Changes in the methodology and classifications of the balance of payments and the international investment position

The German balance of payments is a comprehensive systematic presentation of all economic transactions between residents and non-residents in a given reporting period. The underlying methodological concept will be brought into line with the revised standard of the International Monetary Fund when the data for the reporting month of May are published in July 2014. The balance of payments statistics will then be consistent with the framework set out in the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6). The new rules are binding for the EU member states by virtue of a Council regulation amended by the European Commission. Moreover, the reporting requirements for Eurosystem national central banks vis-à-vis the European Central Bank (ECB) are stipulated in detail in an ECB guideline.

Although the basic structure of the balance of payments, which includes the current account, the capital account and the financial account, will be retained under the new regulations, the existing framework for recording and capturing international economic relationships has been modified in many respects in order to take account of economic and technical changes. New sub-account classifications, more detailed breakdowns and the inclusion of transactions that were not previously recorded will increase the informative value of the statistical accounting system. All in all, the methodological frameworks for the national accounts and the balance of payments have now been fully harmonised.

The relationship between the flow variables in the financial account and the stock variables in the international investment position is emphasised by an integrated statement. It reveals whether changes in the individual stock positions result from transactions, valuation effects or other adjustments. Following this logic, the use of signs in the financial account has henceforth changed. Net capital exports will now be viewed as an increase in net external assets and therefore – in a change to previous practice – recorded with a positive sign. The relationship between cross-border assets and the resulting income flows will also be a prominent aspect.

The quantitative impact of the methodological changes on the balances of the major sub-accounts is relatively small. The amount by which the current account balance has been lowered for purely methodological reasons is on a similar scale to the normal annual revisions. As a result, the ratio of the current account balance to gross domestic product (GDP) monitored by the European Commission as part of the Macroeconomic Imbalance Procedure has been revised downwards slightly. It is now no longer continuously above the indicative threshold, as it had been since 2007.

The informative value of the balance of payments statistics

Balance of payments and international investment position as key components of the external statistics

The German economy is deeply integrated into the international division of labour due to the high degree of openness of its real economy and financial sector. The balance of payments and the international investment position provide a systematic and comprehensive presentation of multi-faceted external economic interrelations.[1] The balance of payments statistics are period-based and record the value of all the economic transactions between residents and non-residents[2] in a given period. For example, they provide information about the volume of goods or services Germany exported in a year, quarter or month to which countries, the amount of direct investment conducted or the volume of foreign securities purchased by domestic investors. By contrast, the international investment position shows the holdings of all financial assets and liabilities between residents and non-residents at a certain point in time, valued using the market prices and exchange rates on the relevant reporting date. Among other things, it allows the level and composition of the net external assets to be monitored. Since the launch of European Monetary Union in 1999, Germany's net external assets have increased from 4.5% of nominal GDP to over 45% of GDP by the end of 2013.

International comparability of national statistics

To enable the international comparison of these statistics, the International Monetary Fund (IMF) has, in cooperation with experts from national and international institutions, developed a framework for compiling the balance of payments and the international investment position, the Balance of Payments and International Investment Position Manual, which is now in its sixth edition (BPM6).[3] The statistical reporting requirements for the EU and euro-area countries in these areas are laid down in a Council regulation amended by the European Commission. The data that must be submitted to the ECB are furthermore specified in an ECB guideline.[4] However, a few deviations from the internationally accepted methodology still exist. These are due, among other factors, to the limits of what is practical, but also to historically founded and partly codified national points of reference in the statistical collection framework.

External indicators play a prominent role in the EU's macroeconomic imbalance procedure

National external indicators are increasingly being used to identify potential undesirable developments early on. In addition to the Stability and Growth Pact and the Excessive Deficit Procedure, the EU countries have introduced the Macroeconomic Imbalance Procedure (MIP).[5] It consists of a set of, at present, 11 economic indicators with recommended thresholds intended to provide initial warnings of internal or external imbalances. External indicators play a prominent role. The European Commission analyses the current account balance as a percentage of GDP in greater detail if the three-year backward-moving average of a member state has fallen below -4% or risen above +6%. The analogous lower threshold for the net international investment position is fixed at -35% of GDP. As a further indicator, the share of world exports should not fall by more than 6% within a period of five years.[6]

Consolidated data for monetary policy

Regardless of this, a single monetary policy requires statistical information for the entire currency area as a basis for making decisions. This

1 For general information about the structure, content and informational value of the balance of payments and the international investment position, see http://www.bundesbank.de/Navigation/EN/Statistics/External_sector/external_sector.html.
2 The balance of payments and the international investment position regard individuals who have lived in Germany for more than one year as residents regardless of their nationality, while German citizens who have lived abroad for more than one year are considered non-residents in terms of the balance of payments statistics.
3 IMF (2009), Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6).
4 Commission Regulation (EU) No 555/2012 of 22 June 2012 and Guideline of the European Central Bank 23/2011 of 9 December 2011.
5 Macroeconomic Imbalance Procedure; Regulation (EU) No 1176/2011 of 16 November 2011 and European Commission (2012), Macroeconomic Imbalance Procedure, Scoreboard for the surveillance of macroeconomic imbalances, European Economy, Occasional papers 92.
6 See Deutsche Bundesbank, The German economy's current account surplus, Annual Report 2013, pp 39-60.

information includes a consolidated balance of payments and a joint international investment position for the euro area, compiled by the ECB from the member states' national contributions. The largest contribution to this in terms of value is provided by the Bundesbank in the form of its data for Germany.

Reasons for revising the recommendations

Increasing complexity of international transactions ….

The framework for compiling balance of payments statistics was last updated in 1993. Since then, globalisation has advanced rapidly due to new types of information technology and the removal of trade barriers and capital controls. As a result, the global export of goods and services has increased fivefold in nominal terms over the last 20 years, while global GDP has tripled.[7] International corporate structures with long value-added chains, complex financial linkages and ownership structures are becoming increasingly common in the economy.[8]

… and a sharp rise in holdings of external assets

Cross-border financial assets and the associated income flows have become considerably more significant due to the dynamic growth in the international capital markets. However, because the transaction volumes often account for only a small part of the stocks, the stocks themselves are often more useful as an indicator of dependencies and potential contagion channels. The importance of the volume of external stocks is reflected, *inter alia*, in the G20 recommendations dating from 2009 on closing the information gaps identified during the recent financial crisis.[9]

Consistency with the almost simultaneous conversion of the national accounts

To further improve the consistency of the macroeconomic accounts systems, the balance of payments manual was revised at the same time as the national accounts regulations and adapted in line with their development. Together, the European Commission, the IMF, the Organisation for Economic Cooperation and Development (OECD), the United Nations (UN) and the World Bank revised and published the System of National Accounts (SNA 2008).[10] The accounting rules for the EU countries are specified in further detail and enshrined in the European System of National and Regional Accounts (ESA 2010).[11] The changeover to the two new international standards will take place in the EU in the course of 2014. The concepts for the national and international balance of payments and national accounts in the EU countries will then be completely consistent with one another.

Significant changes to the current account and the capital account

New terms

New terms have been introduced within the current account. Compensation of employees and investment income are now referred to as primary income, which also includes taxes on production and imports as well as subsidies and rents. Current transfers have also been renamed, and are now referred to as secondary income. The capital transfers will henceforth be termed the capital account.

Strict application of the change of ownership principle with regard to goods flows …

Furthermore, BPM6 redefines the boundary between goods and services transactions. Transactions relating to produced goods are listed under "trade in goods" as long as there is a change of ownership between a resident and a non-resident (change of ownership principle).

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7 IMF, World Economic Outlook, statistical database, April 2014.
8 See also Deutsche Bundesbank, Mapping intra-group relationships and consolidation effects in statistics, Annual Report 2011, pp 113-115.
9 These include, in particular, recommendations 10, 11 and 12 by the G20 on improving the data used to analyse cross-border financial interlinkages. They relate to the further development of the concept, the reporting of data as part of the international banking statistics of the Bank for International Settlements and the IMF's Coordinated Portfolio Investment Survey, and the quarterly reporting of international investment position data. See Financial Stability Board and IMF, The Financial Crisis and Information Gaps, Fourth Progress Report on the Implementation of the G-20 Data Gaps Initiative, September 2013, p 10 ff.
10 European Commission, IMF, OECD, UN, World Bank (2009), System of National Accounts 2008 (SNA 2008).
11 EU Regulation No 549/2013 of 21 May 2013.

… means that transactions of goods under merchanting are listed in the goods account …

As a result, merchanting[12] is no longer seen as a service for wholesale arrangements; instead, the new recommendations emphasise the change of ownership of the goods. For this reason, merchanting is now treated as a special form of trade in goods and is shown as a separate sub-item within this account. Goods acquired under merchanting are recorded as negative exports, because they are acquired solely in order to generate corresponding sales (positive exports).[13] This new methodology does not affect the current account balance, but does lead to significant changes in terms of the geographical breakdown. Under the previous rules (BPM5), net earnings from merchanting corresponded to the service provided, which was recorded by convention vis-à-vis the economic territory of the purchaser. Now, the balance per country is calculated based on all transfers of ownership of goods under merchanting for that particular country.[14] Another change results from a more legal slant with regard to accounts denominated in precious metals.[15] Because of their contractual character, they are now classified as foreign currency accounts and not as repositories. The account movements therefore no longer appear under merchanting, but as financial transactions in other investment.

… and that value added of manufacturing is recorded as services

According to the new methodology, imports and exports of goods related to manufacturing services where goods remain the property of the contracting party are no longer recorded in goods. Instead, the processing fee an enterprise receives for processing the goods is recorded as a service. The same principle applies to cross-border repairs of goods. Under the new methodology, the balance resulting from cross-border movements of goods before and after processing may differ from the processing fee if, for example, market prices for the goods change during the processing period. The new reporting method could therefore lead to changes in the current account balance.

Greater conceptual differences compared with the foreign trade statistics

The strict application of the transfer of ownership principle in the balance of payments statistics has led to greater conceptual differences between these and the foreign trade statistics. Such differences occur whenever goods physically cross the border (which is of crucial importance for the foreign trade statistics) without a change in ownership between residents and non-residents. Any such disparities between the two sets of statistics are shown under "supplementary trade items".

Electricity trading as a special case

At the same time as introducing BPM6, Germany's balance of payment statistics will adapt the accounting practice used for electricity and gas to meet international practices. In particular, electricity trading via commodity forward contracts has increased distinctly due to the liberalisation of the European energy market. This has resulted in a sizeable increase in the gross figures, as chain transactions are frequently concluded in such cases. The intention of the traders here is to align their contractual obligations with the amount of electricity that is actually produced (but cannot be stored) at the agreed delivery date. Forward transactions of this kind concluded between residents and non-residents are now recorded solely under "financial derivatives" in the financial account. Only actual cross-border electricity deliveries as defined in the foreign trade statistics remain in the goods account.

Harmonised basis for measuring services …

Trade in services between residents and non-residents has seen a remarkable upswing in recent years. The more detailed information on services required under BPM6 is supplemented by more extensive international recommenda-

12 Merchanting takes place when residents purchase goods abroad which they then sell to other non-residents without first bringing the goods into their country of residence.
13 Net exports of goods under merchanting shown on the export side under "trade in goods" may therefore be negative as a result of changes in inventories.
14 Negative merchanting balances are often visible when looking at individual countries. As a result of the new methodology, in extreme cases, the overall item "goods, exports" with this country may be negative.
15 For these types of sight account, the claim to delivery relates only to type and quality; the account holder does not have any ownership rights to certain specified precious metal holdings.

tions which, in the EU, have been partially incorporated into the new statistical reporting requirements. Here, the Manual on Statistics of International Trade in Services (MSITS)[16] serves as the key guideline. This manual, designed in particular to meet the needs of the World Trade Organization's General Agreement on Trade in Services,[17] was published in an updated format in 2010.[18]

… in European trade policy

Such disaggregated data are not least of particular relevance in connection with the EU's harmonised foreign trade policy as a member of the WTO as well as for bilateral and regional negotiations. Moreover, the more detailed information better fulfils the requirements of the input-output analysis which, as an integral part of the national accounts, provides a statistical picture of the production links within an economy and of the flows of goods and services between the domestic economy and the rest of the world.

Treatment of insurance services aligned with the recording of domestic transactions in the national accounts

Data concerning insurance and pension services will in future be compiled in close collaboration with the Federal Statistical Office. Exports are estimated on the basis of the production value of German insurers derived from annual data provided by the insurance supervisory authority and calculated as the difference between premiums and expected claims. Premiums also encompass premium supplements representing income of policyholders from insurance technical reserves and taken into account when calculating the services component. Once adjusted for the services component, premiums and claims payments will continue to be recorded under "secondary income" in the balance of payments. Apart from any premium supplements being taken into account, the calculation of reinsurance services has also changed. They are now calculated in exactly the same way as other non-life insurance services. In accordance with the BPM6 concept, insurance technical reserves will henceforth be shown under a new component in "other investment".

New concept for imputed banking services (FISIM)

A further new aspect of the balance of payments statistics (and which is in line with the national accounts) is the introduction of Financial Intermediation Services Indirectly Measured (FISIM). Here, the underlying consideration is that financial intermediaries frequently choose to be remunerated for a service indirectly through the associated interest margin. Under BPM5, the actual income from lending and deposit rates was recorded in its entirety under "income"; however, in future such interest income is to be adjusted for FISIM services. These services will be calculated by the Federal Statistical Office within the framework of the national accounts using a designated model where the deviation of the actual interest rate from the respective reference rate (which does not include a service fee) serves as the price component and is multiplied by the deposit or credit volume as the quantity component.[19] Under primary income, non-banks' interest income on deposits held abroad is to be expanded to include FISIM services,[20] whereas interest expenditure on cross-border loans will be reduced to take account of such services.[21] Conversely, the interest revenue of domestic banks will fall and their interest expenditure will increase. FISIM services will correspondingly appear as imports and exports under "financial

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16 UN, Eurostat, IMF, OECD, UNCTAD, UNWTO, WTO, Manual on Statistics of International Trade in Services 2010 (MSITS 2010), Geneva, Luxembourg, Madrid, New York, Paris and Washington, D. C., 2012.
17 GATS.
18 The statistical reporting requirements applying to the EU extend beyond BPM6 but are not as stringent as MSITS 2010 in every regard. For example, BPM6 advocates just three sub-categories for other business services, whereas MSITS 2010 breaks these down by as many as a further three levels; the EU stipulations fall somewhere between these two models.
19 The actual income from lending and deposit rates is calculated using the ESCB's interest rate statistics. As a rule, when determining the reference rate, use is made of the relevant interbank rate, distinguishing between currencies.
20 This rests on the assumption that the bank implicitly reduced the deposit interest rate by the value of the imputed banking service beforehand. The new procedure is equivalent to an alternative scenario in which the customer would on the one hand receive a higher level of deposit interest from the bank, but on the other hand be required to pay a fee for the service rendered.
21 It is therefore assumed that part of the interest on the loan serves to cover the costs of the service provided by the bank in connection with the bank transaction.

services"; the current account balance remains unaffected by this shift from the primary income to the services item.

Differentiated approach to intellectual property …

In the case of transactions involving intellectual property, BPM6 distinguishes between charges for the use, distribution and reproduction and the outright purchase or sale of these rights. Charges for the use, distribution or reproduction of intellectual property are now to be recorded as "services". Fees for the use of software and audio-visual media[22] are recorded under "computer services" and "personal, cultural, and recreational services" respectively; by contrast, all transactions entailing the right to reproduce or commercially distribute intellectual property are shown in the new service category "charges for the use of intellectual property". Licence fees allowing the use of the outcomes of research or commercial property rights, eg for trademarks, are also displayed here.

… with repercussions for the services account and the capital account

When acquiring or selling intellectual property rights, a distinction is now made between produced and non-produced non-financial assets. The first category of assets includes outcomes of research and development such as patents, copyrights or industrial process concepts, which are henceforth to be listed as "services" under the relevant category.[23] By contrast, transactions involving non-produced non-financial assets such as trademarks or emissions permits are to be recorded in the capital account.

Functional and sectoral rearrangement of investment income details

Under BPM6, the breakdown of the investment income item corresponds to that used for recording financial transactions in that income flows are initially listed using the functional categories "direct investment", "portfolio investment", "other investment" and "reserve assets", then broken down again within these categories according to the respective financial instrument. Using this more fine-tuned classification approach, income is assigned to the resident sectors and, in the case of securities claims, to the sector of the non-resident issuer. The same classification principle leads to a direct allocation of the income variables contained in the current account to the corresponding items in the financial account and the international investment position (IIP). In terms of value, the income data change due to the adjustment of interest income for FISIM services and to the recalculation of insurance technical reserves. The latter are shown separately in a new item, namely "insurance and pension services". This applies equally to the reinvested earnings of investment funds, which henceforth are to be presented on a separate basis. Moreover, income now also encompasses receipts arising from long-term construction projects, as these are no longer regarded as services and are instead treated as direct investment.

Integrated approach to the financial account and the international investment position

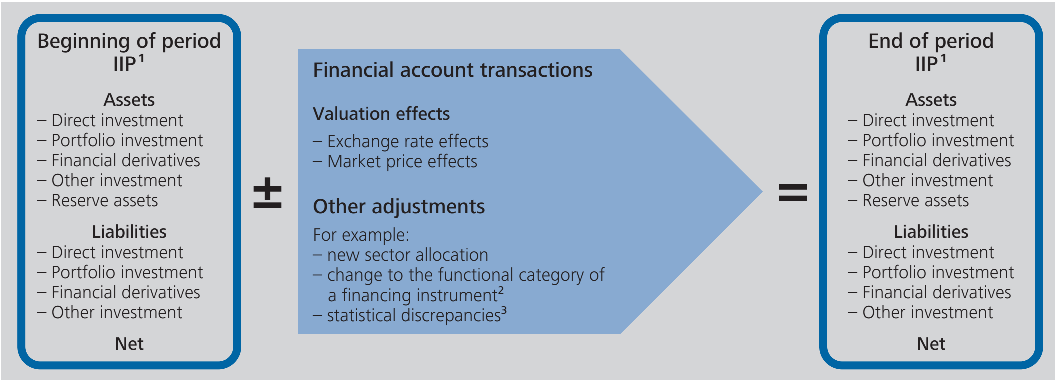
New convention for accounting entries in the financial account

BPM6 brings the use of signs in the balance of payments in line with the national accounts. This results in changes to the financial account. Until now, the decisive factor was the direction of the imputed cash flow involved in a transaction, with capital exports being recorded as a negative change and capital imports being allotted a plus sign. However, under the new convention, it is the change in the underlying stocks which is of key importance. Increases in claims and liabilities are entered as a positive change, while decreases are presented as a negative change. This means that the financial account balance is also allocated a different sign. Unlike in the past, a positive change now signifies a net capital export because it entails an increase in the net external assets.

22 Except payments for the unlimited use of standard products made available on data storage media. Such payments are listed under "trade in goods".
23 Computer services, personal, cultural, and recreational services or research and development services.

Integrated International Investment Position Statement (IIP)

Breakdown by sector and instrument



1 In total and broken down according to the sectors of the national accounts. **2** For example, a parcel of shares can be changed from the functional category "portfolio investment" to "direct investment, equity capital" if the investing enterprise's share of the voting power increases to 10% or above. **3** Discrepancies between the international investment position and the balance of payments, eg owing to different data sources.

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Uniform functional and sectoral breakdown for financial transactions, IIP and investment income

The relationships that exist between the financial account, the IIP and investment income are now clearly highlighted using a common breakdown for the various sets of figures. For instance, in future it will be possible to set stocks and investment income in relation to one another in detail according to the financing instruments involved. The new methodology largely adopts the classifications for sectors and for financial claims and liabilities that are used as standard in the national accounts. Nevertheless, the current push for greater detail is not always feasible in practice. Yields on bonds can initially only be gauged according to the sector of the domestic investor in a very rough manner using their relative shares in an entity's total stock of assets. These estimates are no more than approximate, and they fail to produce any differences in the yield profile of the various investor groups.

Integrated IIP statement

The IIP is depicted in an integrated statement, thus making it possible to identify and analyse for the individual items how changes in the stock result from financial transactions or other changes. The difference between the initial and the end IIP value of a given period is determined by financial account transactions, the valuation effects arising from market price or exchange rate fluctuations and a variable referred to as "other adjustments" which can result from, say, write-downs on non-collectable credit claims. At the aggregate level, the above factors are compounded by structural effects caused by portfolio shifts.[24]

Valuation losses dominant during the years of financial and economic crisis

While transactions have proved to be the most impactful factor in terms of changes in net assets over an extended period of time, the other two variables cited above have nonetheless been significant and at certain points in time have even been the dominant force. In 2007, 2008 and 2011 they outstripped capital flows abroad, with the effect that Germany's net external assets dwindled. Between 2007 and 2012, when the international financial and economic crisis was in full swing, net assets decreased by around €220 billion due to valuation adjustments alone. However, these valuation losses due to price and exchange rate effects only partially explain why Germany's net external assets have grown much more slowly than might be expected considering the cumulative financial account balance for this period. Not least, an additional role is played by statistical factors emanating from the differing

24 In practice, statistical discrepancies may also occur if the data for transaction and stock variables stem from different sources.

primary statistics that are used to compile the balance of payments and the IIP figures.[25]

Important for analysing cross-border financial interlinkages, …

The bulk of the net valuation losses were due solely to the gains in German sovereign bond prices, ie to an upward revaluation of external liabilities. In the wake of the financial crisis, the global interest rate level fell and Germany temporarily benefited from strong safe haven flows, a phenomenon which was reflected in rising prices. Non-residents' holdings were consequently given a higher valuation, thereby pushing up German gross debt. Although a higher market valuation impacts on yields, it does not mean that the German government's payment obligations vis-à-vis the rest of the world have increased. Upon maturity, the bonds are redeemed at their nominal value and the transaction is booked in the financial account. The difference compared with the figure previously recorded in the IIP is shown in the integrated statement under "valuation changes". This example illustrates why, when assessing cross-border financial interlinkages, IIP data on sectors, maturity and country breakdown need to be as comprehensive and robust as possible to enable interest rate and foreign exchange risks to be estimated, mutual dependencies to be detected and transmission channels for possible imbalances to be identified.

… which have increased in line with rising assets

This is all the more the case as holdings of cross-border assets have increased sharply. In this context, the data on gross stocks are more striking and, with regard to potential macroprudential risks, are ultimately more informative than the net figures. At the end of 2013, Germany's gross external assets amounted to €6.6 trillion, which equates to almost two-and-a-half times its GDP in 2013. Euro-area countries accounted for well over half of these assets, of which around €835 billion were attributable to those countries especially hard hit by the crisis.[26]

With regard to the statistical recording of direct investment relationships, two fundamental changes have been made which also apply to income from direct investment. First, these statistics are now to be recorded using the asset/liability principle as standard, rather than the directional principle, thereby bringing them into line with the methodology of the financial accounts and the financial assets and liabilities account. Under the asset/liability principle, assets and liabilities of all domestic units are recorded in the statistics, irrespective of the type of direct investment relationship. The main difference between this principle and the directional principle that was previously used concerns reverse investments (loans granted counter to the nature of the direct investment relationship).[27] Up until now, these have been netted against the assets or liabilities of the direct investors. Of course, the direct investment balance is not affected by this methodologically induced extension of the balance sheet.

Direct investment booked using asset/liability principle

The second major change affecting direct investment is the separate recording of credit relationships between fellow enterprises which have no direct investment relationship (ie neither of them is a direct investor in the other) but belong to the same group. Up until now, the financial relationships between resident and non-resident fellow enterprises have been recorded as links between direct investors and direct investment enterprises. The new methodology pays heed to differentiating as much as possible when recording capital flows between the enterprises of a direct investment group.

Separate recording of loans between fellow enterprises

Another new aspect is that construction projects which exist for more than one year are to be treated as a separate fictitious unit within

25 See Deutsche Bundesbank, Discrepancy between changes in foreign assets and the cumulative financial account balance: unsuitable indicator of wealth losses, Monthly Report, May 2014, pp 48-50.
26 Cyprus, Greece, Ireland, Italy, Portugal, Slovenia and Spain.
27 In Germany, owing to the available statistical data, relationships running counter to the actual direction of the capital participation are only recorded in the case of loans and not in the case of equity capital or other debt instruments, such as bonds.

Construction to be recorded as direct investment in some cases

the direct investment group and the activities carried out as part of the project are thus no longer to be classified as services. This affects the majority of construction reported in the balance of payments. As previous collections of statistical data in line with BPM5 did not differentiate according to how long the construction project had existed, until the end of 2013 all construction reported in the balance of payments is regarded as direct investment. The creation or completion of a construction project is booked as new investment in or liquidation of capital assets, and the remuneration for the services provided is recorded as primary income. From 2014 onwards, services in connection with short-term construction projects are to be recorded under services. Although this will result in minor transitional problems in quantitative terms at the end of 2013 / beginning of 2014 in the time series for services and primary income, the current account balance as a whole will not be affected.

Minor changes in booking portfolio investment, other investment and reserve assets

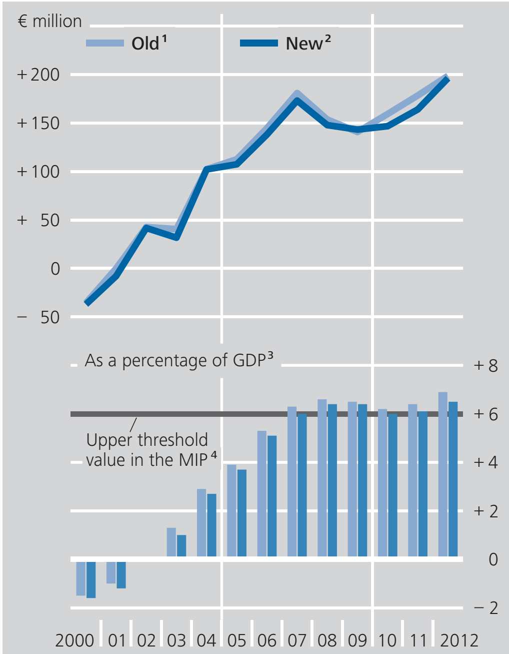
As is the case for investment income, portfolio investment will in future contain reinvested earnings of investment funds as a standard component. Other investment will also comprise the items "insurance and pension services" and "other equity". Furthermore, the sub-item "currency and deposits" will be defined more broadly and, alongside gold accounts, will also include in particular all interbank positions and all external liabilities of domestic banks, which in the past were primarily classified as loans. With regard to reserve assets, gold transactions and positions will in future be subdivided into gold bullion, which includes gold bars and allocated gold accounts, and gold receivables, to which no specific gold holdings are assigned.

New data sources and data availability

Double challenge due to new data requirements …

The new requirements entail numerous changes for the reporting parties, data recording, and data processing and provision. The key requirement of a more fine-tuned breakdown has made it necessary to collect additional information and exploit new data sources. The previous reporting forms have been supplemented or replaced by new ones; parallel to this, to ensure a seamless and thus faster processing of the data, the electronic submission of corporate reports has been made a legal requirement.

Current account balance according to the old and new concept



1 According to BPM5. **2** According to BPM6. **3** Three-year backward-moving average. **4** The European Commission's procedure for the prevention and correction of macroeconomic imbalances (Macroeconomic Imbalance Procedure – MIP).
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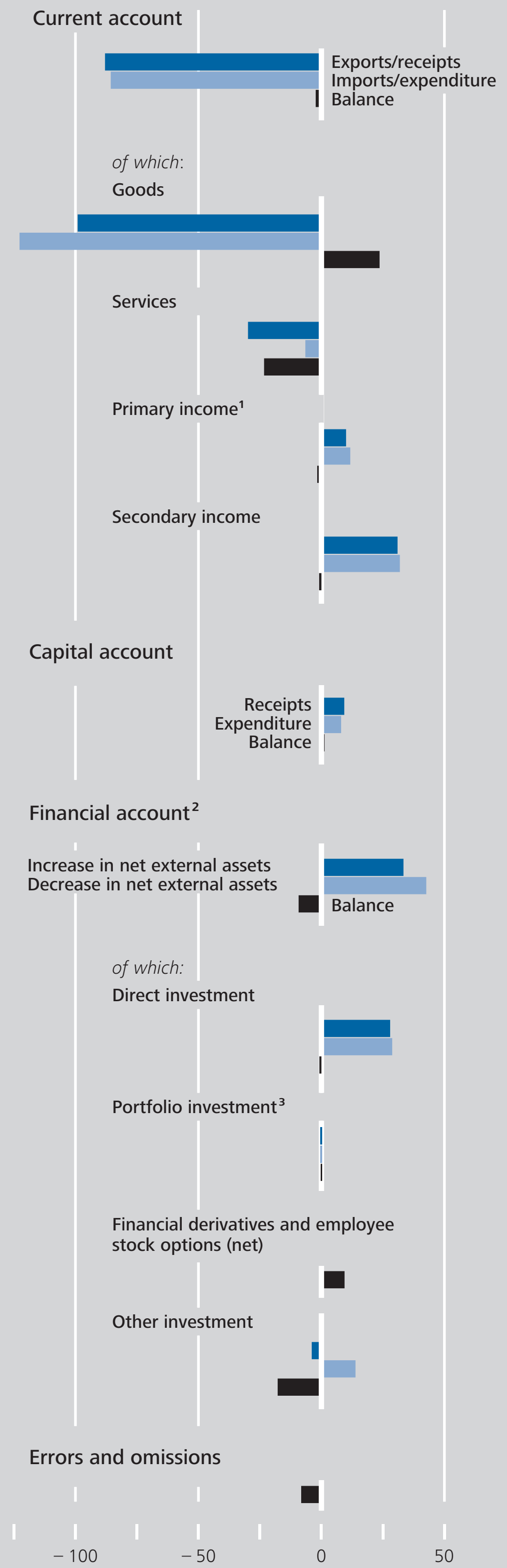
… and changeover to internationally harmonised time series keys

With regard to the submission of external statistics to international organisations, the previous codes for individual statistical time series have been replaced by a system of harmonised time series keys. The new Statistical Data and Metadata Exchange (SDMX) enables specific information on the underlying time series to be found at a certain place in the code. This makes it much easier for the user to classify the corresponding stocks and flows, as well as to compare data series from various national and international sources.

Differences resulting from the concept changeover

€ billion, 2012



1 Especially investment income. 2 BPM6 data in comparison to the BPM5 data already changed over to the new sign convention. 3 No quantitative impact, but a more detailed breakdown than previously.

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Bundesbank publications in line with BPM6 from July 2014 onwards

Within the EU, the changeover to BPM6 and ESA 2010 will take place during the course of 2014, with individual countries setting their own timetables within a given framework. In July 2014, the Bundesbank will for the first time publish the balance of payments (for the May 2014 reporting month) in accordance with the definitions and concepts contained in the new manual.[28] As the current account, which is compiled as part of the balance of payments statistics, is an important component of the national accounts, the new external statistics data for Germany will be published about one-and-a-half months before the detailed national accounts data are released. At the end of September, the IIP will be published for the first time in accordance with the new standard. The ECB and Eurostat will follow suit in the fourth quarter of 2014.[29]

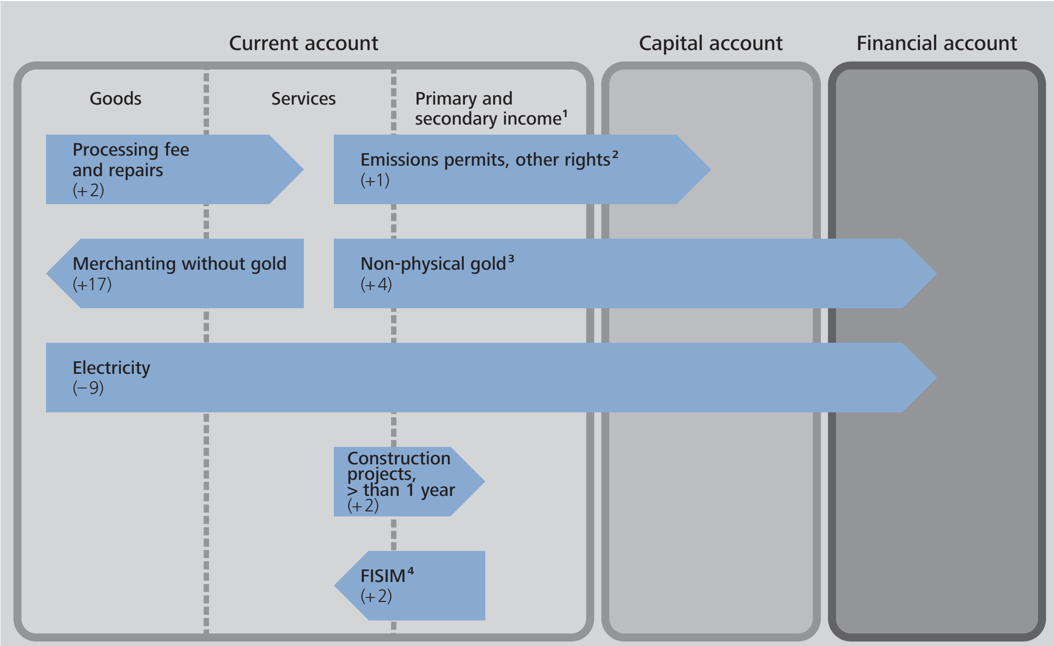
Methodological back-calculations up to 1971

Genuine detailed data collected in accordance with the new methodology will be available for the period from January 2013 onwards. For the period prior to 2013 dating back as far as 1971, the existing balance of payments and IIP data will be recalculated to bring them into line with the new concept.[30] The German data will be published in Statistical Supplement 3 to the Monthly Report, "Balance of payments statistics", as well as on various pages of the Bundesbank's website.[31]

28 The usual revisions to the statistics for the previous month will not be made during the necessary technical changeover period from April to October, but will then be made retrospectively in November 2014.
29 The Special Statistical Publication 10 "Foreign direct investment stock statistics" is scheduled to be published in accordance with BPM6 and the parallel update of the Benchmark Definition (BD4) – see OECD (2008), Benchmark Definition of Foreign Direct Investment, Fourth Edition – for the first time at the end of April 2015.
30 The IMF has created a conversion matrix for this purpose, which it has already been using for a while to convert BMP5 data at a highly aggregated level and publish them in accordance with the BPM6 methodology. www.imf.org/external/pubs/ft/bop/2008/08-10b.pdf.
31 http://www.bundesbank.de/Navigation/EN/Statistics/Time_series_databases/Macro_economic_time_series/macro_economic_time_series_node.html and http://www.bundesbank.de/Navigation/EN/Statistics/External_sector/Balance_of_payments/Tables/tabellen.html.

Selected shifts between the sub-accounts in 2012

€ billion, balances



1 Primary income includes compensation of employees and investment income as well as taxes on production and imports, subsidies and rents. Secondary income includes current transfers with no corresponding return, eg taxes on income and wealth, social security contributions and social benefits, transfers relating to international cooperation and remittances home by emigrant workers. **2** Including licence fees for radio frequencies or the purchase of name rights and renewable electricity certificates. **3** Accounts denominated in precious metals where the account holder does not have ownership rights to certain specified precious metal holdings. **4** Imputed banking services, Financial Intermediation Services Indirectly Measured (FISIM).

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Estimating the quantitative impact

Changeover has less of an impact than usual annual revisions

BPM6 tends to reduce the current account surplus, as some items that were previously counted towards the surplus are now booked in the capital account or the financial account. On an average of the period 2000 to 2012, the level of fluctuation remains in the mid-single-digit billions and is thus comparatively low.[32] The differences in the individual years range from -€14 billion in 2011 to +€2.4 billion in 2009 and are thus of no greater significance than the usual annual revisions, which in recent years fell within a range of +€3 billion and +€17 billion. The conceptual changes result in a slight reduction in the ratio of the current account balance to GDP, which is monitored by the European Commission as part of the Macroeconomic Imbalance Procedure. Consequently, the 6% threshold has no longer been exceeded every year since 2007.

But shifts within current account …

Within the current account, the new classification of merchanting represents the biggest change; the balance of +€17 billion in 2012 has been reclassified from services to goods. Conversely, the positive balances for processing fees and repairs (totalling +€2 billion) will now be recorded under manufacturing services. Consequently, the goods balance is higher than under the former concept, while the services balance is lower. This is especially the case as further surplus items have been factored out of the services balance, and the inclusion of FISIM services (+€2 billion) in this account rather than under primary income also does not compensate for the factored out items.

The biggest shift from the current account to the financial account is attributable to commodity forward contracts in electricity trading,

32 The BPM6 figures for 2013 and the first few months of 2014 will be published in July 2014 at the same time as the press release for the reporting month of May.

… and between the current account and the financial account

the execution of which is now booked under financial derivatives. In 2010 and 2011, this item recorded a surplus (+€4 billion and +€1 billion respectively), while in 2012 it recorded a deficit (-€9 billion). The inclusion of non-physical gold accounts under other investment (+€4 billion) results in an increase in the financial account. Overall, the methodological changes cause the current account and financial account balances to fall by €2 billion and €9 billion respectively vis-à-vis the previously recorded figures. By contrast, the capital account balance goes up by just over €1 billion. Errors and omissions, which even out the balances of these sub-accounts, are thus down by about one-third (-€8 billion) on the previously recorded level.