” and “Personal Transfers” will be included in balance of payments statistics with the BPM6 publication. Because these items will also be included in the BPM5 based statistics, which will be published along with the BPM6 based statistics, no change will be observed in the current account balance due to BPM6 conversion.

## **b. Capital Account**

“Migrants’ Transfers” item will be removed from Balance of Payments as there is no economic transaction and no change in ownership regarding these kind of transactions.

## **c. Financial Account**

In BPM6, Financial Account is broken down into “Assets” and “Liabilities” for each sub item with the headings “Net Acquisition of Financial Assets” and “Net Incurrence of Liabilities, respectively.

- Even though it is not newly introduced by BPM6, “Portfolio Investment” / “Liabilities” / “Equity” will be broken down into “Banks” and “Other Sectors”, presenting the sector of the investment.
- The most significant change that BPM6 has introduced to the financial account is associated with Direct Investment. Direct Investment will be broken down into “Assets” and “Liabilities” based on the balance sheet approach instead of the previous “In Turkey” and “Abroad” presentation which was in line with the directional principle. In this context, for example according to the directional principle
  - Turkish parent companies’ direct investment in their foreign branches, affiliates and subsidiaries and
  - Foreign branches, affiliates and subsidiaries’ direct investment in their Turkish parents (Reverse Investment)had to be netted under “Abroad” item.

Under the new “Asset / Liability” presentation

- Turkish parent companies’ direct investment in their foreign branches, affiliates and subsidiaries will be shown under “Assets” item and
- Foreign branches, affiliates and subsidiaries’ direct investment in their Turkish parents (Reverse Investment) will be shown under “Liabilities” item.<sup>3</sup>

Within this framework, “Direct Investment” balance, which will not be affected due to “Reverse Investment”, will change with the use of the recently compiled “Direct Investment / Net Acquisition of Financial Assets / Other Capital” data along with the transition to the BPM6.

- According to BPM6, so called “permanent debt” transactions that take place between affiliated financial intermediaries are reclassified from Direct Investment to “Portfolio Investment “ and “Other Investment”. Since Turkey’s Balance of Payment Statistics are already compiled according to this principle, there will be no change.
- Likewise, as loans (net) extended by the non-resident fellow enterprises to the direct investment enterprises in Turkey, which are newly introduced in BPM6 under “Direct Investment / Net Incurrence of Liabilities / Other Capital”, has already been recorded in compliance with the new standards in Turkey’s Balance of Payment Statistics. On the other hand, the newly compiled data on loans (net) extended by the direct investment enterprise in Turkey to non-resident fellow enterprises will be recorded under the “Direct Investment / Net Acquisition of Financial Assets / Other Capital” item in the new BPM6 based publication.

---

<sup>3</sup> *The loans (net) provided by the parent companies in Turkey from their nonresident branches, affiliates and subsidiaries, which were recorded under “Direct Investment/In Turkey/Other Capital” item in the **BPM5 based previous publication**, will be recorded under “Direct Investment/Abroad/Other Capital” in the **BPM5 based new publication** along with the newly compiled data on *loans (net) extended by the parent companies in Turkey to their nonresident branches, affiliates and subsidiaries* in compliance with the methodology.*

Similarly, the newly compiled data on *loans (net) extended by the branches, affiliates and subsidiaries in Turkey to the nonresident parent companies* and *loans (net) extended by the direct investment enterprises in Turkey to fellow enterprises abroad* will be recorded under “Direct Investment/In Turkey/Other Capital” item in the **BPM5 based new publication**.

Hence, “Direct Investment/Abroad” and “Direct Investment/In Turkey” items will be numerically different in the BPM5 based previous publication and in the BPM5 based new publication.

- In BPM6, new allocations of SDRs to member countries in IMF are recorded as increases in gross reserve assets and, at the same time, in long-term debt liabilities of the general government as “Net Incurrences of Liabilities”. In proportion to their existing quotas in the Fund, International Monetary Fund (IMF) made a general and a special Special Drawing Rights (SDR) allocation to all IMF members respectively in August 2009 in the amount of SDR 883.1 million and in September 2009 in the amount of SDR 75.9 million. In compliance with BPM6, the mentioned allocations were already recorded in 2009 balance of payments and international investment position statistics under “Other Investment / Liabilities / Other Liabilities” and “Reserve Assets / Foreign Exchange”.

## II. COMMUNICATION

Questions regarding “Balance of Payments and International Investment Position Manual, 6th Edition” will be answered through [odemeler.dengesi@tcmb.gov.tr](mailto:odemeler.dengesi@tcmb.gov.tr).

BPM6 based Balance of Payments publication will be announced with a press release and the new methodologies will be published at the Balance of Payments Statistics and International Investment Position web pages. Furthermore, BPM5 and BPM6 based statistics will be published together during the transition period.

Questions received through the transition period and the related replies will also be posted under “Frequently Asked Questions” on the web pages of the mentioned statistics.

### III. COMPARISON OF BPM6 WITH BPM5

BPM6		Notes	BPM5	
I -	CURRENT ACCOUNT		I -	CURRENT ACCOUNT
Goods, Services and Primary Income (A+B+C)			Mal, Hizmet ve Yatırım Geliri Dengesi (A+B+C)	
Goods and Services (A+B)			Goods and Services (A+B)	
A.	GOODS		A.	GOODS
	Exports Imports			Exports Imports
1.	General merchandise on a balance of payments basis		1.	General Merchandise
1.1.	Exports f.o.b.		1.1.	Exports f.o.b.
1.1.1.	Exports f.o.b.		1.1.1.	Exports f.o.b.
1.1.2.	Shuttle trade		1.1.2.	Shuttle trade
1.1.3.	Adjustment: Coverage		1.1.3.	Adjustment: Coverage
1.2.	Imports f.o.b.		1.2.	Imports f.o.b.
1.2.1.	Imports c.i.f.		1.2.1.	Imports c.i.f.
1.2.2.	Adjustment: Classification		1.2.2.	Adjustment: Classification
1.2.3.	Adjustment: Coverage	(1)	1.2.3.	Adjustment: Coverage
2.	Net exports of goods under merchandising (credit)	(2)	2.	Non Monetary Gold (net)
	Exports Imports			Exports Imports
3.	Non Monetary Gold (net)		3.	Goods procured in ports by carriers
	Exports Imports			Exports Imports
4.	Goods for processing		4.	Goods for processing
	Exports Imports			İhracat İthalat
5.	Repairs on goods		5.	Repairs on goods
	Exports Imports			İhracat İthalat
B.	SERVICES		B.	SERVICES
	Credit Debit			Credit Debit
1.	Manufacturing services on physical inputs owned by others	(3)	1.	Transportation
	Credit Debit			Credit Debit
2.	Maintenance and repair services n.i.e.	(4)		
	Credit Debit			
3.	Transport			
	Credit Debit			



3.1.	<b>Freight</b>				1.1.	<b>Freight</b>		
		Credit					Credit	
		Debit					Debit	
3.2.	<b>Other</b>		(5)		1.2.	<b>Other Transportation</b>		
		Credit					Credit	
		Debit					Debit	
4.	<b>Travel</b>				2.	<b>Travel</b>		
		Credit					Credit	
		Debit					Debit	
5.	<b>Construction</b>				3.	<b>Construction Services</b>		
		Credit					Credit	
		Debit					Debit	
6.	<b>Insurance and pension services</b>				4.	<b>Insurance Services</b>		
		Credit					Credit	
		Debit					Debit	
7.	<b>Financial Services</b>				5.	<b>Financial Services</b>		
		Credit					Credit	
		Debit					Debit	
8.	<b>Other Business Services</b>		(2)		6.	<b>Other Business Services</b>		
		Credit					Credit	
		Debit					Debit	
9.	<b>Government goods and services n.i.e.</b>				7.	<b>Government Services</b>		
		Credit					Credit	
		Debit					Debit	
10.	<b>Other Services</b>		(5)		8.	<b>Other Services</b>		
		Credit					Credit	
		Debit					Debit	
C.	<b>PRIMARY INCOME</b>		(6)		C.	<b>INCOME</b>		
		Credit					Credit	
		Debit					Debit	
1.	<b>Compensation of Employees</b>				1.	<b>Compensation of Employees</b>		
		Credit					Credit	
		Debit					Debit	
2.	<b>Investment Income</b>				2.	<b>Investment Income</b>		
		Credit					Credit	
		Debit					Debit	
2.1.	<b>Direct Investment</b>				2.1.	<b>Direct Investment</b>		
		Credit					Credit	
		Debit					Debit	
2.2.	<b>Portfolio Investment</b>				2.2.	<b>Portfolio Investment</b>		
		Credit					Credit	
		Debit					Debit	
2.3.	<b>Other Investment</b>				2.3.	<b>Other Investment</b>		
2.3.1.	<b>Interest Income</b>				2.3.1.	<b>Interest Income</b>		
2.3.2.	<b>Interest Expenditure</b>				2.3.2.	<b>Interest Expenditure</b>		
2.3.2.1.	<b>Long Term</b>				2.3.2.1.	<b>Long Term</b>		

2.3.2.1.1.	Monetary Authority		2.3.2.1.1.	Monetary Authority	
2.3.2.1.2.	General Government		2.3.2.1.2.	General Government	
2.3.2.1.3.	Banks		2.3.2.1.3.	Banks	
2.3.2.1.4.	Other Sector		2.3.2.1.4.	Other Sector	
2.3.2.2.	<u>Short Term</u>		2.3.2.2.	<u>Short Term</u>	
<b>D.</b>	<b>SECONDARY INCOME</b>	(7)	<b>D.</b>	<b>CURRENT TRANSFERS</b>	
1.	General Government		1.	General Government	
2.	Other Sectors		2.	Other Sectors	
2.1.	Personal Transfers		2.1.	Workers Remittances	
2.1.1.	Workers Remittances				
2.1.2.	Other Personal Transfers		2.2.	Other Transfers	
2.2.	Other Current Transfers				
<b>II -</b>	<b>CAPITAL ACCOUNT</b>	(8)	<b>II -</b>	<b>CAPITAL AND FINANCIAL ACCOUNT</b>	
1.	Gross acquisitions (DR.) / disposals (CR.) of nonproduced nonfinancial assets		<b>A.</b>	<b>CAPITAL ACCOUNT</b>	
			1.	Migrants' transfers	
			2.	Acquisition/Disposal of Nonproduced, Nonfinancial Assets	
<b>III -</b>	<b>FINANCIAL ACCOUNT</b>	(10)	<b>B.</b>	<b>FINANCIAL ACCOUNT</b>	
1.	Direct Investment	(9)	1.	Direct Investment	
1.1.	Net acquisition of financial assets		1.1.	Abroad	
1.1.1.	Equity Capital		1.1.1.	Equity Capital	Inflow Outflow
1.1.2.	Other Capital (Net)		1.1.2.	Other Capital (Net)	
1.2.	Net incurrence of liabilities	(9)	1.2.	In Turkey	
1.2.1.	Equity Capital		1.2.1.	Equity Capital	Inflow Outflow
1.2.2.	Other Capital (Net)		1.2.2.	Other Capital (Net)	
1.2.3.	Real Estate (Net)		1.2.3.	Real Estate (Net)	
2.	Portfolio Investment	(9)	2.	Portfolio Investment	
2.1.	Net acquisition of financial assets		2.1.	Assets	
2.1.1	General Government		2.1.1	General Government	
2.1.2	Banks		2.1.2	Banks	
2.1.3	Other Sectors		2.1.3	Other Sectors	
2.2.	Net incurrence of liabilities	(9)	2.2.	Liabilities	
2.2.1.	Equity Securities	(11)	2.2.1.	Equity Securities	
2.2.1.1.	Banks		2.2.1.1.	Banks	
2.2.1.2.	Other Sectors		2.2.1.2.	Other Sectors	
2.2.2.	<u>Debt Securities</u>		2.2.2.	<u>Debt Securities</u>	
2.2.2.1.	Monetary Authority		2.2.2.1.	Monetary Authority	
2.2.2.2.	General Government		2.2.2.2.	General Government	
2.2.2.2.1.	In Turkey		2.2.2.2.1.	In Turkey	
2.2.2.2.2.	Abroad		2.2.2.2.2.	Abroad	
2.2.2.3.	Borrowing		2.2.2.2.2.1.	Borrowing	
2.2.2.3.1.	Repayment		2.2.2.2.2.2.	Repayment	

2.2.2.3.2.	Banks		2.2.2.3.	Banks	
2.2.2.3.2.1.	In Turkey		2.2.2.3.1.	In Turkey	
2.2.2.3.2.2.	Abroad		2.2.2.3.2.	Abroad	
2.2.2.4.	Other Sectors		2.2.2.4.	Other Sectors	
2.2.2.4.1.	In Turkey		2.2.2.4.1.	In Turkey	
2.2.2.4.2.	Abroad		2.2.2.4.2.	Abroad	
<b>3.</b>	<b>Other Investment</b>		<b>3.</b>	<b>Other Investment</b>	
<b>3.1.</b>	<b><u>Currency and Deposits</u></b>		<b>3.1.</b>	<b>Assets</b>	
<b>3.1.1.</b>	<b>Net acquisition of financial assets</b>	(9)	<b>3.1.1.</b>	<b>Trade Credits</b>	
3.1.1.1.	Banks		3.1.1.1.	Credits Extended	
3.1.1.1.1.	Foreign Exchange		3.1.1.2.	Repayments	
3.1.1.1.2.	Turkish Lira		3.1.2.	Loans	
3.1.1.2.	Other Sectors		3.1.2.1.	Monetary Authority	
<b>3.1.2.</b>	<b>Net incurrence of liabilities</b>	(9)	3.1.2.2.	General Government	
3.1.2.1.	Central Bank		3.1.2.3.	Banks	
3.1.2.1.1.	Short Term		3.1.3.	Currency and Deposits	
3.1.2.1.2.	Long Term		3.1.3.1.	Banks	
3.1.2.2.	Banks		3.1.3.1.1.	Foreign Exchange	
3.1.2.2.1.	Foreign Exchange		3.1.3.1.2.	Turkish Lira	
3.1.2.2.1.1.	Turkish Lira		3.1.3.2.	Other Sectors	
3.1.2.2.1.2.	Other Sectors		3.1.4.	Other Assets	
3.1.2.2.2.	Yurtdışı Kişiler		3.1.4.1.	Monetary Authority	
<b>3.2.</b>	<b><u>Loans</u></b>		3.1.4.2.	General Government	
<b>3.2.1.</b>	<b>Net acquisition of financial assets</b>	(9)	3.1.4.3.	Other Sectors	
3.2.1.1.	Central Bank		<b>3.2.</b>	<b>Liabilities</b>	
3.2.1.2.	Banks		<b>3.2.1.</b>	<b><u>Trade Credits</u></b>	
3.2.1.3.	General Government		3.2.1.1.	Long Term	
<b>3.2.2.</b>	<b>Net incurrence of liabilities</b>	(9)	3.2.1.1.1.	Drawings	
3.2.2.1.	Central Bank		3.2.1.1.2.	Repayments	
3.2.2.1.1.	Credit and loans with the IMF		3.2.1.2.	Short Term	
3.2.2.1.1.1.	Drawings		3.2.1.2.1.	Drawings	
3.2.2.1.1.2.	Repayments		3.2.1.2.2.	Repayments	
3.2.2.1.2.	Short Term		3.2.2.	<b><u>Loans</u></b>	
3.2.2.1.3.	Long Term		3.2.2.1.	Monetary Authority	
3.2.2.1.3.1.	Drawings		3.2.2.1.1.	Use of Fund Credits and Loans	
3.2.2.1.3.2.	Repayments		3.2.2.1.1.1.	Drawings	
3.2.2.2.	Banks		3.2.2.1.1.2.	Repayments	
3.2.2.2.1.	Short Term		3.2.2.1.2.	Long Term	
3.2.2.2.2.	Long Term		3.2.2.1.2.1.	Drawings	
3.2.2.2.2.1.	Drawings		3.2.2.1.2.2.	Repayments	
3.2.2.2.2.2.	Repayments		3.2.2.1.3.	Short Term	
3.2.2.3.	General Government		3.2.2.2.	General Government	
3.2.2.3.1.	Credit and loans with the IMF		3.2.2.2.1.	Use of Fund Credits and Loans	
3.2.2.3.1.1.	Drawings		3.2.2.2.1.1.	Drawings	
3.2.2.3.1.2.	Repayments		3.2.2.2.1.2.	Repayments	
3.2.2.3.2.	Short Term		3.2.2.2.2.	Long Term	

3.2.2.3.3.	Long Term		3.2.2.2.2.1	Drawings
3.2.2.3.3.1.	Drawings		3.2.2.2.2.2	Repayments
3.2.2.3.3.2.	Repayments		3.2.2.2.3.	Short Term
3.2.2.4.	Other Sectors		3.2.2.3.	Banks
3.2.2.4.1.	Short Term		3.2.2.3.1.	Long Term
3.2.2.4.2.	Long Term		3.2.2.3.1.1.	Drawings
3.2.2.4.2.1.	Drawings		3.2.2.3.1.2.	Repayments
3.2.2.4.2.2.	Repayments		3.2.2.3.2.	Short Term
<b>3.3.</b>	<b><u>Trade Credits</u></b>		3.2.2.4.	Other Sectors
<b>3.3.1.</b>	<b>Net acquisition of financial assets</b>	(9)	3.2.2.4.1.	Long Term
<b>3.3.1.1.</b>	Credits Extended		3.2.2.4.1.1.	Drawings
<b>3.3.1.2.</b>	Repayments		3.2.2.4.1.2.	Repayments
<b>3.3.2.</b>	<b>Net incurrence of liabilities</b>	(9)	3.2.2.4.2.	Short Term
3.3.2.1.	Short Term		3.2.3.	<b><u>Currency and Deposits</u></b>
3.3.2.1.1.	Drawings		3.2.3.1.	Monetary Authority
3.3.2.1.2.	Repayments		3.2.3.1.1.	Long Term
3.3.2.2.	Long Term		3.2.3.1.2.	Short Term
3.3.2.2.1.	Drawings		3.2.3.2.	Banks
3.3.2.2.2.	Repayments		3.2.3.2.1.	Banks
<b>3.4.</b>	<b><u>Other Assets and Liabilities</u></b>		3.2.3.2.1.1.	Foreign Exchange
<b>3.4.1.</b>	<b>Net acquisition of financial assets</b>	(9)	3.2.3.2.1.2.	Turkish Lira
3.4.1.1.	Central Bank		3.2.3.2.2.	Other Sectors
3.4.1.2.	General Government		3.2.4.	<b><u>Other Liabilities</u></b>
3.4.1.3.	Other Sectors			
<b>3.4.2.</b>	<b>Net incurrence of liabilities</b>	(9)		
3.4.2.1.	Central Bank			
3.4.2.2.	Other Sectors			
<b>3.5.</b>	<b><u>Special drawing rights (Net incurrence of liabilities)</u></b>	(12)		
<b>4.</b>	<b>Reserve Assets</b>		<b>4.</b>	<b>Reserve Assets</b>
4.1.	Reserve Position in the Fund		4.1.	Reserve Position in the Fund
4.2.	Foreign Exchange		4.2.	Foreign Exchange
4.2.1.	Currency and Deposits		4.2.1.	Currency and Deposits
4.2.2.	Securities		4.2.2.	Securities
<b>IV -</b>	<b>NET ERRORS AND OMISSIONS</b>		<b>III -</b>	<b>NET ERRORS AND OMISSIONS</b>

(1) Imports of "Goods procured in ports" which was recorded separately under "Goods" in BPM5, is now included under "General Merchandise Trade / Imports" through "Adjustment" item in BPM6. For exports however, as "Goods procured in ports" is already reflected in exports f.o.b. statistics compiled by the TURKSTAT, there is no such an adjustment.

(2) "Net exports of goods under merchanting (credit)" was recorded under "Other Business Services" in BPM5.

- (3) "Goods for processing" which was recorded under "Goods" in BPM5, is now moved under "Services" in BPM6.
- (4) "Repairs on goods" is moved under "Services" in BPM6 from "Goods".
- (5) "Postal and Courier Services" which was commingled in "Services / Other Services" in BPM5 presentation is now moved under "Transportation / Other Transport" in BPM6.
- (6) "Income" in BPM5 is now renamed as "Primary Income".
- (7) "Current Transfers" in BPM5 is now renamed as "Secondary Income".
- (8) "Migrant Transfers" in BPM5 is removed in BPM6.
- (9) "Assets / Liabilities" classification in BPM5 is now replaced with "Net acquisition of financial assets" and "Net incurrence of liabilities" in BPM6.
- (10) "Direct Investment" which was broken down as "In Turkey" and "Abroad" in accordance with directional principle in BPM5 is now shown as "Net acquisition of financial assets" and "Net incurrence of liabilities" based on the balance sheet approach.
- (11) "Equity securities" is now broken down as "Banks" and "Other Sectors".
- (12) SDR allocations are now recorded as a separate item in BPM6.

## ANNEX: CHANGES INTRODUCED BY BPM6

BPM6 has been published by the IMF in 2009. The Manual serves as the standard framework for the compilation of statistics on the transactions (balance of payments – BOP) and positions (international investment positions – IIP) between an economy and the rest of the world. It explains concepts, definitions, classifications and conventions for BOP and IIP statistics.

The following sections have been prepared in order to assist users in understanding the impact of conversion to BPM6 and methodological changes from BPM5 to BPM6.

### 1. Presentational Changes

- The foremost presentational change introduced with BPM6 is the actual name of the Manual, which now gives equal importance to transactions and positions (stocks), by including “international investment position” as part of the title.
- The most relevant presentational change relates to foreign direct investment (FDI), whose standard presentation is now on a “gross” basis (assets and liabilities), instead of the former “directional principle”, which would net out reverse investment.
- In the current and capital accounts, both credits and debits are now presented with a positive sign, while in BPM5 debits were presented with a negative sign. A positive number indicates an increase in assets or liabilities and a negative number the opposite.
- Several nomenclature changes are introduced in the BPM6. The financial account uses the headings “Net Acquisition of Financial Assets” and “Net Incurrence of Liabilities” instead of “debits” and “credits.”
- In BPM6, the terms “Primary Income” and “Secondary Income” replace “Income” and “Current Transfers” respectively.
- BPM6 strengthens the data on sectors by introducing a breakdown of “Other Sectors” into “Other Financial Corporations”; and “Nonfinancial Corporations, Households and NPISHs”. Furthermore, in BPM6, “Central Bank” replaces “Monetary Authorities” as an institutional subsector, whereas “Monetary Authorities” remains an essential concept for defining reserve assets.

### 2. Methodological Changes

It should be highlighted that core methodological concepts remain broadly unchanged and it is designed to ensure that there are no changes to i) the balances

on current account, capital account or financial account; ii) the level of reserve assets; and iii) the net errors and omissions.

### **a. Goods and Services Accounts**

The goods and services is the area that is most extensively affected by the introduction of BPM6. The classification of certain transactions as goods and services has changed due to elimination of exceptions to the change-in-ownership principle. The most important changes can be listed as follows:

“Goods Procured in Ports by Carriers” are included under general merchandise rather than as a separate item under goods.

BPM6 introduces “Manufacturing Services on Physical Inputs Owned by Others” (goods for processing). This recommendation changes the treatment of goods that are sent abroad for further processing and subsequently returned without any change in ownership. These goods are excluded from merchandise trade, and the difference between the two gross flows is recorded as a service.

Goods for repair, which was recorded under goods in BPM5, is renamed as “Maintenance and Repair Services, n.i.e.” and included under services in BPM6.

BPM6 recommends classifying merchanting, which is the purchase and subsequent resale of goods abroad without the goods entering or exiting country’s borders, as a component of trade in goods under the new category “Net Exports of Goods Under Merchanting”. In BPM5, it was included in “Merchanting and Other Trade-related Services” under services account.

BPM6 recommends the introduction of “Financial Intermediation Services Indirectly Measured (FISIM)” under services account. FISIM captures implicit fees obtained by financial institutions for lending and deposit-taking services through the margin between interest payable for loans and deposits and the cost of funds.

Financial dealers’ margins are clearly presented as a service charge in BPM6. The difference between the reference price and the dealer’s buying and/or selling price at the time of sale represents the value of the service.

The compilation of insurance transactions under BPM6 is more sophisticated than it was under BPM5 and has a broad impact throughout the accounts, including the estimation of the services component.

BPM6 recommends reclassification of the transactions related to the use and sale of intellectual property. It uses the title “Charges for the Use of Intellectual Property” instead of “Royalties and License Fees” in BPM5, which included the transactions for the use and sale of intellectual property indistinguishably.

“Postal and Courier Services”, which were recorded under “Services/Communication Services” in BPM5, is reclassified into “Services/Other Transport” in BPM6.

## b. Primary and Secondary Income Accounts

The term “Primary Income” is introduced in BPM6 and corresponds to “Income” under BPM5 concept of plus some current transfers’ items (taxes on production and imports, subsidies and rents). In methodological terms, the main change is the treatment of direct investments and the recording of reinvested earnings on investment fund shares.

The “Secondary Income” account corresponds broadly to current transfers in BPM5. BPM6 also introduces the concept of “Personal Transfers”, which includes all current transfers in cash or in kind between resident households and non-resident households. “Workers’ Remittances” are part of “Personal Transfers” and may be shown as an “of which” entry. “Secondary Income” is also affected by changes arising from the enhanced coverage of current transfers on insurance and pension services.

## c. Capital Account

In BPM6, “Migrants’ Transfers” do not involve a change of ownership and not included in the balance of payments as capital transfers. The change in cross-border assets (such as bank balances and real estate ownership) and liabilities between economies are recorded as reclassifications in “other changes in volume” in the IIP.

In BPM6, purchases and sales of franchises and trademarks continue to be recorded in the capital account. However, patents, copyrights, and other intellectual property ownership rights are no longer included in the capital account, and recorded in services.

## d. Financial Account

### Direct Investment:

The significant change in the financial account relates to foreign direct investment (FDI). In BPM5, FDI was presented on a directional basis. However in BPM6, FDI is presented on a **gross assets and liabilities basis**, with detail that separately identifies the relationship between the investor and the entity receiving the investment. For example, the asset side of FDI account includes the transactions of:

- (a) direct investor in direct investment enterprises,
- (b) direct investment enterprises in direct investor (**reverse investment**),
- (c) claims on **fellow enterprises** abroad.



The concepts of direct investor and direct investment enterprise remain broadly unchanged, whereas investment between fellow enterprises<sup>4</sup> is added.

All debt transactions (including the BPM5 concept of permanent debt) between affiliated financial corporations (deposit-taking, investment funds and other financial intermediaries except insurance corporations and pension funds) are excluded from FDI transactions, and reclassified to portfolio or other investment.

Both the presentational change (i.e., the recording of FDI on a gross basis) and the methodological change (reclassifying debt transactions between affiliated financial corporations) result in changes in total FDI assets and total FDI liabilities under the BPM6 methodology.

### **Other Changes in the Financial Account:**

In BPM6, interest income is adjusted to remove the FISIM component, with pure interest remaining. Transactions in other equity not included in direct investment (e.g. equity participations in international organizations) are now identified separately in other investment.

In BPM6, new allocations of SDRs to member countries in IMF are recorded as increases in gross reserve assets and, at the same time, in long-term debt liabilities of the general government as “Net Incurrences of Liabilities”. The main change from BPM5 is the treatment of the SDR allocation as a long-term debt liability recorded in both the transactions and position data.

In BPM6, monetary gold consists of gold bullion and unallocated gold accounts<sup>5</sup> with non-residents that give title to the delivery of gold. In BPM5, monetary gold only consisted of gold bullion; BPM5 did not discuss the treatment of unallocated gold. Thus, the definition of monetary gold was revised with BPM6 to include unallocated gold accounts held by monetary authorities with non-residents.

---

<sup>4</sup> “Fellow enterprises” are related enterprises (those in a direct investment relationship with each other because they are under the control or influence of the same immediate or indirect investor), but neither holds 10 percent or more voting power in the other).

<sup>5</sup> Unallocated gold accounts represent a claim against the account operator to deliver gold. The account provider holds title to physical gold, and it issues claims to account holders denominated in gold, but that do not give title to specific gold bars (or other forms of gold)